PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 12, 2021

NEW ISSUE—BOOK-ENTRY ONLY
BANK QUALIFIED

RATING:
S&P: "AA-"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. It is also the opinion of Bond Counsel that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$2,600,000*
ALPINE COUNTY UNIFIED SCHOOL DISTRICT
(Alpine County, California)
General Obligation Bonds
Election of 2018, Series B (2021)

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

The $2,600,000* Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021) (the "Bonds") are being issued by the Alpine County Unified School District (the "District") pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Board of Education of the District. The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 6, 2018, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $4,900,000 (the "Authorization"), and (b) pay for costs of issuance of the Bonds. The Bonds constitute the second and final issue of bonds under the Authorization. The Bonds will be issued as current interest bonds.

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by Alpine County (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Property Taxation System."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2021. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption" herein.

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, will be issued concurrently with delivery of the Bonds.

MATURITY SCHEDULE

SEE INSIDE FRONT COVER

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel, and for the Underwriter by Quarles & Brady LLP, Milwaukee, Wisconsin. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about March 11, 2021.

STIFEL

February __, 2021

*Preliminary, subject to change.

$2,600,000*
ALPINE COUNTY UNIFIED SCHOOL DISTRICT
(Alpine County, California)
General Obligation Bonds
Election of 2018, Series B (2021)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES

$__________ Serial Bonds

CUSIP† Prefix: ______

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix

$__________ ____% Term Bonds maturing August 1, 2049, Price: _____, to Yield _____% CUSIP† _____ __

*Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond or note owner and the District or the Underwriter indicated in this Official Statement.

This Official Statement should be considered in its entirety. Where statutes, ordinancince, reports or other documents are referenced in this Official statement, reference should me made to those documents and those sources for complete information regarding the subject matter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter 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 representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. Certain of the information set forth in this Official Statement has been furnished by sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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TABLE OF CONTENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
43 Hawkside Drive
Markleeville, California 96120
(530) 694-2230
http://alpinecoe.k12.ca.us.org/*

BOARD OF EDUCATION

Amy Mecak, *President*
Nani Ellis, *Clerk*
John Baker, *Board Member*
Amber Bill, *Board Member*
Joseph Daly , *Board Member*

DISTRICT ADMINISTRATION

Matthew Strahl, *Superintendent*
Lia Story, *Human Resources and Administrative Services Coordinator*
Klaus Leitenbauer, *Business Manager*
Denise Rodriguez, *Fiscal Services Coordinator*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
Capitol Public Finance Group, LLC
Roseville, California

PAYING AGENT
The Bank of New York Mellon Trust Company, N.A.,
Dallas, Texas

*Information therein is not incorporated by reference into this Official Statement.

$2,600,000*
ALPINE COUNTY UNIFIED SCHOOL DISTRICT
(Alpine County, California)
General Obligation Bonds
Election of 2018, Series B (2021)

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto, provides information in connection with the sale of the $2,600,000* Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021) (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover page and the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Alpine County Unified School District (the "District") was established in 1964 and provides K-12 education to the residents of Alpine County (the "County") in the state of California (the "State"). The District is located in Markleeville, the county seat, with boundaries coterminous with the County.

The District operates two elementary schools, an early learning center, and one community day school. The Alpine County Office of Education serves only the District, and, as a result, the two entities are in the same location and share a common administration, including board members and shared allocations of office space and personnel. The District's 2020-21 current enrollment is estimated to be 78 students, all in grades K-8. The District services its high school students (grades 9-12) through a Border Tuition Agreement with Douglas County Unified School District, located in Nevada, and in-state transfers with Bret Harte Union High School and South Lake Tahoe High School. Tuition is based on Average Daily Attendance of all District pupils enrolled in the Douglas County Unified School District multiplied by a per pupil expenditure for the applicable school year. The tuition is paid by Alpine County Office of Education.

The District is governed by a five-member Board of Education (the "District Board") who also serve as board members of the Alpine County Office of Education. Members of the District Board are elected by district to four-year terms. The members of the District Board elect a president each year. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel.

* Preliminary, subject to change.

The District's education funding base is "Community Funded", meaning its share of local property taxes exceeds the State funding requirement, and as a result, the District is entitled to keep its full share of local property tax revenues, including the amount which exceeds the State funding formula.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District's audited financial statements for the fiscal year ended June 30, 2020, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.

Sources of Payment for the Bonds

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the principal of and interest on the Bonds upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

On November 6, 2018, there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District to improve local school safety systems; provide accessibility for students with disabilities; update classrooms and improve technology to support quality instruction; update plumbing, heating, AC and electrical systems (the "Project"), in the maximum aggregate principal amount of $4,900,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the "Authorization").

Title 1, Division 1, Part 10, Chapter 2 (commencing with section 15100) of the California Education Code and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (collectively, the "Law"), the District is empowered to issue general obligation bonds.

The Bonds are being issued by the District pursuant to the Law and a resolution adopted by the Board of Education of the District (the "Board of Education") on January 14, 2021 (the "Resolution"), to (a) finance the Project, and (b) pay for costs of issuance of the Bonds. On April 30, 2019, the District issued its $2,300,000 Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series A (2019) (the "Series A Bonds"). The Bonds constitute the second and final issue of bonds under the Authorization.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 principal amount or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2021.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution as described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. It is also the opinion of Bond Counsel that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about March 4, 2021.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. Quint & Thimmig LLP, Larkspur, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL. Quint & Thimmig LLP, Larkspur, California, is also serving as Disclosure Counsel to the District with respect to the Bonds. Capitol Public Finance Group, LLC, Roseville, California, will act as Municipal Advisor to the District with respect to the Bonds. Quarles & Brady LLP, Milwaukee, Wisconsin, will act as counsel to the Underwriter. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District's financial statements for the Fiscal

Year ended June 30, 2020, have been audited by Stephen Roatch Accountancy Corporation, Folsom, California. See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Alpine County Unified School District, 43 Hawkside Drive, Markleeville, CA 96120, telephone (530) 694-2230. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," or other similar words. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the Law, and the Resolution.

Purposes of Issuance

The Bonds are being issued to (a) finance Project as described in the Authorization, and (b) pay for costs of issuance of the Bonds. On April 30, 2019, the District issued the Series A Bonds, which financed a portion of the costs of the Project under the Authorization. The Bonds constitute the second and final issue of bonds under the Authorization. See "—Estimated Sources and Uses of Funds."

Security

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and are obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for a reserve, established to avoid fluctuations in tax levies. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the Treasurer-Tax Collectors of the County will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not of the County.

Moneys placed in the Interest and Sinking Fund of the District are irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The property taxes and amounts held in the Interest and Sinking Fund of the District shall immediately be subject to this pledge, and the pledge shall constitute a lien and security interest which shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the Owners of the Bonds in addition to the statutory lien in accordance with section 53515 of the California Government Code, and the Bonds were issued to finance one or more projects and not to finance the general purposes of the District.

In accordance with section 53515 of the California Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the Authorization. The lien shall automatically attach without further action or authorization by the District or the County. The lien shall be valid and binding from the time the Bonds are issued and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County, through its Treasurer-Tax Collector, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interests in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY SYSTEM.

Interest on the Bonds accrues from their date of issuance and is payable semiannually on each Interest Payment Date. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2021, in which event it will bear interest from its date of delivery.

The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of the Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "Book Entry Only System" below.

See the maturity schedule on the inside cover page hereof and "Debt Service Schedule."

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, _____, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, _____, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, _____, from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Sinking Fund Redemption Date (August 1)	Principal Amount to be August

†Maturity

The Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Sinking Fund Redemption Date (August 1)	Principal Amount to be August

†Maturity

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected by the District evidenced by a Written Request of the District filed with the Paying Agent or, absent such selection by the District, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent shall select the Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. The Paying Agent is required to mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption.

Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. In the event only a portion of any Bonds is called for redemption, then upon surrender of such Bonds the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, will be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Defeasance

Discharge of Resolution. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust with an escrow holder, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and all covenants, agreements and other obligations of the District under the Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited in trust with an escrow holder as aforesaid for such payment, provided further, however, that the provisions of the Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust with an escrow holder money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of the Resolution, any moneys held by an escrow holder in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the Resolution, and all liability of the escrow holder with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described herein is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign, and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Bonds are as follows:

Sources of Funds:	
Principal Amount of Bonds	
Plus: Original Issue Premium	
Total Sources of Funds	
Uses of Funds:	
Deposit to Building Fund	
Deposit to Interest and Sinking Fund	
Deposit to Costs of Issuance Fund (1)	
Total Uses of Funds	

(1) Includes the Underwriter's discount, the fees of the municipal advisor, bond counsel, disclosure counsel, the rating agency and other third-party providers. Any excess in the Costs of Issuance Fund will be transferred to the District's Interest and Sinking Fund.

Financing Plan

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the Interest and Sinking Fund of the District within the County Treasury. All funds held in the Interest and Sinking Fund of the District shall be invested at the sole discretion of the County Treasurer-Tax Collector. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer's discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. The County Treasurer's Office neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds. See "COUNTY POOLED INVESTMENT FUND."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Account") and used to pay costs associated with the issuance of the Bonds.

Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Bond Year Ending August 1	Principal [1]	Interest [2]	Total
TOTAL			

(1) Includes mandatory sinking fund installments.
(2) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2021.

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests for the Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, 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. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District was established in 1964 and provides K-12 education to the residents of the County. The District is located in Markleeville, the county seat, with boundaries coterminous with the County.

The District operates two elementary schools, an early learning center, and one community day school. The Alpine County Office of Education serves only the District, and, as a result, the two entities are in the same location and share a common administration, including board members and shared allocations of office space and personnel. The District services its high school students (grades 9-12) through a Border Tuition Agreement with Douglas County Unified School District, located in Nevada, and in-state transfers with Bret Harte Union High School and South Lake Tahoe High School. Tuition is based on Average Daily Attendance of all District pupils enrolled in the Douglas County Unified School District multiplied by a per pupil expenditure for the applicable school year. The tuition is paid by Alpine County Office of Education.

The District is governed by the five-member District Board, whose members are elected by district to four-year terms. The members of the District Board elect a president each year. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel.

The District's education funding base is "Community Funded", meaning its share of local property taxes exceeds the State funding requirement, and as a result, the District is entitled to keep its full share of local property tax revenues, including the amount which exceeds the State funding formula.

Unless otherwise indicated, the financial, statistical and demographic data in this Official Statement has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Alpine County Unified School District, Attention: Business Services.

Board of Education and Administration

Elections for positions to the District Board are held every two years, alternating between two and three available positions. The current members of the District Board are listed in the following table.

District Board Member	Office	Current Term Expires (January)
Amy Mecak	President	2024
Nani Ellis	Clerk	2023
John Baker	Boardmember	2023
Amber Bill	Boardmember	2023
Joseph Daly	Boardmember	2024

The administrative staff of the District includes Superintendent Matthew Strahl, Lia Story, Human Resources & Administrative Services Coordinator, Klaus Leitenbauer, Business Manager, and Denise Rodriguez, Fiscal Services Coordinator.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District, which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is considered in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs and operations. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State. LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See "APPENDIX B-DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and "–2020-21 State Budget Provisions

Specific to K through 12 Education." As described below, the general *ad valorem* property tax levy, a portion of which is allocated to the District for operating purposes and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 47% of its total general fund operating revenues from local property taxes in fiscal year 2019-20.

Local property taxation is the responsibility of various officers of the counties. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes according to the approved tax rolls. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization (the "SBE") also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIIIA of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See APPENDIX B-DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from all of the tax rate areas in the District. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the SBE is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes beginning the second month after the delinquent date, and on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the SBE. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

HISTORIC ASSESSED VALUATIONS

Fiscal Year Ending June 30,	Local Secured	Utility	Unsecured	Total Valuation	% Growth
2014	$645,225,707	$835,000	$36,611,373	$682,672,080	0.8%
2015	652,712,876	873,674	32,966,994	686,553,544	0.5
2016	661,723,633	873,674	30,591,258	693,188,565	0.9
2017	669,385,857	875,633	33,081,067	703,342,557	1.5
2018	677,676,802	766,189	33,000,496	711,443,487	1.1
2019	690,118,051	766,189	42,212,781	733,097,021	3.0
2020	713,003,002	43,149	43,657,645	756,703,796	3.2
2021	730,968,023	45,664	45,373,900	776,387,587	2.6

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, wildfire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must apply to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, wildfires, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2020-21

	2020-21 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non Residential:				
Agricultural/Rural	$ 53,090,108	7.26%	168	6.76%
Commercial	23,986,813	3.28	89	3.58
Vacant Commercial	4,618,833	0.63	12	0.48
Industrial/Mineral Rights	1,678,567	0.23	52	2.09
Recreational	7,237,081	0.99	20	0.81
Government/Social/Institutional	1,722,906	0.24	7	0.28
Miscellaneous	2,219,220	0.30	23	0.93
Subtotal Non-Residential	$ 94,553,528	12.94%	371	14.94%
Residential:				
Single Family Residence	$371,953,298	50.89%	856	34.46%
Condominium	158,582,407	21.69	556	22.38
Condominium - Timeshare Interest	9,005,806	1.23	236	9.50
Mobile Home Park	1,120,889	0.15	1	0.04
2+ Residential Units	20,951,320	2.87	21	0.85
Miscellaneous Residential	8,521,554	1.17	41	1.65
Vacant Residential	66,279,221	9.07	402	16.18
Subtotal Residential	$636,414,495	87.06%	2,113	85.06
Total	$730,968,023	100.00%	2,484	100.00%

Source: California Municipal Statistics, Inc.
(1) Total secured assessed valuation, excluding tax-exempt property.

The following table shows the assessed valuations of single-family homes for the District, including the average and median assessed value per single family homes.

ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2020-21

	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	856	$371,953,298	$434,525	$312,088

FY2020-21 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	35	4.089%	4.089%	$ 1,000,338	0.269%	0.269%
$50,000 - $99,999	34	3.972	8.061	2,672,381	0.718	0.987
$100,000 - $149,999	78	9.112	17.173	9,798,857	2.634	3.622
$150,000 - $199,999	67	7.827	25.000	11,821,567	3.178	6.800
$200,000 - $249,999	100	11.682	36.682	22,446,317	6.035	12.835
$250,000 - $299,999	89	10.397	47.079	24,340,866	6.544	19.379
$300,000 - $349,999	78	9.112	56.192	25,181,079	6.770	26.149
$350,000 - $399,999	67	7.827	64.019	25,072,327	6.741	32.890
$400,000 - $449,999	54	6.308	70.327	22,703,695	6.104	38.993
$450,000 - $499,999	36	4.206	74.533	16,960,020	4.560	43.553
$500,000 - $549,999	41	4.790	79.322	21,465,509	5.771	49.324
$550,000 - $599,999	24	2.804	82.126	13,817,929	3.715	53.039
$600,000 - $649,999	17	1.986	84.112	10,529,657	2.831	55.870
$650,000 - $699,999	12	1.402	85.514	8,105,944	2.179	58.049
$700,000 - $749,999	11	1.285	86.799	7,922,986	2.130	60.179
$750,000 - $799,999	9	1.051	87.850	6,924,532	1.862	62.041
$800,000 - $849,999	8	0.935	88.785	6,557,108	1.763	63.804
$850,000 - $899,999	6	0.701	89.486	5,263,347	1.415	65.219
$900,000 - $949,999	1	0.117	89.603	906,914	0.244	65.463
$950,000 - $999,999	5	0.584	90.187	4,825,911	1.297	66.760
$1,000,000-and greater	84	9.813	100.000	123,636,014	33.240	100.000
Total	856	100.000%		$371,953,298	100.000%	

Source: California Municipal Statistics, Inc.
(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase. See "The COVID-19 Global Pandemic."

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in all the Tax Rate Areas ("TRAs") within the District for the past five fiscal years.

TYPICAL *AD VALOREM* TAX RATES

Total Tax Rates (All Tax Rate Areas – 2020-21 Assessed Valuation: $371,953,298)

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
General Tax Rate[1]	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Alpine County Unified School District	0.000000	0.000000	0.000000	0.035000	0.300000
Total Tax Rates	1.000000%	1.000000%	1.000000%	1.0350000	1.0300000

Source: California Municipal Statistics, Inc.
(1) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following tables reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District for the most recent fiscal years.

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2013-14 to 2019-20

1% General Fund Apportionment

Fiscal Year Ending June 30,	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2014	$7,177,827	$154,101	2.15%
2015	7,347,814	118,508	1.61
2016	7,343,940	144,299	1.96
2017	7,610,096	91,204	1.20
2018	7,679,085	108,694	1.42
2019	7,878,893	133,997	1.70
2020	8,322,694	265,932	3.20

Source: California Municipal Statistics, Inc.
(1) District's debt service levy for outstanding general obligation bonds.

Potential Impacts of COVID-19 (Coronavirus) Pandemic on Property Tax Revenues

On May 6, 2020, the Governor signed Executive Order N-61-20 ("Order N-61-20"). Under Order N-61-20, certain provisions of the Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in Order N-61-20. In response to Order N-61-20 counties across the State (including the County) have stated that they will waive penalties for failure to timely pay property taxes on or before April 10, 2020. The County Treasurer Tax Collector has stated that the County will waive late-payment penalties on a case by case basis if a written waiver application is submitted with proven significant economic hardship directly caused by the COVID-19 situation.

The District cannot predict whether the County will further relax its position with respect to late payment penalties, which could result in significant property tax delinquencies. The waiver of late payment penalties and resulting property tax delinquencies could have a material adverse impact on the timely payment of property taxes with respect to property in the District. The COVID-19 outbreak may also result in increased property tax assessment appeals and reduced property tax revenue growth in future years. The COVID-19 Pandemic is ongoing and the spread of the virus, the duration and severity of the outbreak in the District, the County and the State and the actions that may be taken by governmental entities to contain the virus are highly uncertain. For additional information, see "The COVID-19 Global Pandemic" herein.

No Teeter Plan

The Alpine County Board of Supervisors has not elected to participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sales Proceeds (commonly referred to as the "Teeter Plan"). The District's property tax revenues reflect both reduced property tax revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Largest Property Owners

Concentration of Property Ownership. Based on fiscal year 2020-21 locally assessed taxable valuations, the top twenty taxable property owners in the District represent approximately 11.14% of the local secured assessed value.

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2020-21.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2020-21

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total[1]
1.	Heavenly Valley LP	Commercial and Recreational	$10,543,333	1.44%
2.	South Tahoe Public Utility District	Water Rights & Facilities	8,324,123	1.14
3.	Ace Hereford Ranch, LLC	Agricultural	5,754,847	0.79
4.	Bonnie Burdett and Shella Bradford Trust	Rural	5,179,991	0.71
5.	Tahoe Stateline Enterprises LLC	Hotel	4,962,729	0.68
6.	Merced OKR LLC	Residential Land	4,644,175	0.64
7.	Storm Crow LLC	Agricultural	4,586,132	0.63
8.	Bear Valley Village I & II LLC	Condominiums	4,425,000	0.61
9.	John C. and Catherine L. Mundt	Agricultural	4,028,956	0.55
10.	William Dean Donovan, Trustee	Residential	3,625,000	0.50
11.	John Richmond	Residential	2,911,955	0.40
12.	David S. and Beverly H. Sterry, Trustees	Agricultural	2,814,282	0.39
13.	Avery Hellman, Trustee	Residential	2,601,000	0.36
14.	William Bruce Bruns	Agricultural	2,523,607	0.35
15.	Kirkwood Resort Master Owners Association	Recreational	2,522,459	0.35
16.	Lambertus Hesselink, Trustee	Agricultural	2,500,739	0.34
17.	David F. & Heidi Welch, Trustees	Residential	2,456,000	0.34
18.	Kirkwood Mountain Resort, LLC	Commercial	2,411,722	0.33
19.	Atlantic Richfield Company	Agricultural	2,324,900	0.32
20.	Stoneleigh Home Builders, LLC	Residential Land	2,300,600	0.31
	Total Top 20		$81,441,550	11.14%

Source: California Municipal Statistics, Inc.
(1) 2020-21 Local secured assessed valuation: $730,968,023.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. The table is included for general information purposes only. Neither the District nor the Underwriter has reviewed this table for completeness or accuracy and makes no representations in connection therewith.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of January 1, 2021, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

2020-21 Assessed Valuation: $776,387,587

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/21
Alpine County Unified School District	**100.000%**	**$ 2,105,000** (1)
Kirkwood Meadows Public Utility District Community Facilities District No. 89-1	67.427	2,110,465
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		4,215,465
OVERLAPPING GENERAL FUND DEBT:		
Alpine County General Fund Obligations	100.000	727,916
TOTAL OVERLAPPING GENERAL FUND DEBT		727,916
COMBINED TOTAL DEBT		4,943,381 (2)

Ratios to 2020-21 Assessed Valuation:
Direct Debt ($2,105,000) 0.27%
Total Direct and Overlapping Tax and Assessment Debt..... 0.54%
Combined Total Debt 0.64%

Source: California Municipal Statistics, Inc.
(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Bonding Capacity

As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2020-21 assessment roll, the District's gross bonding capacity is approximately $19,409,689.68 and its net bonding capacity, subtracting its outstanding bonds of $2,105,000, is $17,304,689.68, not counting the issuance of the Bonds. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Cybersecurity Risks

The District and the County may each face various cyber security threats, including, but not limited to, hacking, viruses, malware, ransomware and other attacks on their computers and their networks. No assurance can be given that the District's or County's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District or the County. The District is reliant on the County in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of *ad valorem* taxes, the Paying Agent, and the dissemination agent. No assurance can be given that the District, the County, and these other entities will not be adversely affected by cyber threats and attacks in a manner that may affect owners of the Bonds.

Bankruptcy Risks

In bankruptcy, the voluntary application of pledged special revenues to indebtedness secured by such revenues is not subject to the automatic stay. A recent decision by the United States Court of Appeals for the First Circuit in a case involving revenue bonds of the Puerto Rico Highways & Transportation Authority, however, concludes that an action by bondholders to compel the application of pledged special revenues is not exempt from the automatic stay. See "LEGAL MATTERS" below.

Risk of Changing Economic Conditions; Risk of Earthquake

Property values could be reduced by factors beyond the District's control, including an earthquake, or a depressed real estate market due to general economic conditions in the County, the region, and the State. The District, like much of California, is located in a seismically active region.

The COVID-19 Global Pandemic

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus ("Coronavirus"), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "President") and a state of emergency by the Governor of the State (the "Governor"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and speculation of a national and global recession.

Federal Action. On March 6, 2020, the President signed a COVID-19 relief bill providing $8.3 billion in emergency funding to support development of vaccines and treatment, grants for state and local governments, preparedness activities for U.S. government facilities, and humanitarian foreign assistance. The President declared a national emergency on March 13, 2020, making available more than $50 billion in federal funds for disaster relief and assistance. The Families First Coronavirus Response Act of 2020 was signed into law on March 18, 2020, providing paid sick leave, free testing, expanded food assistance and unemployment benefits, and requiring additional protections for healthcare workers.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") into law authorizing more than $2 trillion to battle COVID-19 and its economic effects, including immediate cash relief for individual citizens, expanded unemployment insurance for workers, loan programs for small business, additional funds for state and local governments, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries. The CARES Act designates approximately $31 billion for K–12 and higher education assistance and more than $4 billion for childcare and early education programs, including $13.5 billion to be distributed to states based on their state-level Title I allocation, with states passing on ninety percent of the funds to school districts and charter schools using the Title I formula; $3 billion for state governors to spend on K–12 or higher education in regions that have been hit hardest by COVID-19, $8.8 billion for child nutrition programs, $3.5 billion for child care and development block grants and $750 million for Head Start early education programs. The District received $$120,649 in CARES Act funding. On December 27, 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations Act, which includes an additional $54.3 billion to be allocated to public K-12 schools to address costs related to the COVID-19 pandemic. The State has not yet made allocations of such additional amounts to individual school districts.

State Action. On March 4, 2020, less than six weeks after the first confirmed case of COVID-19 in the State, the Governor declared a state of emergency, thereby making additional resources available, formalizing emergency actions already underway across multiple State agencies and departments, and helping the State prepare for broader spread of COVID-19. The Governor issued Executive Order N-26-20 on March 13, 2020, ensuring California public school districts retain State funding even in the event of physical closure. The order directed school districts to use those State dollars to fund distance learning and high quality educational opportunities, provide school meals, continue to pay employees, and, as practicable, arrange for the supervision for students during school hours.

On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") appropriating $500 million from the State general fund for any purpose related to the Governor's March 4 emergency declaration. SB 89 allows additional funds to be appropriated in $50 million increments up to a total of not to exceed $1 billion. The Governor also signed Senate Bill 117 ("SB 117"), which, among other items, provides that, for all school districts that comply with Executive Order N-26-20, attendance during full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 also holds harmless school districts not meeting minimum instructional day and minute requirements during the academic year. Additionally, SB 117 appropriates $100 million for local educational agencies to purchase protective equipment and supplies and labor related to cleaning school sites as a result of COVID-19, to be allocated to local education agencies on the basis of average daily attendance ("ADA").

On March 18, 2020, the California Franchise Tax Board announced updated special tax relief for all State taxpayers due to the COVID-19 outbreak, postponing from April 15, 2020 until July 15, 2020 the filing and payment deadlines for all individuals and business entities for, among other items, 2019 tax returns and tax return payments.

On August 29, 2020, the Governor announced a new, color-coded statewide system called "Blueprint for a Safer Economy." The new structure replaces the county monitoring list. The color-coded system became effective as of August 31, 2020. As detailed below, the new system features a color-coded list benchmarked to each county's rate of new cases per 100,000 residents per day (based on a seven-day average with seven-day lag), the percentage of positive COVID-19 tests, and as of October 6, 2020 a health equity metric targeted to ensure the test positivity rates in disadvantaged neighborhoods do not significantly fall behind overall county test positivity rate. The health equity metric evaluates whether test positivity in neighborhoods in the lowest quartile of the California Health Places Index (HPI) within each County fall within or near an acceptable range from the County's overall positivity rate. Hospitalizations and capacity at intensive care units are given less weight than under the prior system.

Under the new system, each county is given a designation of "purple" (widespread), "red" (substantial) "orange" (moderate) or "yellow" (minimal) that measures the spread of COVID-19 and dictates what types of businesses and activities are allowed to open in each county.

Each county will be assigned its tier every Tuesday, and a county must remain in a tier for 21 consecutive days before moving to the next one. To move forward, a county must meet the next tier's criteria for 14 consecutive days. A county can move backwards by failing to meet the criteria for two consecutive weeks, or if state officials see a rapid rise in hospitalizations. County guidelines may override the State's reopening thresholds, but only if they are stricter.

A brief summary of the four tiers is below:

Purple tier: County risk level is "widespread"

- *Benchmark* - More than seven daily new cases per 100,000 residents, test positivity greater than 8%, or health equity metric > 8%.
- Most non-essential indoor businesses operations are closed, but indoor hair salons and barbershops can reopen effective immediately.
- All retail stores and shopping malls may open at a maximum of 25% capacity.

Red tier: County risk level is "substantial"

- Benchmark - Four to seven daily new cases per 100,000 residents, test positivity between 5% and 8%, and health equity metric between 8% and 5.2%.
- Some non-essential indoor business operations (office spaces, card rooms) are closed, but gyms, movie theaters and indoor dining can reopen with modifications and capacity limitations.
- Schools can open for in-person instruction two weeks after a county moves from purple to red.
- All retail stores and shopping malls may increase occupancy to a maximum of 50% capacity.

Orange tier: County risk is "moderate"

- Benchmark - One to four daily new cases per 100,000 residents, test positivity between 2% and 5%, and health equity metric between 5.2% and 2.1%.
- Most non-essential indoor business operations including office spaces, card rooms, gyms, movie theaters and indoor dining can reopen with modifications and capacity limitations.
- Bars may open outdoor service with modification.
- **The County is currently in the Orange tier.**

Yellow tier: County risk is "minimal"

- Benchmark - Less than 1 new daily case per 100,000 residents, test positivity less than 2%, and health equity metric less than 2.1%.
- non-essential indoor business operations (office spaces, card rooms) are closed, but gyms, movie theaters and indoor dining can reopen with modifications. Capacity limitations are increased.
- Bars may open indoors with modifications and capacity limitations.

Limited Stay-At-Home Order/Curfew. On November 19, 2020, the State Public Health Officer issued a Limited Stay at Home order, effective as of November 21st for counties in the Purple Tier, requiring that all gatherings with members of other households and all activities conducted outside the residence, lodging, or temporary accommodation with members of other households cease between 10:00 p.m. and 5:00 a.m. Pacific Standard Time, except for those activities associated with the operation, maintenance, or usage of critical infrastructure or required by law.

Regional Stay-At-Home Order. On December 3, 2020 Governor Newsom announced a regional stay-at-home order that became effective on December 5, 2020. The Governor's regional stay-at-home order divides the State in to five geographic regions, the Bay Area, Greater Sacramento, the San Joaquin Valley, Northern California, and Southern California. The regional stay-at-home order imposed new lockdown measures on a region-by-region basis triggered by available intensive care unit capacity falling below a 15% threshold. All five regions of the State were locked down in December, 2020.

The lockdown restrictions under the December 3, 2020 regional stay-at-home order existed in addition to restrictions already in effect under the State's color-coded Blueprint for a Safer Economy reopening framework and the limited stay at home order issued on November 19, 2020. On January 25, 2021 the Governor lifted the Regional Stay-At-Home Order, returning the State to the Blueprint for a Safer Economy tiered framework.

Additional information about the State's reopening plans and the County's current status can be found at the State's website, www.covid19.ca.gov. Also see the County's website www.alpinecountyca.gov for up to date information regarding COVID-19 restrictions in place in the County. Reference to the State's and the County's website is included in this Official Statement for general information only and information on such website is not included in this Official Statement by reference to such website.

The COVID-19 Pandemic has negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the District. While federal and state governments (including California) have enacted legislation and taken executive actions seeking to mitigate the negative public health and economic impacts of the Pandemic, no assurances can be given that these interventions will have the intended effects.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted.

Impact on the District. The District shut down in-person schooling starting on March 17, 2020, in recognition of the Statewide COVID-19 Pandemic and its potential impact on Alpine County. On March 18, 2020 the District began providing education through a distance learning/independent study system. The District continued distance learning through the remainder of the 2019-20 school year.

The 2020-21 school year began on August 10, 2020 using a more robust distance learning model that utilizes live and paper based virtual instruction in accordance with the requirements of the California Department of Education. After approval of the District's COVID-19 memorandum of understanding for represented staff and the approval of State legislation regarding workers compensation liability coverage, the District opened on October 12, 2020 for in-person learning.

On November 10, 2020 the District moved back to distance learning on County Orders. On January 11, 2021 the District returned to in-person learning.

While SB 117, the Cares Act, and the federal emergency aid will provide some immediate relief to school districts, including the District, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. The District cannot predict whether the State will access its reserves and whether any of such funds will be provided to school districts, including the District. The District also cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 continues into fiscal year 2020-21 or beyond or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future. The District cannot predict the impacts that the Coronavirus emergency might have on the District's finances or operations or the credit rating of the District's debt obligations, including the Bonds. See "RATING."

Impacts on Global and Local Economies; Potential Declines in State Revenues. The Coronavirus public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2020-21 State Budget (defined below) the State has addressed a projected budget deficit of $54.3 billion, representing a $60 billion swing from the January Proposed 2020-21 State Budget. The 2020-21 State Budget cuts state general fund expenditures by $13.0 billion compared to 2019-20 levels with substantial cuts to spending on K-12 and higher education. The District cannot predict the short- or long-term impacts that Coronavirus will have on global, State-wide and local economies, which could impact District operations and local property values. For additional information about the 2020-21 State Budget, see "APPENDIX B - STATE FUNDING: RECENT STATE BUDGETS – 2020-21 State Budget"

General Obligation Bonds Secured by Ad Valorem Tax Revenues. Notwithstanding the impacts the Coronavirus may have on the economy in the State and the District or on the District's revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of ad valorem property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. The District cannot predict the impacts that the Coronavirus emergency might have on local property values or tax collections.

As described in "Potential Impacts of COVID-19 (Coronavirus) Pandemic on Property Tax Revenues," certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent under Order N-61-20. Said penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Order N-61-20 have on property tax revenues are unknown at this time.

INVESTMENT OF DISTRICT FUNDS

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as *ex officio* treasurer for those school districts located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis. In addition, the County is required to establish its own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX D—COUNTY INVESTMENT POLICY."

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations relating to potential bankruptcies of school districts in California. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of a district for the adjustment of its debts, assuming that such district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts under current State law are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including ad valorem tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, if the bankruptcy court were to determine that the alterations were fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary, to pay the Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the ad valorem taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such ad valorem taxes is respected in a bankruptcy case, then the ad valorem tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Senate Bill 222 (2015) ("SB 222") that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board and will be valid and binding from the time the bonds are executed and delivered. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged ad valorem taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the ad valorem tax revenues that are pledged to the payment of the Bonds (see "THE BONDS – Security") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged ad valorem revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the ad valorem taxes for payment of the Bonds. Additionally, the ad valorem taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects, or (ii) if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the ad valorem tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the ad valorem tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would take or how effective they would be in obtaining possession of such tax revenues.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of opinion of Bond Counsel, attached hereto as Appendix E, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Legal Opinions

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, bond counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as disclosure counsel and for the Underwriter by Quarles & Brady LLP, Milwaukee, Wisconsin. The fees and expenses of bond counsel, disclosure counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code").

Subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

In rendering its opinions, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Internal Revenue Code of 1986, as amended (the "Code") (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the 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 bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL.

MUNICIPAL ADVISOR

Capitol Public Finance Group, LLC, Roseville, California (the "Municipal Advisor"), is an independent financial advisory firm registered as a "Municipal Advisor" with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor does not underwrite, trade or distribute municipal or other public securities. The Municipal Advisor has assisted the District in connection with the planning, structuring, sale and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2020-21 fiscal year, and to provide notices of the occurrence of certain events listed in the District's Continuing Disclosure Certificate, the form of which is in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"), by posting on the MSRB's Electronic Municipal Market Access or "EMMA" system (website: www.emma.msrb.org). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

In preparation for issuance of the Bonds, the District determined that it has not failed to comply in all material respects with its continuing disclosure undertakings during the last five years.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the County's ability to receive *ad valorem* taxes or contesting the District's ability to issue and retire the Bonds.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the rating of "AA-" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to S&P, its website and official media outlet for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds were purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $__________ (being equal to the aggregate principal amount of the Bonds ($2,600,000.00*), plus a net original issue premium of $_________, less an Underwriter's discount of $_____________). The purchase agreement relating to the

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* Preliminary, subject to change.

Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District Board.

EXECUTION

Execution and delivery of this Official Statement have been duly authorized by the District.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

By ______________________________

Matthew Strahl
Superintendent

APPENDIX A

GENERAL INFORMATION REGARDING ALPINE COUNTY

While the economics of the County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

Introduction

Alpine County (the "County") is located in the Sierra Nevada Mountains, between Lake Tahoe and Yosemite National Park in the state of California. The County is California's least populous county. The county seat is the Census-Designated Place of Markleeville. There are no incorporated cities in the county. The County covers 743 square miles. Most areas in the County are owned by the federal government as nationally protected areas.

The County was created on March 16, 1864, during a silver boom in the wake of the nearby Comstock Lode discovery and was named because of its resemblance to the Swiss Alps. The County was formed from parts of Amador, Calaveras, El Dorado, Mono and Tuolumne Counties. The Bear Valley and Kirkwood ski resorts are major tourist attractions in the County, attracting skiers and snowboarders in the winter and mountain biking and hiking in the summer.

Population

The table below summarizes population of the County and the State of California for the last five years.

ALPINE COUNTY and CALIFORNIA
Population

Year	Alpine County	State of California
2016	1,162	39,131,307
2017	1,161	39,398,702
2018	1,159	39,586,646
2019	1,149	39,695,376
2020	1,142	39,782,870

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-20, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

ALPINE COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2015	Alpine County	520	480	40	7.9%
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	Alpine County	560	520	40	6.5
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Alpine County	540	510	30	6.1
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	Alpine County	550	520	30	4.6
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019(2)	Alpine County	550	520	30	5.1
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-19, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Construction Activity

The following table reflects the five-year history of building permit valuation for the County:

ALPINE COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2015	2016	2017	2018	2019(1)
Permit Valuation:					
New Single-family	$1,953	$ 429	$2,819	$ 432	$ 924
New Multi-family	—	—	—	—	—
Res. Alterations/Additions	1,427	1,231	2,163	1,768	587
Total Residential	$3,380	$1,660	$4,982	2,200	1,511
Total Nonresidential	306	269	1,026	4,127	298
Total All Building	$3,687	$1,930	$6,009	6,328	1,810
New Dwelling Units:					
Single Family	4	2	6	1	4
Multiple Family	—	—	—	—	—
Total	4	2	6	1	4

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Columns may not sum to totals due to independent rounding.
(1) Latest available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the County, the State of California and the nation for the past five years.

ALPINE COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income

	2016	2017	2018	2019	2020
Alpine County	$ 57,520	$ 44,643	$ 59,146	$59,324	$ 56,696
California	55,681	59,646	62,637	65,870	67,956
United States	48,043	50,735	52,841	55,303	56,790

Source: Nielsen, Inc.

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APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable solely from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the fiscal year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In fiscal year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the "Local Control Funding Formula" (the "Local Control Funding Formula" or "LCFF"). The State budget provided funding in fiscal year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a base rate per student multiplied by the school district's average daily attendance ("ADA") for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's ADA. The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after considering certain other revenues, in particular, locally generated property taxes. This was referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution. A school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is a community funded district.

The Local Control Funding Formula is also based on ADA. ADA can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in ADA will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After fiscal year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and LCFF Revenues for the most recent fiscal years.

**AVERAGE DAILY ATTENDANCE,
LCFF AND ENROLLMENT**

Fiscal Year Ending June 30,	Average Daily Attendance(1)	LCFF Revenues(2)	Enrollment(3)
2015	81.33	$1,854,667	83
2016	78.64	1,867,520	80
2017	76.92	1,867,673	82
2018	73.78	1,913,750	80
2019	74.70	1,900,930	79
2020	65.70	1,890,235	66
2021(4)	78.00	1,947,887	78

Source: Alpine County Unified School District
(1) Except for FY2020-21, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09 and discontinued following the implementation of the LCFF.
(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(4) As projected in the District's 2020-21 1st Interim Report, adopted December 15, 2020

Effect of Changes in ADA. Changes in local property tax income and student enrollment (or ADA) affect community funded districts and revenue limit districts, now known as "LCFF districts," differently. In a LCFF district increasing enrollment increases the amount allocated under LCFF and thus generally increases a district's entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures.

In community funded districts, such as the District, the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs, but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, any loss of local property taxes is made up by an increase in State aid. For community funded districts, such as the District, the loss of tax revenues is not reimbursed by the State.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in and out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's Interim Reports and projected ADA are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2020-21 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Impact of Coronavirus on Attendance. As described herein, the short-term and long-term impact of the Coronavirus on the District's attendance, revenues and local property values, and the impacts of Federal and State legislation resulting from the Coronavirus emergency, are highly uncertain and cannot be predicted. The Bonds described in this Official Statement are secured by ad valorem property taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – The Coronavirus Global Pandemic."

District Budget and County Review

Budgeting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the State Superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If at any time during the fiscal year the county superintendent determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification (as describe below), the county superintendent will notify the governing board of the school district and the State Superintendent of that determination and report to the State Superintendent the financial condition of the school district. The county superintendent will also report proposed remedial actions and take at least one of the following and all actions that are necessary to ensure that the school district meets its financial obligations: (a) assign a fiscal expert, (b) conduct a study of the financial and budgetary conditions of the school district that includes, but is not limited to, a review of internal controls, (c) direct the school district to submit a financial projection of all fund and cash balances of the school district as of June 30 of the current year and subsequent fiscal years, (d) require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables, (e) direct the school district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the school district may not be able to meet its financial obligations, (f) withhold compensation of the members of the governing board of the school district and the school district superintendent for failure to provide requested financial information, and (g) assign the County Office of Education and Fiscal Crisis and Management Assistance Team to review and provide recommendations related to teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher misassignment in the school district.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 et seq.), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. The District has received positive certifications on its first interim financial reports for fiscal year 2020-21.

Emergency Appropriation from the State. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place.

The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2020, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 43 Hawkside Drive, Markleeville, California

96120, telephone number (530) 694-2230. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past four fiscal years and budgeted projections for fiscal year 2020-21.

The budgeted projections for Fiscal Year 2020-21 set forth below reflect the District's assumptions concerning the State's 2021 state budget and concerning local property tax collections from property located within the District. While the District believes it has made reasonable assumptions, the District's FY2020-21 Budget will be revised as new information becomes available.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Fiscal Year Ending June 30,				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021[1] Budgeted
REVENUES					
LCFF Sources[1]	$1,867,673	$1,913,750	$1,900,930	$1,890,235	$1,947,887
Federal Sources	463,881	403,454	590,726	648,708	580,683
Other State Sources	259,603	304,325	364,008	325,981	186,505
Other Local Sources	228,463	306,696	339,976	211,786	231,890
Total Revenues	2,819,620	2,928,225	3,195,640	3,076,710	2,946,966
EXPENDITURES					
Certificated Salaries	948,131	841,073	1,030,469	1,026,242	1,094,673
Classified Salaries	566,586	521,235	681,976	717,805	699,503
Employee Benefits	612,728	580,804	786,263	789,106	773,952
Books and Supplies	133,016	107,966	177,537	118,741	123,572
Contract Services	422,366	541,245	568,226	521,043	509,669
Capital Outlay	-	106,055	399,242	156,602	-
Other Outgo	(8,613)	(5,272)	(4,915)	(4,986)	(5,335)
Debt Service – Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	2,674,214	2,693,106	3,638,798	3,324,553	3,196,064
EXCESS OF REVENUES OVER EXPENDITURES	145,406	235,119	(443,158)	(247,843)	(249,098)
OTHER FINANCING SOURCES					
Operating transfers in	-	104,823	106,477	-	-
Operating transfers out	(57,162)	(63,318)	(87,163)	(52,005)	(79,701)
Other sources	-	-	-	-	-
Total financing sources (uses)	(57,162)	41,505	19,314	(52,005)	(79,701)
NET CHANGE IN FUND BALANCES	88,244	276,624	(423,844)	(299,848)	(328,799)
FUND BALANCE, July 1[2]	3,906,845	3,995,089	4,391,841[3]	3,967,997	3,668,149
FUND BALANCE, JUNE 30[2]	3,995,089	4,271,713	3,967,997	3,668,149	3,339,350

Sources: Alpine County Unified School District 2017-19 audited financial statements, 2019-20 Unaudited Actuals Report, adopted September 8, 2020, and 2020-21 1st Interim Report, adopted December 15, 2020.

(1) As projected in the District's 2020-21 1st Interim Report, adopted December 15, 2020.

(2) As restated to reflect a prior year understatement of $120,128 in connection with accounts payable related to federal revenues.

Summary of District Revenues and Expenditures

The District's audited financial statements for the year ending June 30, 2020, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves, including a "reserve for economic uncertainty" equal to no less than 5% of general fund expenditures and other financing uses. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "INVESTMENT OF DISTRICT FUNDS" in the front portion of this Official Statement.

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the school district's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for fiscal year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. Each school district and charter school receives a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF began in fiscal year 2013-14 and was fully implemented during fiscal year 2018-19.

The LCFF includes the following components:

- An average base grant for each local education agency per unit of ADA as detailed in the CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION LOCAL CONTROL TARGET FUNDING FORMULA 2019-20 summary table herein.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced-price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of unduplicated student enrollment, for fiscal years 2014-15 through 2020-21.

ADA, ENROLLMENT AND UNDUPLICATED ENROLLMENT PERCENTAGE

Fiscal Year Ending June 30,	Average Daily Attendance				Total District ADA[1]	Total District Enrollment[2]	% of EL/LI Enrollment[3]
	K-3	4-6	7-8	9-12			
2015	40.35	30.04	8.30	2.64	81.33	83	64.16
2016	33.67	31.97	11.94	1.06	78.64	80	63.95
2017	28.49	30.99	17.44	0.00	76.92	82	62.60
2018	26.98	30.07	16.73	0.00	73.78	80	64.78
2019	27.40	25.58	21.72	0.00	74.70	79	63.49
2020	27.10	21.76	16.84	0.00	65.70	66	64.63
2021[4]	39.00	21.00	18.00	0.00	78.00	78	59.91

Source: Alpine County Unified School District

Note: For a discussion of the recent declines in attendance at the District, see "AVERAGE DAILY ATTENDANCE - Factors Causing Recent Declines in Attendance."

(1) Except for FY2020-21, reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) As projected in the District's 2020-21 1st Interim Report, adopted December 15, 2020.

Of the more than $25 billion in funding to be invested through the LCFF through full implementation of the LCFF, the vast majority of new funding is provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. As the LCFF has been fully implemented, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget on an ongoing basis. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding and restoration of categorical funding to pre-recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The legislation includes a "hold harmless" provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2020-21

Grade Levels	2020-21 Base Grants per ADA	2020-21 COLA (0.00%)	Grade Span Adjustments	2020-21 Grant/Adjusted Base Grant per ADA
K-3	$ 7,702	$ 0	$ 801	$ 8,503
4-6	7,818	0	n/a	7,818
7-8	8,050	0	n/a	8,050
9-12	9,329	0	$ 243	9,572

Source: California Department of Education
Note: The State of California's FY2020-21 budget has frozen LCFF funding for FY2020-21 at FY2019-20 levels with no further COLA adjustment.

Since July 1, 2015, school districts have been required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendents of Schools and the State Superintendent review and provide support to school districts and county offices of education under their jurisdictions. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent has authority to make changes to school district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, maintain a dashboard system for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. The federal government provides funding for several District programs, including the Every Student Succeeds Act, special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. As described above, the LCFF replaced most of the State categorical program funding that existed prior to fiscal year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts continue to receive restricted State revenues to fund these programs. These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

Other Local Sources. In addition to property taxes, the District receives parcel taxes, additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. For additional information, see "Parcel Tax."

Effect of State Budget on Revenues

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets, because the primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes as previously described herein (see "—Education Funding Generally" above). School districts which are Community Funded however, such as the District, are an exception to this and derive most of their revenues from local property taxes.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding generally. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

Effects of COVID-19 Pandemic on District Revenues.

In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, school most school districts in California, including the District, are funded based on the LCFF, which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. See "- Allocation of State Funding to School District; Local Control Funding Formula." Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State.

While the District has made reasonable assumptions in the creation of its Fiscal Year 2020-21 budget, the District cannot predict all of the possible impacts that the COVID-19 emergency might have on its finances or programs or the credit ratings on its debt obligations. Examples of possible effects are on the unanticipated costs of mitigation measures and of the continued implementation of distance learning, deteriorating economies reducing local and State revenues, declining assessed values, possible lower credit ratings, material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years, among others. In addition, the District may incur increased operational costs to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Given the rapidly evolving nature of the COVID-19 Pandemic and the uncertainty of additional federal funding and its impact on the 2020-21 State Budget, the District's budget for fiscal year 2020-21 is subject to change throughout the current fiscal year as additional information becomes available. The District cannot predict the impact of the COVID-19 Pandemic on the District's finances for fiscal year 2020-21.

Possible Impacts of Coronavirus on the Bonds. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District's general fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the main section of the Official Statement.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. In Fiscal Year 2020-21, the District has budgeted for approximately 28 full-time-equivalent ("FTE") employees. Budgeted FTE positions include 11 certificated (credentialed teaching) staff, 13 classified (non-teaching) staff, and 4 management, confidential and administrative personnel. The following table shows the District employees belonging to labor organizations.

LABOR ORGANIZATIONS

Labor Organization	Members	Contract Expiration
Alpine County Teachers Association	13	June 30, 2021
ACUSD Classified Employee Group	12	June 30, 2021

Source: Alpine County Unified School District
(1) The contract with the Markleeville Teachers Association is currently under renegotiation.

District Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS Defined Benefit Program

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200%	8.560%
July 1, 2016	10.250%	9.205%
July 1, 2017	10.250%	9.205%
July 1, 2018	10.250%	10.205%
July 1, 2019	10.250%	10.205%
July 1, 2020	10.250%	10.205%

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS Defined Benefit Program

Effective Date	K-14 School District
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019(1)	17.10
July 1, 2020(2)	16.15
July 1, 2021(2)	16.02

Source: AB 1469, recent State Budgets.
(1) Pursuant to the FY2019-20 State Budget.
(2) As projected in the FY2020-21 State Budget.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the STRS Teachers' Retirement Board (the "STRS Board") is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS for the most recent fiscal years was as follows:

Fiscal Year Ending June 30,	District STRS Contribution
2015	$ 77,984
2016	71,875
2017	101,380
2018	121,882
2019	150,416
2020	169,113
2021(1)	198,707

Source: Alpine County Unified School District
(1) From the District's 2020-21 1st Interim Report, adopted December 15, 2020. FY2020-21 contribution is a budgeted projection.

The State also contributes to STRS, currently in an amount equal to 7.328% of teacher payroll for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2019-20 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual COLA's, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014, included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and is 20.733% for fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS for the most recent fiscal years was as follows:

Fiscal Year Ending June 30,	District PERS Contribution
2015	$ 62,957
2016	64,858
2017	75,129
2018	72,745
2019	116,568
2020	137,295
2021(1)	171,135

Source: Alpine County Unified School District

(1) From the District's 2020-21 1st Interim Report, adopted December 15, 2020. FY2020-21 contribution is a budgeted projection.

For further information about the District's contributions to STRS and PERS, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020—Note 7.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)(1)
Fiscal Years 2010-11 through 2018-19

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
2010-11	$ 208,405	$ 147,140	$ 68,365	$ 143,930	$ 64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	255,466	102,636	205,016	105,703

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
2010-11	$ 58,358	$ 45,901	$ 12,457	$ 51,547	$ 6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	—(5)	—(5)
2014-15	73,325	56,814	16,511	—(5)	—(5)
2015-16	77,544	55,785	21,759	—(5)	—(5)
2016-17	84,416	60,865	23,551	—(5)	—(5)
2017-18	92,071	64,846	27,225	—(5)	—(5)
2018-19	99,528	68,177	31,351	—(5)	—(5)

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.
(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Excludes assets allocated to the SBPA reserve.
(4) Reflects actuarial value of assets.
(5) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

Based on the multi-year STRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the "2020 Experience Analysis"), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2020 (the "2020 STRS Actuarial Valuation"). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Study, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2020 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions and actuarial asset gains recognized from the current and prior years, the 2019 STRS Program Actuarial Valuation reports that the unfunded actuarial obligation decreased by $1.5 billion since the 2018 Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2020 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990. AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the $1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after

January 1, 2013 under the Reform Act (defined below) will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation assumption rate from 2.75% to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp- down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25%

to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of $660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2021-22 is projected to be 24.6%, with annual increases thereafter, resulting in a projected 26.2% employer contribution rate for fiscal year 2026- 27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (the "Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2020, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expenses
STRS	$1,542,490	$472,725	$266,933	$286,682
PERS	1,357,953	465,180	83,152	346,051
Total	$2,900,443	$937,905	$350,085	$632,733

Source: Alpine County Unified School District.

For additional information, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020—Note 7.

Coronavirus Impacts on Pension Obligations. Recent investment losses in the PERS and STRS portfolios as a result of the general market downturn caused by the Coronavirus outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

No Other Post-Employment Benefits. The District does not provide other post-employment benefits to its employees.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

School districts have certain fiscal oversight and other responsibilities with respect to both affiliated independent and district operated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. District operated charter schools receive their funding from the District and would be reflected in the District's audited financial statements.

The are no charter schools currently operating within the District's boundaries.

The District makes no representations regarding how many District students will transfer to charter schools, back to the District from charter schools, or will transfer between the District and other school districts due to the presence of charter schools in the future, and the District cannot predict the corresponding financial impacts of such transfers on the District.

Assembly Bill 1505 was recently enacted (the "AB 1505"), which aims to slow the growth of charter schools. AB 1505 will give school districts increased leverage to deny applications for new charter schools by providing school districts additional discretion when authorizing charter schools to consider the number and enrollment in proposed charter schools, academic outcomes and offerings and a statement of need for the school. The District cannot predict the impact such legislation will have on its operations and finances.

District Debt

General Obligation Bonds. The following table shows the District's outstanding general obligation bonds, not including the Bonds of this issue.

ISSUED AND OUTSTANDING
GENERAL OBLIGATION BONDS
As of February 12, 2021

Dated Date	Series	Final Maturity	Amount of Original Issue	Amount Outstanding (as of 2/12/21)
04/30/2019	Election of 2018, GOB, Series A (2019)	8/1/49	$2,300,000	$2,105,000
Total			$2,300,000	$2,105,000

The following table shows the District's annual requirements to amortize its outstanding general obligation bonds, not including the Bonds of this issue, assuming no optional redemption:

AGGREGATE ANNUAL DEBT SERVICE REQUIREMENTS FOR OUTSTANDING BONDS

As of February 12, 2021

The following table shows the debt service schedule with respect to the District's outstanding general obligation bonds, not including the Bonds of this issue (assuming no optional redemptions).

Bond Year Ending August 1	Principal (1)	Interest	Total
2021	$ 210,000	$ 90,300.00	$ 300,300.00
2022	30,000	84,000.00	114,000.00
2023	15,000	82,800.00	97,800.00
2024	20,000	82,200.00	102,200.00
2025	20,000	81,400.00	101,400.00
2026	25,000	80,600.00	105,600.00
2027	25,000	79,600.00	104,600.00
2028	30,000	78,600.00	108,600.00
2029	35,000	77,400.00	112,400.00
2030	35,000	76,000.00	111,000.00
2031	40,000	74,600.00	114,600.00
2032	45,000	73,000.00	118,000.00
2033	50,000	71,200.00	121,200.00
2034	55,000	69,200.00	124,200.00
2035	55,000	67,000.00	122,000.00
2036	60,000	65,350.00	125,350.00
2037	65,000	63,550.00	128,550.00
2038	70,000	61,600.00	131,600.00
2039	75,000	59,500.00	134,500.00
2040	80,000	57,250.00	137,250.00
2041	85,000	53,250.00	138,250.00
2042	95,000	49,000.00	144,000.00
2043	100,000	44,250.00	144,250.00
2044	110,000	39,250.00	149,250.00
2045	115,000	33,750.00	148,750.00
2046	125,000	28,000.00	153,000.00
2047	135,000	21,750.00	156,750.00
2048	145,000	15,000.00	160,000.00
2049	155,000	7,750.00	162,750.00
TOTAL	$2,105,000	$1,767,150.00	$3,872,150.00

(1) Includes mandatory sinking fund installments.

General Fund Debt. The District has no general fund-secured debt outstanding.

STATE FUNDING; RECENT STATE BUDGETS

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION"). State funds typically make up the majority of a district's LCFF allocation, although Community Funded school districts, like the District, derive most of their revenues from local property taxes. School districts also receive some funding from the State for certain categorical programs. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

2020-21 State Budget

On June 29, 2020, Governor Gavin Newsom signed the State budget for Fiscal Year 2020-21 (the "2020-21 Budget"). While the Governor's initial budget projections in January 2020 projected a budget surplus of $5.6 billion, the 2020-21 Budget addresses a projected budget deficit of $54.3 billion, representing a four-month swing of approximately $60 billion caused primarily by the effects of the COVID-19 Pandemic. The 2020-21 Budget projects general fund revenues decreasing by $9.8 billion compared to 2019-20 levels due in part to a combination of projected decreases of nearly 20% in income tax collections and sales and use tax collections. The 2020-21 Budget cuts general fund expenditures by $13.0 billion compared to 2019-20 levels with substantial cuts to spending on K-12 and higher education, legislative, judicial, executive functions and general reductions in governmental operations.

To balance the 2020-21 Budget the following list of solutions has been adopted to close the $54.3 billion dollar gap:

Reserves. The 2020-21 Budget draws down $8.8 billion in reserves from the State's Rainy Day Fund ($7.8 billion), Safety Net Reserve Fund ($450 million), and all of the funds in the Public School System Stabilization Account.

Potential Reductions and Deferrals. The 2020-21 Budget includes $11.1 billion in reductions and deferrals that will be restored depending on the receipt of additional federal aid. If at least $14 billion in federal funds are received by October 15, 2020, all reductions and deferrals will be restored. If the State receives a lesser amount, between $2 billion and $14 billion, reductions and deferrals will be partially restored. The reductions and deferrals include $6.6 billion in deferred spending on schools, approximately $970 million in funding for the University of California and the California State University, $2.8 billion for state employee compensation, $150 million for courts and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing.

Reliance on Federal Funds. The 2020-21 Budget relies on $10.1 billion in federal funds, including $8.1 billion already received as of June 30, 2020. This includes the enhanced Federal

Medical Assistance Percentage, a portion of the State's Coronavirus Relief Fund allocation and funds provided for childcare programs.

Additional Revenue Generation. The 2020-21 Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate $4.4 billion in new revenues in the 2020-21 fiscal year.

Borrowing/Transfers/Deferrals. The 2020-21 Budget relies on $9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately $900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.)

Cancelled Expansions, Updated Assumptions and Other Solutions. The remaining $10.6 billion of solutions includes cancelling multiple program expansions and anticipating increased government efficiencies and the addition of higher ongoing revenues and lower ongoing expenses that projected.

Federal Stimulus Received to Date. The federal government has provided temporary federal funding to support the State's response to the COVID-19 pandemic. This funding was made available through four federal bills to help pay for emergency response, testing and contact tracing, health care, and financial relief to individuals, families, and businesses as well as state and local governments, including schools and higher education institutions. The following summarizes the four bills passed by Congress since March 2020:

Coronavirus Preparedness and Response Supplemental Appropriations Act (HR 6074). Provided emergency funding for public health and health care.

Families First Coronavirus Response Act (HR 6201). Provided some early assistance to families and temporarily increased the federal match for some state programs including Medi-Cal and In-Home Supportive Services. Federal funding was also extended for testing and testing-related services for uninsured individuals.

Coronavirus Aid, Relief, and Economic Security ("CARES") Act (HR 748). Broadened the assistance available to include funding for states, local governments, education, childcare, individuals and families. Funding was also expanded, extended, and supplemented for unemployment insurance benefits. Finally, this measure provided assistance to businesses, including the health care sector, small businesses, farmers, airports, and transit agencies.

Paycheck Protection Program and Health Care Enhancement Act (HR 266). Expanded funding for small businesses, hospitals, community and rural health centers, and substantially expanded funding for testing and contact tracing to support reopening businesses and the economy.

As of late June 2020, the State expected to receive over $72 billion in assistance to state programs. Unemployment insurance represents about $52 billion of this total. In addition, over $142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local government.

While the State anticipates future federal COVID-19 Pandemic funding relief beyond the four measures described above, should such additional relief not be forthcoming the State will face additional restrictions and deferrals.

2020-21 Budget Provisions Specific to K-12 Education. The State provides instruction and support services to roughly six million students in grades K-12 in more than 10,000 schools throughout the State. The State's public education system consists of 58 county offices of education, more than 1,000 local school districts, and more than 1,200 charter schools. The 2020-21 Budget provides for funding under Proposition 98 of $70.9 billion, which is more than $10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of $10,654 in 2020-21—a $1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately $542 per pupil to $16,881.

The 2020-21 Budget also includes the following adjustments to K-12 related expenditures in response to the effects of the COVID-19 Pandemic:

Deferrals. The 2020-21 Budget projects $11 billion of Local Control Funding Formula ("LCFF") apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels. The 2020-21 Budget suspends the statutory LCFF cost-of-living adjustment in 2020-21. $5.8 billion in deferrals will be restored in 2020-21 if the federal government provides sufficient funding that can be used for this purpose.

Learning Loss Mitigation. The 2020-21 Budget includes a one-time investment of $5.3 billion ($4.4 billion federal Coronavirus Relief Fund, $539.9 million Proposition 98 General Fund, and $355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures.

Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs. The funds are intended to track and mitigate the inequitable impact that the COVID-19 pandemic has had on different student populations, including low-income students and students with disabilities.

Supplemental Appropriations. In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level (Test 2), by a total of approximately $12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of $12.4 billion. This appropriation will accelerate growth in the Proposition 98 guarantee, which the State proposes to increase as a share of the General Fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of the General Fund in Test 1 years. The 2020-21 Budget increases this share of funding to 40 percent by 2023-24.

Revised CALPERS and CALSTRS Contributions. To provide local educational agencies with increased fiscal relief, the Budget redirects $2.3 billion appropriated in the State's 2019-20

Budget to CalSTRS and CalPERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will further reduce the CalSTRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The CalPERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds. In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocated to K-12 education above, the 2020-21 Budget appropriates $1.6 billion in federal Elementary and Secondary School Emergency Relief funds that California was awarded. Of this amount, 90 percent ($1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs.

Special Education. The 2020-21 Budget increases special education base rates to $625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides $100 million to increase funding for students with low-incidence disabilities.

Average Daily Attendance. Since the beginning of the COVID-19 pandemic in early March, local educational agencies across the State closed for classroom instruction, transitioning students and teachers to distance learning models. To help minimize additional learning loss related to COVID-19, the 2020-21 Budget presumes that local educational agencies should transition back to providing in-classroom instruction in the 2020-21 school year. However, if local or state public health official orders necessitate a school closure, local educational agencies will need flexibility to provide distance learning. To ensure funding stability regardless of the instructional model, the 2020-21 Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies. Additionally, the 2020-21 Budget includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

Learning Continuity and Attendance Planning. The 2020-21 Budget requires the Superintendent of Public Instruction, in consultation with the executive director of the State Board of Education, to develop the template for a Learning Continuity and Attendance Plan by August 1, 2020, and requires the template to include all of the following:

A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address all of the following: distance learning, learning loss, mental health and social-emotional well-being, professional development, pupil engagement and outreach, school nutrition, and local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic.

For additional information regarding the 2020-21 Budget, please see the Department of Finance website at ebudget.ca.gov. The District can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

2021-22 Proposed State Budget

On January 8, 2021, Governor Gavin Newsom released his proposed budget for the State's 2020-21 fiscal year (the "Proposed 2021-22 Budget"). California's economic outlook and revenue forecasts have improved since adoption of the 2020-21 Budget on June 29, 2020; however, risks are expected to remain higher than usual due to the continuing effects the COVID-19 Pandemic.

The Proposed 2021-22 Budget projects general fund revenues increasing by $3.2 billion over 2020-21 levels to a total of $161.4 billion, while expenditures are projected to also increase by $8.6 billion over 2020-21 levels to a total of $164.5 billion. The largest areas of general fund expenditure increases in the Proposed 2021-22 Budget over 2020-21 expenditure levels include health and human services, government operations, and transportation programs. K-12 education expenditures (as detailed below), the single largest category of expenditures in the Proposed 2021-22 Budget, will increase by $1.8 billion over the prior year to a total of $59.6 billion.

Under the Proposed 2021-22 Budget, the State is projected to have approximately $34 billion in budget resiliency, comprised of budgetary reserves and surplus including $15.6 billion in the Proposition 2 Budget Stabilization Account (the Rainy Day Fund) for fiscal emergencies; $450 million in the Safety Net Reserve, $3 billion in the Public School System Stabilization Account, and an estimated $2.9 billion in the State's operating reserves.

Notable specific areas of expenditures from the Proposed 2021-22 Budget reflecting changes from prior years identified in analysis prepared by the Legislative Analysts' Office ("LAO") and published on the LAO's website on January 10, 2021 include:

Tax Refunds to Low-Income Californians. The Proposed 2021-22 Budget includes a one-time $600 tax refund to taxpayers who received the California Earned Income Tax Credit (EITC) for 2019 and taxpayers who will receive the EITC for 2020. The Proposed 2021-22 Budget assumes a cost of $2.4 billion in 2020-21 for these refunds.

Tax Incentives. The Proposed 2021-22 Budget proposes one-time increases of several existing tax credits and exclusions including:

Affordable Housing. $500 million for tax credits to builders of rental housing affordable to low-income households.

California Competes. $180 million for California Competes to award tax credits aimed at attracting or retaining businesses in California.

Hiring Credit. $100 million for tax credits to smaller businesses that increase their number of employees.

Sales Tax Exemption. $100 million for sales tax exclusions awarded by the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") on purchases of equipment for certain manufacturing activities.

One-Time Grants to Various Entities. The Proposed 2021-22 Budget includes several one-time proposals to provide assistance to businesses:

Small Business Grants. $550 million to double the size of a recently created program that awards grants up to $25,000 to businesses and nonprofits with revenues under $2.5 million that were impacted by the pandemic.

Other Business Grants. $250 million for California Competes to provide grants to businesses in addition to its traditional tax credits.

Fee Waivers. $71 million to waive some of the fees paid by certain professionals and businesses disproportionately affected by the pandemic, such as manicurists and small restaurant owners.

Other. $135 million for a variety of other grant and loan programs aimed at helping small businesses, with a focus on those from underserved communities. Also, the Proposed 2021-22 Budget provides $25 million to the Governor's Office of Business and Economic Development for cultural institutions.

Homelessness Proposals. The Proposed 2021-22 Budget includes $1.75 billion in one-time General Fund expenditures for various programs related to homelessness, including, among other proposals, $750 million to continue the Homekey Program administered through the Department of Housing and Community Development (HCD), $750 million for the Department of Health Care Services (DHCS) to provide grants to counties for the acquisition and rehabilitation of properties to expand behavioral health treatment resources, and $11.7 million to trial courts for the implementation of the Tenant, Homeowner, and Small Landlord Relief and Stabilization Act of 2020.

Health and Behavioral Health. The Proposed 2021-22 Budget reintroduces the California Advancing and Innovating Medi-Cal ("CalAIM") Proposal. The CalAIM Proposal aims to: (1) provide a more comprehensive suite of services to high-risk, high-need Medi-Cal beneficiaries (such as transitional housing services to protect against homelessness); (2) standardize and streamline Medi-Cal managed care; (3) extend programs and the associated federal funding for Medi-Cal currently authorized under temporary waiver authority; and (4) rethink how mental health and substance use services are delivered and financed.

Zero-Emission Vehicles (ZEVs) and Infrastructure. The Proposed 2021-22 Budget includes three proposals that would provide a total increase of up to $1.5 billion (various funds) to promote ZEVs.

Disaster Response and Preparedness. The Proposed 2021-22 Budget includes a total of $1 billion—$323 million in 2020-21 and $677 million in 2021-22—for 15 departments to implement various efforts related to improving forest health and making communities more resilient to future wildfires, $256 million to assist local governments with emergency response and recovery through the California Disaster Assistance Act to (1) restore or replace public real property damaged during disasters or (2) reimburse local governments for eligible emergency response costs, and $158 million over the subsequent three years, to fund the State's share of a large federal flood risk reduction project along the American River.

Proposed 2021-22 Budget Proposals Concerning K-14 Education. Under Proposition 98, the Proposed 2021-22 Budget includes $85.8 billion in spending for K-14 education. As described below, the Proposed 2021-22 Budget includes a significant portion of additional funding to pay deferrals implemented in 2020-21, return students to in-person instruction, and provide a 3.84% cost-of-living adjustment to the Local Control Funding Formula.

The LAO estimates that under the Proposed 2021-22 Budget, the State has approximately $19.1 billion available for new spending on K-14 programs as compared to prior years. The increased spending is allocated to three main priorities:

> *Paying Down Deferrals*. The 2020-21 Budget deferred $12.5 billion in payments to schools and community colleges. The Proposed 2021-22 Budget pays down $8.4 billion of this amount, with districts receiving the associated cash in 2021-22. Slightly more than $4 billion would remain deferred from 2021-22 to 2022-23.
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> *Providing In-Person Instruction and Expanding Academic Support*. The Proposed 2021-22 Budget includes $2 billion in one-time grants to incentivize schools to offer in-person instruction for younger students and students with high needs. To receive this additional funding, school districts must (1) develop or update a school reopening plan consistent with updated guidance from the California Department of Public Health, including a plan for asymptomatic testing of all students and staff potentially as often as every week, and (2) approve collective bargaining agreements to implement the new school reopening plan by February 1. The Proposed 2021-22 Budget also proposes early action to provide schools with $4.6 billion in grants to offer additional academic support for disadvantaged students, which could include summer school, longer school days, community learning hubs, and other locally developed interventions.
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> *Funding Cost-of-Living Adjustments*. The Proposed 2021-22 Budget includes a 3.84 percent COLA for the Local Control Funding Formula. This COLA rate reflects the estimated statutory COLA for 2021-22 (1.5 percent) plus the compounded value of the COLA the State did not provide in 2020-21. For other education programs, including community college apportionments, the budget provides only the 1.5 percent COLA.

For additional information regarding the Proposed 2021-22 Budget, please see the Department of Finance website at ebudget.ca.gov and the LAO's website at lao.ca.gov. The District takes no responsibility for the continued accuracy of the above-referenced internet addresses as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the District has no control.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Jarvis v. Connell. On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to directly levy any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery, the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District estimates that it will receive $14,354 in Lottery aid in fiscal year 2018-19, representing approximately 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. Charter schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. Charter schools operate with minimal supervision by the local school district. Charter schools receive revenues from the State and from the local school district for each student enrolled, and thus effectively reduce revenues available for students enrolled in local school district schools. School districts are required to accommodate charter school students originating in the school district in facilities comparable to those provided to regular school district students.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted to charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students who are residents in the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the February 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax (which expired on January 1, 2017) and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head-of-household filers and over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head-of-household filers and over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for head-of-household filers and over $1,000,000 for joint filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, a constitutional amendment initiative, was approved by California voters at the November 8, 2016 general election in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 will be allocated 89% to K-12 schools and 11% to community colleges. The sales and use tax rate increase under Proposition 30 will not be extended.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 8, 2016. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's Budget Stabilization Account (the "Stabilization Account") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a "Supplemental Stabilization Account Transfer") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "Public School System Stabilization Account") into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 19

On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("Proposition 19"), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

California Senate Bill 222

Senate Bill 222 ("SB 222") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 2, 19, 22, 26, 30, 39, 46, 55 and 98 were each adopted as measure that qualified for the State ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COUNTY OF ALPINE
MARKLEEVILLE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2020

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS

TABLE OF CONTENTS (CONCLUDED)

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alpine County Unified School District
Markleeville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the proportionate share of the net pension liabilities, and schedules of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alpine County Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of the Alpine County Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alpine County Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alpine County Unified School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

(PREPARED BY DISTRICT MANAGEMENT)

This section of Alpine County Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- During March 2020, District schools were closed for the remainder of the 2019-20 school year to address health concerns related to the Covid-19 outbreak.

- Fiscal year 2019-20 is the sixth year the District has been required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

- The District's overall financial status declined during the course of the year as total net position decreased 4.9%.

- On the Statement of Activities, total current year expenses exceeded total current year revenues by $256,957.

- Net capital assets increased $399,711, due to the current year addition of $569,366 of new capital assets and improvements, and the current year recognition of $169,655 of depreciation expense.

- Total long-term liabilities increased $418,221 due primarily to the increase in the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

- The District's P-2 average daily attendance (ADA) decreased from 75 ADA in fiscal year 2018-19 down to 66 ADA in fiscal year 2019-20, a decreased of 9 ADA or 12%.

- The District's General Fund incurred an operating deficit of $299,848 during fiscal year 2019-20 and recognized a $332,203 decrease in its available reserves.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2019-20, total General Fund expenditures and other financing uses totaled $3,376,558. At June 30, 2020, the District had available reserves of $3,497,322 in the General Fund which represents a reserve of 103.6%.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the District does not provide any services that should be categorized as business-type activities.

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes. Non-basic services, such as child nutrition and adult education are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Alpine County Unified School District are the General Fund, Building Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position decreased from $5,284,573 at June 30, 2019, down to $5,027,616 at June 30, 2020, a decrease of 4.9%.

Comparative Statement of Net Position

	Governmental Activities	
	2019	2020
Assets		
Deposits and Investments	$ 7,543,841	$ 7,366,451
Receivables	170,356	361,532
Note Receivable	21,912	0
Prepaid Expenses	18,714	14,516
Capital Assets, net	2,385,897	2,785,608
Total Assets	10,140,720	10,528,107
Deferred Outflow of Resources		
Pension Deferrals	794,304	937,905
Liabilities		
Current	233,076	871,039
Long-Term	4,986,863	5,217,272
Total Liabilities	5,219,939	6,088,311
Deferred Inflow of Resources		
Pension Deferrals	430,512	350,085
Net Position		
Net Investment in Capital Assets	1,661,786	1,732,622
Restricted	610,031	778,522
Unrestricted	3,012,756	2,516,472
Total Net Position	$ 5,284,573	$ 5,027,616

Table includes financial data of the combined governmental funds

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year expenses exceeded total current year revenues by $256,957.

Comparative Statement of Changes in Net Position

	Governmental Activities	
	2019	2020
Program Revenues		
Charges for Services	$ 661	$ 178
Operating Grants & Contributions	607,300	508,772
General Revenues		
Taxes Levied	1,437,363	1,634,918
Federal & State Aid	1,054,154	1,127,395
Interest & Investment Earnings	106,501	150,972
Other Revenues	178,183	62,648
Total Revenues	3,384,162	3,484,883
Expenses		
Instruction	1,545,997	1,655,094
Instruction-Related Services	499,368	535,027
Pupil Services	443,927	509,629
General Administration	724,919	575,726
Plant Services	301,006	371,211
Other Expenses	167,534	95,153
Total Expenses	3,682,751	3,741,840
Changes in Net Position	$ (298,589)	$ (256,957)

Table includes financial data of the combined governmental funds

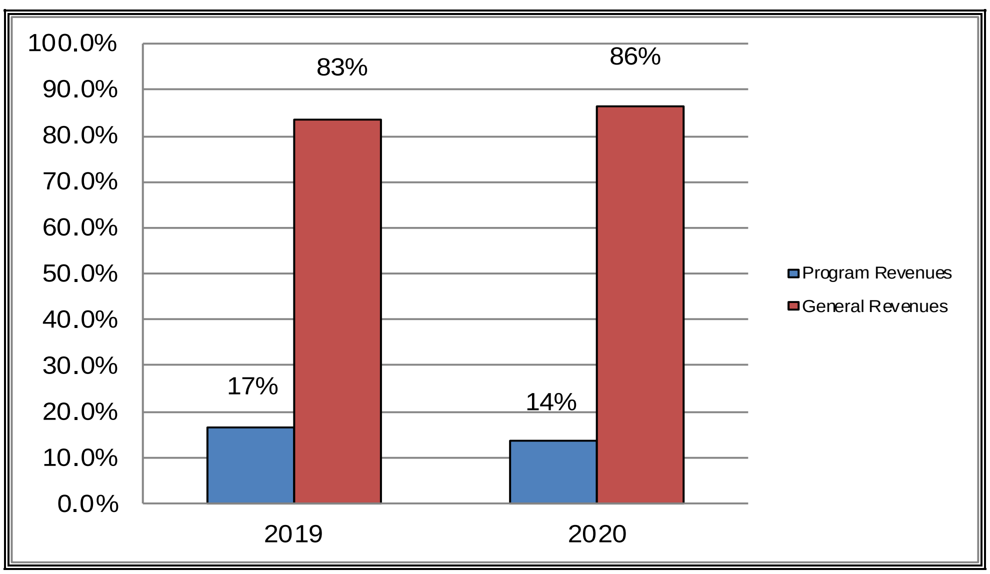
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
Instruction	$ 1,545,997	$ 1,655,094	$ 1,182,922	$ 1,321,269
Instruction-Related Services	499,368	535,027	469,677	521,050
Pupil Services	443,927	509,629	339,343	391,375
General Administration	724,919	575,726	671,555	539,668
Plant Services	301,006	371,211	209,914	368,095
Other Expenses	167,534	95,153	201,379	91,433
Totals	$ 3,682,751	$ 3,741,840	$ 3,074,790	$ 3,232,890

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $3,232,890 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



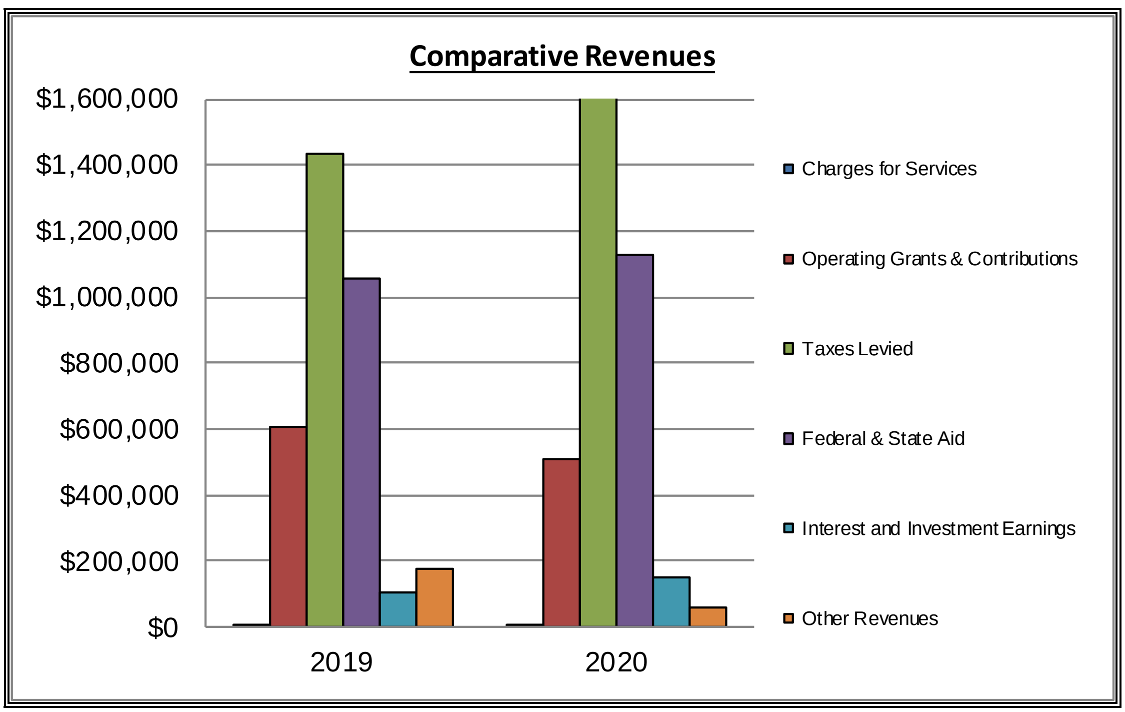
For fiscal year 2019-20, program revenues financed 14% of the total cost of providing the services listed above, while the remaining 86% was financed by the general revenues of the District.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Revenues For Governmental Functions

	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 661	0.02%	$ 178	0.01%
Operating Grants & Contributions	607,300	17.95%	508,772	14.60%
General Revenues				
Taxes Levied	1,437,363	42.47%	1,634,918	46.91%
Federal & State Aid	1,054,154	31.15%	1,127,395	32.35%
Interest & Investment Earnings	106,501	3.15%	150,972	4.33%
Other Revenues	178,183	5.27%	62,648	1.80%
Total Revenues	$ 3,384,162	100.00%	$ 3,484,883	100.00%

Table includes financial data of the combined governmental funds

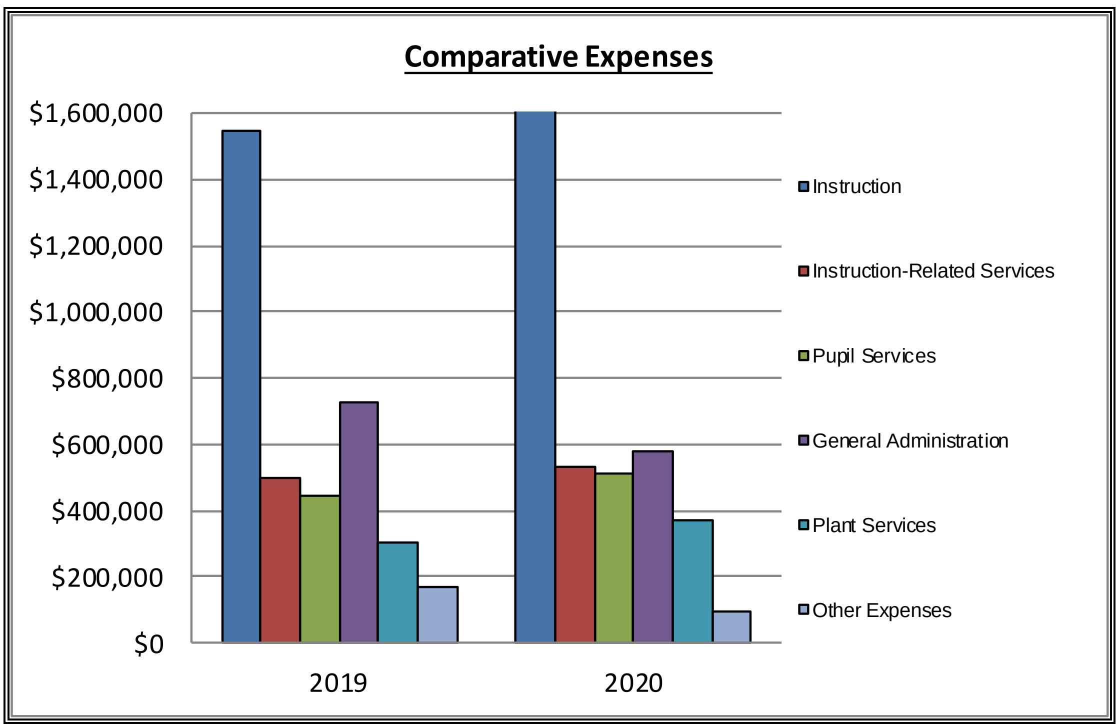


FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2019 Amount	Percent of Total	FYE 2020 Amount	Percent of Total
Expenses				
Instruction	$ 1,545,997	41.98%	$ 1,655,094	44.23%
Instruction-Related Services	499,368	13.56%	535,027	14.30%
Pupil Services	443,927	12.05%	509,629	13.62%
General Administration	724,919	19.68%	575,726	15.39%
Plant Services	301,006	8.17%	371,211	9.92%
Other Expenses	167,534	4.55%	95,153	2.54%
Total Expenses	$ 3,682,751	100.00%	$ 3,741,840	100.00%

Table includes financial data of the combined governmental funds



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2019	2020
Land	$ 140,370	$ 140,370
Sites and Improvements	791,245	791,245
Buildings and Improvements	2,846,544	3,702,050
Furniture and Equipment	981,208	981,208
Construction-in-Progress	701,755	415,615
Subtotals	5,461,122	6,030,488
Less: Accumulated Depreciation	(3,075,225)	(3,244,880)
Capital Assets, net	$ 2,385,897	$ 2,785,608

Net capital assets increased $399,711, due to the current year addition of $569,366 of new capital assets and improvements, and the current year recognition of $169,655 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2019	2020
Compensated Absences	$ 40,874	$ 33,686
General Obligation Bonds	2,526,915	2,519,372
Net Pension Liabilities	2,467,491	2,900,443
Totals	$ 5,035,280	$ 5,453,501

The general obligation bonds are financed by the local taxpayers and represent 46% of the District's total long-term liabilities, and the net pension liabilities represent 53%. The District has satisfied all debt service requirements on its bonded debt and continues to maintain an excellent credit rating on its debt issue. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The fund balance of the General Fund decreased $299,848, the fund balance of the Building Fund decreased $336,418 due to expending bond proceeds received in the prior fiscal year, and the combined fund balances of all other District governmental funds increased $197,471.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District will continue to be impacted by the on-going health concerns associated with Covid-19. Since the virus is still very contagious, the District has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have also been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

The District is expected to maintain its basic aid (community funded) status during fiscal year 2020-21. As a result, any increase in student enrollment will likely reduce per pupil funding, while any decrease in average daily attendance will likely increase per pupil funding.

As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Alpine County Unified School District, 43 Hawkside Drive, Markleeville, California 96120.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 7,366,451
Receivables (Note 3)	361,532
Prepaid Expenses (Note 1H)	14,516
Capital Assets, Not Depreciated (Note 5)	555,985
Capital Assets, Net of Accumulated Depreciation	2,229,623
Total Assets	10,528,107
Deferred Outflows of Resources	
Pension Deferrals (Note 7)	937,905
Liabilities	
Accounts Payable and Other Current Liabilities	534,419
Accrued Interest Payable	39,622
Unearned Revenue (Note 1H)	60,769
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences (Note 1H)	33,686
General Obligation Bonds (Note 6)	202,543
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 6)	2,316,829
Net Pension Liabilities (Note 7)	2,900,443
Total Liabilities	6,088,311
Deferred Inflows of Resources	
Pension Deferrals (Note 7)	350,085
Net Position	
Net Investment in Capital Assets	1,732,622
Restricted:	
For Capital Projects	173,464
For Debt Service	369,480
For Educational Programs	211,062
For Other Purposes	24,516
Unrestricted	2,516,472
Total Net Position	$ 5,027,616

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 1,655,094		$ 333,825		$ (1,321,269)
Instruction-Related Services:					
Instructional Library and Technology	302,358		1,686		(300,672)
School Site Administration	232,669		12,291		(220,378)
Pupil Services:					
Home-to-School Transportation	286,218		122		(286,096)
Food Services	112,227	$ 169	47,742		(64,316)
Other Pupil Services	111,184		70,221		(40,963)
General Administration:					
Data Processing Services	3,873				(3,873)
Other General Administration	571,853	9	36,049		(535,795)
Plant Services	371,211		3,116		(368,095)
Ancillary Services	10,626		3,720		(6,906)
Interest on Long-Term Debt	84,527				(84,527)
Total Governmental Activities	$ 3,741,840	$ 178	$ 508,772	$ 0	(3,232,890)
General Revenues					
Taxes Levied for General Purposes					1,390,602
Taxes Levied for Debt Service					244,316
Federal and State Aid - Unrestricted					1,127,395
Interest and Investment Earnings					150,972
Miscellaneous					62,648
Total General Revenues					2,975,933
Change in Net Position					(256,957)
Net Position - July 1, 2019					5,284,573
Net Position - June 30, 2020					$ 5,027,616

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Building	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 3,921,931	$ 1,469,461	$ 1,124,562	$ 850,497	$ 7,366,451
Receivables (Note 3)	352,162			9,370	361,532
Due from Other Funds (Note 4)				33,500	33,500
Prepaid Expenditures (Note 1H)	14,516				14,516
Total Assets	$ 4,288,609	$ 1,469,461	$ 1,124,562	$ 893,367	$ 7,775,999
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 526,191	$ 3,075	$ 3,300	$ 1,853	$ 534,419
Due to Other Funds (Note 4)	33,500				33,500
Unearned Revenue (Note 1H)	60,769				60,769
Total Liabilities	620,460	3,075	3,300	1,853	628,688
Fund Balances: (Note 9)					
Nonspendable	24,516				24,516
Restricted	103,014	1,466,386		690,614	2,260,014
Committed				200,900	200,900
Assigned	43,297		1,121,262		1,164,559
Unassigned	3,497,322				3,497,322
Total Fund Balances	3,668,149	1,466,386	1,121,262	891,514	7,147,311
Total Liabilities and Fund Balances	$ 4,288,609	$ 1,469,461	$ 1,124,562	$ 893,367	$ 7,775,999

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds		$ 7,147,311
Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:		
Capital Assets	$ 6,030,488	
Accumulated Depreciation	(3,244,880)	
Net		2,785,608
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. The net of deferred outflows and inflows was:		587,820
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:		
Compensated Absences	33,686	
General Obligation Bonds	2,519,372	
Net Pension Liabilities	2,900,443	
		(5,453,501)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(39,622)
Total Net Position - Governmental Activities		$ 5,027,616

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Building	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
LCFF Sources:					
State Apportionment / Transfers	$ 468,643			$ 30,990	$ 499,633
Local Taxes	1,421,592				1,421,592
Total LCFF Sources	1,890,235			30,990	1,921,225
Federal Revenue	648,708			46,472	695,180
State Revenue	325,981			3,713	329,694
Local Revenue	211,786	$ 39,427	$ 24,887	262,684	538,784
Total Revenues	3,076,710	39,427	24,887	343,859	3,484,883
Expenditures					
Current:					
Instruction	1,542,013				1,542,013
Instructional Library and Technology	240,527				240,527
School Site Administration	220,898				220,898
Home-To-School Transportation	239,892				239,892
Food Services				97,383	97,383
Other Pupil Services	102,431			3,284	105,715
Data Processing Services	3,693				3,693
Other General Administration	502,346			4,986	507,332
Plant Services	298,035				298,035
Facilities Acquisition and Construction	164,092	375,845		49,237	589,174
Ancillary Services	10,626				10,626
Debt Service:					
Interest and Issuance Costs				68,390	68,390
Total Expenditures	3,324,553	375,845	0	223,280	3,923,678
Excess of Revenues Over (Under) Expenditures	(247,843)	(336,418)	24,887	120,579	(438,795)
Other Financing Sources (Uses)					
Operating Transfers In				52,005	52,005
Operating Transfers Out	(52,005)				(52,005)
Total Other Financing Sources (Uses)	(52,005)	0	0	52,005	0
Net Change in Fund Balances	(299,848)	(336,418)	24,887	172,584	(438,795)
Fund Balances - July 1, 2019	3,967,997	1,802,804	1,096,375	718,930	7,586,106
Fund Balances - June 30, 2020	$ 3,668,149	$ 1,466,386	$ 1,121,262	$ 891,514	$ 7,147,311

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Governmental Funds		$ (438,795)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlays	$ 569,366	
Depreciation Expense	(169,655)	
Net		399,711
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:		7,188
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		7,543
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual-basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(208,924)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:		(23,680)
Change in Net Position of Governmental Activities		$ (256,957)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Alpine County Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Alpine County. The District was established in 1964 and serves students in kindergarten through grade twelve.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Alpine County Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units, when applicable. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases and decreases in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following governmental fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

The *General Fund* is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

The *Capital Projects - Special Reserve Fund* was established to account for financial resources received and expenditures made to complete major facilities modifications.

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 49.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $250,000 by the Federal Depository Insurance Corporation (FDIC). The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Reported prepaid expenses/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Capital Assets (Concluded)

Asset Class	Years
Sites and Improvements	20-30
Buildings and Improvements	25-50
Furniture and Equipment	5-20

4. Deferred Outflows/Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Pensions (Concluded)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums and issue discounts are deferred and amortized over the life of the bonds, when material. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the year of issuance. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Fund Balances

The governmental fund financial statements present each fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Business Manager has been given this authority.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Fund Balances (Concluded)

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 50% of the General Fund's annual total expenditures and other financing uses. In the event that the fund balance drops below 50%, it shall be recovered at a rate of no less than 1% each year.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

10. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Alpine is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion $120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Cash on Hand and in Banks	$ 50
Cash in Revolving Fund	10,000
County Pool Investments	7,356,401
Total	$ 7,366,451

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in Revolving Fund consists of cash held by the District in a commercial bank account that is used as a revolving fund.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

County pool investments consist of District cash held by the Alpine County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Fund / Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Alpine County Investment Pool.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Years to Maturity
County Pool Investments	$ 7,356,401	$ 7,430,364	1.83

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alpine County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Uncategorized
County Pool Investments	$ 7,430,364	$ 7,430,364

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 - RECEIVABLES

Accounts receivable at June 30, 2020 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 38,787	$ 8,630	$ 47,417
State Government	211,720	740	212,460
Local Governments	27,031		27,031
Miscellaneous	74,624		74,624
Totals	$ 352,162	$ 9,370	$ 361,532

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due From/Due To Other Funds

General Fund due to Deferred Maintenance Fund for mis-classified expenditures charged to Deferred Maintenance Fund	$ 33,500

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2019-20 were as follows:

General Fund transfer to the Cafeteria Fund to supplement the child nutrition program	$ 52,005
Total	$ 52,005

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balances July 1, 2019	Additions	Deletions	Balances June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 140,370			$ 140,370
Construction-in-Progress	701,755	$ 526,891	$ 813,031	415,615
Total Capital Assets Not Being Depreciated	842,125	526,891	813,031	555,985
Capital Assets Being Depreciated:				
Sites and Improvements	791,245			791,245
Buildings and Improvements	2,846,544	855,506		3,702,050
Furniture and Equipment	981,208			981,208
Total Capital Assets Being Depreciated	4,618,997	855,506	0	5,474,503
Less Accumulated Depreciation:				
Sites and Improvements	482,339	26,734		509,073
Buildings and Improvements	1,805,224	111,046		1,916,270
Furniture and Equipment	787,662	31,875		819,537
Total Accumulated Depreciation	3,075,225	169,655	0	3,244,880
Total Capital Assets Being Depreciated, Net	1,543,772	685,851	0	2,229,623
Capital Assets, Net	$ 2,385,897	$ 1,212,742	$ 813,031	$ 2,785,608

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 77,000
Instruction-Related Services	24,891
Pupil Services	23,710
General Administration	26,784
Plant Services	17,270
Total	$ 169,655

NOTE 6 - GENERAL OBLIGATION BONDS

On the November 6, 2018, general election, the registered voters of the District approved Measure B, which authorizes the District to issue up to $4,900,000 in general obligation bonds to improve local school safety systems; provide accessibility for students with disabilities; update classrooms and improve technology to support quality instruction; updated plumbing, heating AC and electrical systems, and to pay the costs of issuing the bonds. On April 30, 2019, the District issued general obligation bonds in the amount of $2,300,000.

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The general obligation bonds are secured by the full faith and credit of the District. Alpine County is obligated to annually levy and collect ad valorem taxes upon all property within the District subject to taxation for the payment of interest and principal of the bonds. The District's outstanding general obligation debt, excluding $219,372 of unamortized bond premiums, as of June 30, 2020 is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2019	Redeemed Current Year	Outstanding June 30, 2020
4/30/19	3.00-5.00	8/1/49	$ 2,300,000	$ 2,300,000	$ 0	$ 2,300,000

The annual requirement to amortize the current interest bonds payable, outstanding as of June 30, 2020, is as follows:

Year Ended June 30	Principal	Interest	Totals
2021	$ 195,000	$ 93,225	$ 288,225
2022	210,000	87,150	297,150
2023	30,000	83,400	113,400
2024	15,000	82,500	97,500
2025	20,000	81,800	101,800
2026-2030	135,000	394,900	529,900
2031-2035	225,000	359,500	584,500
2036-2040	325,000	312,125	637,125
2041-2045	470,000	231,250	701,250
2046-2050	675,000	89,375	764,375
Totals	$ 2,300,000	$ 1,815,225	$ 4,115,225

NOTE 7 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 1,542,490	$ 472,725	$ 266,933	$ 286,682
CalPERS	1,357,953	465,180	83,152	346,051
Totals	$ 2,900,443	$ 937,905	$ 350,085	$ 632,733

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable service activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

CalSTRS 2% at 60 (Concluded)

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Funding Plan). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2019-20.

Employers: The employer contribution rate was 17.10% of applicable member earnings for fiscal year 2019-20. This rate reflects the 1.03% reduction of the employer contribution rate for the fiscal year 2019-20 pursuant to SB 90. The District contributed $169,113 to the plan for the fiscal year ended June 30, 2020.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions (Concluded)

State: The base contribution of 2.017% is calculated based on creditable compensation from two fiscal years prior. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code Section 22955.1. The additional state contribution for the fiscal year ended June 30, 2020 was 5.811%. Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2020. This rate does not include the $2.2 billion supplement state contribution on behalf of employers pursuant to SB 90.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	$ 1,542,490
State's proportionate share of the net pension liability associated with the District	841,532
Total net pension liability attributed to District	$ 2,384,022

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0017%
Proportion - June 30, 2018	0.0017%
Change - Increase (Decrease)	0.0000%

For the fiscal year ended June 30, 2020, the District recognized pension expense of $286,682, which includes $117,401 of support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 169,113	
Differences between expected and actual experience	4,196	$ 43,634
Changes of assumptions	210,136	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	89,280	159,872
Net differences between projected and actual earnings on plan investments		63,427
Totals	$ 472,725	$ 266,933

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	$ 7,058
2022	(34,634)
2023	32,054
2024	49,687
2025	(19,690)
2026	2,204

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all active and inactive plan members. The average expected remaining service life for STRP members based on the financial reporting actuarial valuation as of June 30, 2018, is 7 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a close 5-year period.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return [1]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

[1] Net of investment expenses, but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base morality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term investment rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class as June 30, 2019, are summarized in the following table:

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash / Liquidity	2%	-0.40%
Total	100%	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	$ 2,296,896	$ 1,542,490	$ 916,945

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 19.721% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2020 was $137,295.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a liability of $1,357,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0047%
Proportion - June 30, 2018	0.0036%
Change - Increase (Decrease)	0.0011%

For the fiscal year ended June 30, 2020, the District recognized pension expense of $346,051. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 137,295	
Differences between expected and actual experience	87,423	
Changes of assumptions	57,300	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	183,162	$ 78,796
Net differences between projected and actual earnings on plan investments		4,356
Totals	$ 465,180	$ 83,152

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 7 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2021	$ 122,046
2022	43,788
2023	75,329
2024	3,570

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2019. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class [1]	Assumed Asset Allocation	Real Return Years 1 - 10 [2]	Real Return Years 11+ [3]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

NOTE 7 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	$ 1,957,400	$ 1,357,953	$ 860,671

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020, are shown below:

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Long-Term Debt:					
General Obligation Bonds	$ 2,526,915		$ 7,543	$ 2,519,372	$ 202,543
Other Long-Term Liabilities:					
Compensated Absences	40,874	$ 33,686	40,874	33,686	33,686
Net Pension Liabilities	2,467,491	432,952		2,900,443	
Totals	$ 5,035,280	$ 466,638	$ 48,417	$ 5,453,501	$ 236,229

Compensated absences and net pension liabilities are obligations of the General Fund and Cafeteria Fund, and the general obligation bonds are obligations of the Bond Interest and Redemption Fund.

NOTE 9 - FUND BALANCES

The District's fund balances at June 30, 2020 consisted of the following:

	General Fund	Building Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	$ 10,000				$ 10,000
Prepaid Expenditures	14,516				14,516
Total Nonspendable	24,516				24,516
Restricted:					
Categorical Programs	103,014				103,014
Adult Education Programs				$ 108,048	108,048
Facilities Projects		$ 1,466,386		173,464	1,639,850
Debt Service				409,102	409,102
Total Restricted	103,014	1,466,386		690,614	2,260,014
Committed:					
Deferred Maintenance				200,900	200,900
Assigned:					
Facilities Projects			$ 1,121,262		1,121,262
Other Assignments	43,297				43,297
Total Assigned	43,297		1,121,262		1,164,559
Unassigned:					
Reserve for Economic Uncertainties	3,497,322				3,497,322
Totals	$ 3,668,149	$ 1,466,386	$ 1,121,262	$ 891,514	$ 7,147,311

NOTE 10 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of $117,401 to CalSTRS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Alpine County Office of Education (the "County Office") serves only the Alpine County Unified School District. As a result, the two entities are in the same location and share a common administration, including board members and shared allocations of office space and personnel. The cost relating to common administration including administrative space and personnel were reported in the District's financial statements and were not transferred to the County Office.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019-20, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 13 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Tuolumne Joint Powers Authority (TJPA) for property & liability and workers' compensation. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting. The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA. The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 15 - GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus includes restriction on travel, quarantine in certain areas, and forced closure for certain type of public spaces and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on local education agencies throughout the United States, especially those located in California. While it is unknown how long these conditions will last and what the complete financial effect will be on local education agencies, to date, the District has not experienced any significant negative financial impact. However, due to the existence of significant economic impacts at the Federal, State, and Local government levels, it is reasonably possible that the District will be vulnerable to the risk of a near-term severe impact from the coronavirus.

NOTE 16 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through January 27, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
LCFF Sources:				
State Apportionment / Transfers	$ 476,797	$ 479,357	$ 468,643	$ (10,714)
Local Sources	1,416,306	1,416,306	1,421,592	5,286
Total LCFF Sources	1,893,103	1,895,663	1,890,235	(5,428)
Federal Revenue	474,106	645,015	648,708	3,693
Other State Revenue	296,274	308,186	325,981	17,795
Other Local Revenue	224,765	227,765	211,786	(15,979)
Total Revenues	2,888,248	3,076,629	3,076,710	81
Expenditures				
Current:				
Certificated Salaries	986,970	996,170	1,026,242	(30,072)
Classified Salaries	658,584	692,239	717,805	(25,566)
Employee Benefits	791,325	799,769	789,106	10,663
Books and Supplies	115,940	115,940	118,741	(2,801)
Services and Other Operating Expenditures	595,659	503,931	521,043	(17,112)
Capital Outlay	6,000	138,624	156,602	(17,978)
Other Expenditures	(5,334)	(5,334)	(4,986)	(348)
Total Expenditures	3,149,144	3,241,339	3,324,553	(83,214)
Excess of Revenues (Under) Expenditures	(260,896)	(164,710)	(247,843)	(83,133)
Other Financing (Uses)				
Operating Transfers Out	(52,005)	(52,005)	(52,005)	
Net Change in Fund Balances	(312,901)	(216,715)	(299,848)	$ (83,133)
Fund Balances - July 1, 2019	3,967,997	3,967,997	3,967,997	
Fund Balances - June 30, 2020	$ 3,655,096	$ 3,751,282	$ 3,668,149	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2020

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0017%	$ 1,542,490	$ 841,532	$ 2,384,022	$ 923,931	166.95%	72.56%
2019	0.0017%	1,520,661	870,650	2,391,311	844,643	180.04%	70.99%
2018	0.0018%	1,701,456	1,006,567	2,708,023	981,781	173.30%	69.46%
2017	0.0017%	1,398,164	872,917	2,271,081	841,575	166.14%	70.04%
2016	0.0017%	1,172,871	780,116	1,952,987	878,198	133.55%	74.02%
2015	0.0020%	1,153,115	748,877	1,901,992	878,897	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2020

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0047%	$ 1,357,953	$ 645,377	210.41%	70.05%
2019	0.0036%	946,830	468,386	202.15%	70.85%
2018	0.0042%	1,012,724	540,963	187.21%	71.87%
2017	0.0046%	901,259	547,463	164.62%	73.90%
2016	0.0048%	712,108	534,848	133.14%	79.43%
2015	0.0034%	380,707	352,036	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	$ 169,113	$ 169,113	$ 0	$ 988,965	17.10%
2019	150,416	150,416	0	923,931	16.28%
2018	121,882	121,882	0	844,643	14.43%
2017	123,508	123,508	0	981,781	12.58%
2016	90,301	90,301	0	841,575	10.73%
2015	77,984	77,984	0	878,198	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2020	$ 137,295	$ 137,295	$ 0	$ 696,187	19.721%
2019	116,568	116,568	0	645,377	18.062%
2018	72,745	72,745	0	468,386	15.531%
2017	75,129	75,129	0	540,963	13.888%
2016	64,858	64,858	0	547,463	11.847%
2015	62,957	62,957	0	534,848	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP).

Excess expenditures over appropriations as of June 30, 2020 were as follows:

General Fund	Excess Expenditures
Certificated Salaries	$ 30,072
Classified Salaries	25,566
Books and Supplies	2,801
Services and Other Operating Expenditures	17,112
Capital Outlay	17,978
Other Expenditures	348

The District incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budget was not revised.

B. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ORGANIZATION

The Alpine County Unified School District was established in 1964 and is comprised of an area of approximately 727 square miles in Alpine County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools and a community day school.

BOARD OF TRUSTEES

Name	Office	Term Expires
Amy Mecak	President	January, 2021
Nani Ellis	Clerk	January, 2023
Andria Cawelti	Member	January, 2021
John Baker	Member	January, 2023
Amber Bill	Member	January, 2023

ADMINISTRATION

Matthew Strahl
Superintendent

Klaus Leitenbauer
Business Manager

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Deferred Maintenance	Cafeteria
Assets		
Deposits and Investments	$ 169,253	$ (9,370)
Receivables		9,370
Due from Other Funds	33,500	
Total Assets	$ 202,753	$ 0
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$ 1,853	
Fund Balances:		
Restricted		
Committed	200,900	
Total Fund Balances	200,900	
Total Liabilities and Fund Balances	$ 202,753	$ 0

Adult Education	Bond Interest and Redemption	Capital Facilities	Total Non-Major Governmental Funds
$ 108,048	$ 409,102	$ 173,464	$ 850,497
			9,370
			33,500
$ 108,048	$ 409,102	$ 173,464	$ 893,367
			$ 1,853
$ 108,048	$ 409,102	$ 173,464	690,614
			200,900
108,048	409,102	173,464	891,514
$ 108,048	$ 409,102	$ 173,464	$ 893,367

ALPINE COUNTY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Deferred Maintenance	Cafeteria
Revenues		
LCFF Sources:		
State Apportionment / Transfers	$ 30,990	
Federal Revenue		$ 46,472
State Revenue		3,713
Local Revenue	3,691	179
Total Revenues	34,681	50,364
Expenditures		
Current:		
Food Services		97,383
Other Pupil Services		
Other General Administration		4,986
Facilities Acquisition and Construction	49,237	
Debt Service:		
Interest and Issuance Costs		
Total Expenditures	49,237	102,369
Excess of Revenues Over (Under) Expenditures	(14,556)	(52,005)
Other Financing Sources		
Operating Transfers In		52,005
Net Change in Fund Balances	(14,556)	0
Fund Balances - July 1, 2019	215,456	0
Fund Balances - June 30, 2020	$ 200,900	$ 0

SEE NOTES TO SUPPLEMENTARY INFORMATION

Adult Education	Bond Interest and Redemption	Capital Facilities	Total Non-Major Governmental Funds
			$ 30,990
			46,472
			3,713
$ 2,422	$ 249,320	$ 7,072	262,684
2,422	249,320	7,072	343,859
			97,383
3,284			3,284
			4,986
			49,237
	68,390		68,390
3,284	68,390	0	223,280
(862)	180,930	7,072	120,579
			52,005
(862)	180,930	7,072	172,584
108,910	228,172	166,392	718,930
$ 108,048	$ 409,102	$ 173,464	$ 891,514

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	P-2 Report			
	TK / K - 3	**4 - 6**	**7 - 8**	**Total**
Regular	27.10	21.76	16.84	65.70

	Annual Report			
	TK / K - 3	**4 - 6**	**7 - 8**	**Total**
Regular	27.10	21.76	16.84	65.70

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Grade Level	Minutes Required	2019-20 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	57,940	180	N/A	In Compliance
Grade 1	50,400	55,240	180	N/A	In Compliance
Grade 2	50,400	55,240	180	N/A	In Compliance
Grade 3	50,400	55,240	180	N/A	In Compliance
Grade 4	54,000	55,240	180	N/A	In Compliance
Grade 5	54,000	55,240	180	N/A	In Compliance
Grade 6	54,000	55,240	180	N/A	In Compliance
Grade 7	54,000	55,240	180	N/A	In Compliance
Grade 8	54,000	55,240	180	N/A	In Compliance

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Pupil Transportation Fund	Deferred Maintenance Fund
June 30, 2020 Annual Financial and Budget Report Fund Balances	$ 3,644,621	$ 29,997	$ 167,400
Adjustments and Reclassifications Increasing (Decreasing) Fund Balances:			
(Understatement) Overstatement of Services and Other Operating Expenditures	(33,500)		33,500
Understatement of Other State Revenues	27,031		
Reclassification of Fund Balances	29,997	(29,997)	
Net Adjustments and Reclassifications	23,528	(29,997)	33,500
June 30, 2020 Audited Financial Statements Fund Balances	$ 3,668,149	$ 0	$ 200,900

Auditor's Comments

The fund balances of the General Fund and Pupil Transportation Fund, have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2020.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND			
	(Budget) 2020-21	2019-20	2018-19	2017-18
Revenues and Other Financial Sources	$ 2,751,893	$ 3,076,710	$ 3,302,117	$ 3,153,176
Expenditures	3,012,665	3,324,553	3,638,798	2,693,106
Other Uses and Transfers Out	79,701	52,005	87,163	63,318
Total Outgo	3,092,366	3,376,558	3,725,961	2,756,424
Change in Fund Balance	(340,473)	(299,848)	(423,844)	396,752
Ending Fund Balance	$ 3,327,676	$ 3,668,149	$ 3,967,997	$ 4,391,841
Available Reserves	$ 3,179,865	$ 3,497,322	$ 3,829,525	$ 4,049,739
Reserve for Economic Uncertainties *	$ 3,179,865	$ 3,497,322	$ 3,829,525	$ 4,010,085
Available Reserves as a Percentage of Total Outgo	102.8%	103.6%	102.8%	146.9%
Average Daily Attendance at P-2	74	66	75	74
Total Long-Term Liabilities	$ 5,217,272	$ 5,453,501	$ 5,035,280	$ 2,766,741

* Reported balances are a component of available reserves.

The fund balance of the General Fund decreased $723,692 (16.5%) over the past two years. The fiscal year 2020-21 budget projects a decrease of $340,473 (9.3%). For a district this size, the state recommends minimum reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred operating deficit of $423,844 and $299,848 in fiscal year 2018-19 and 2019-20, respectively, and produced an operating surpluses of $396,752 in fiscal year 2017-18.

Average daily attendance (ADA) decreased 8 ADA over the past two years. The District anticipates an increase of 8 ADA during fiscal year 2020-21.

Total long-term liabilities increased $2,686,760 over the past two years due primarily to the issuance of $2,300,000 in general obligation bonds in fiscal year 2018-19 and the increase in the District's net pension liabilities.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade spans and in different programs.

C. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code. The District submitted the Covid-19 School Closure Certification on July 17, 2020 and reported 52 total number of instructional days school closed due to Covid-19.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Alpine County Unified School District
Markleeville, California

Report on State Compliance

We have audited Alpine County Unified School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Alpine County Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of Alpine County Unified School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Alpine County Unified School District's compliance with state laws and regulations applicable to the following items:

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Alpine County Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2020-003**. Further, the results of our auditing procedures disclosed instances of noncompliance with other state laws and regulations, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2020-004**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Alpine County Unified School District
Markleeville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine County Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies, as noted in **Findings 2020-001** and **2020-002**.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

FINDINGS AND QUESTIONED COSTS SECTION

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

State Awards

Any audit findings required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?*	X	Yes		No
Any audit findings required to be reported in accordance with other State laws or regulations?	X	Yes		No
Type of auditor's report issued on compliance for state programs:	Unmodified			

SECTION II - FINANCIAL STATEMENT FINDINGS

2020 - 001 / 30000

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING - UNAUDITED ACTUALS

Criteria:	Each year, districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year the governing board certifies that the report was prepared in accordance with Education Code Section 41010, and approves the report as the official submission of financial information that will be used as the basis for the district's annual financial statements. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
Condition:	The District's "Unaudited Actuals" included misstatements that we consider to be material to their annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where audit adjustments were required.
Questioned Costs:	None.
Context:	The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 64 of this report.
Effect:	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented, or detected and corrected on a timely basis.
Cause:	The District did not have effective procedures in place to ensure that the "Unaudited Actuals" were free of material misstatements.
Recommendation:	The District should develop a more comprehensive financial reporting checklist, to be used by staff during the year-end closing process, to prevent misstatements from occurring in the future.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONCLUDED)

District Response:

One misstatement is a reclassification for $33,500 for facilities improvements from the Deferred Maintenance Account to the General Fund. The impact on the overall financial condition of the District is $0. The California Office of Public School Construction's (OPSC) Deferred Maintenance Program has not been active since July 1, 2013. The District still maintains the Deferred Maintenance Fund at the request of its Governing Board and Facilities Advisory Committee for transparency purposes regarding the use of its annual Board resolution requiring 1% of general Fund expenditures transferred into its Deferred Maintenance Fund. The District's comprehensive financial reporting checklist does not incorporate the guidance from OPSC's Deferred Maintenance Program Handbook but will do so in subsequent years.

The second misstatement consists primarily of Special Education Revenue for $22,626 being recorded in the County Office of Education's Revenue when the revenue should have been recorded in the District. The District's procedures for recording deposits include preparation by the Fiscal Services Coordinator followed by review and approval by the Business Manager. The District's comprehensive financial reporting checklist includes a step requiring "Entitlement programs have been reconciled as per the CAT Form and appropriate receivables or deferrals (unearned revenue) accruals made to the ledgers." This step was improperly performed by the Business Manager during year end closing. During fiscal year 2019/2020 the Business Services Office on-boarded a new Fiscal Services Coordinator and was required to work remotely from home as much as possible during the COVID-19 outbreak. These 2 factors impacted the District's system of internal control. A mitigating internal control element is the County Office of Education's and the District's Cash is reconciled monthly; thus, the impact of the misstatement on the overall financial condition of the District is $0.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2020 - 002 / 30000

SIGNIFICANT DEFICIENCY

SCHOOL NUTRITION PROGRAM - CLAIM SUBMISSION DEADLINES

Criteria: Districts are required to submit the monthly claims for reimbursement to the State by the applicable submission deadline date specified on the California Department of Education website. Claims submitted after the submission deadline, are not paid unless the District meets certain criteria, circumstances, or conditions that allow the claim to be considered for payment.

Condition: The August 2019 claim for reimbursement was not successfully transmitted to the California Department of Education prior to the specified submission deadline.

Questioned Costs: None. As a result of not filing the August 2019 claim prior to the specified submission deadline, the District will not receive reimbursements totaling $4,151 of federal revenue and $315 of state revenue.

Context: The condition is limited to the August 2019 claim for reimbursement.

Effect: The District incurred costs to provide meals to students of the District, during August 2019, but failed to receive reimbursement from the California Department of Education due to not filing the claim.

Cause: The District has not established policies and procedures to ensure that all monthly claims for reimbursement are filed to the State by applicable submission deadline date.

Recommendation: The District should establish policies and procedures to ensure that all monthly claims for reimbursement are submitted by the required due dates.

District Response: The Business Services Office operated without a Fiscal Service Coordinator from August 17, 2019 through September 15, 2019. When the new Fiscal Services Coordinator started on September 16, 2019, August Bank reconciliation and September payroll processing were the top priorities. In addition, the Business Manager was performing year end closing for the 2018/2019 fiscal year. All subsequent claims for reimbursement have been processed timely. Furthermore, the District has implemented a Task Management system where all Business Office staff can manage and update tasks, including claims for reimbursement, on a real-time daily basis.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020 - 003 / 40000

AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (ASES)

Criteria: In accordance with program guidelines, districts are required to have daily sign-in and sign-out procedures, which identify student arrival and departure times, early-release codes, when applicable, and the signatures of the individuals who are picking up the students.

Condition: Early release codes were not always entered on the sign-in/sign-out sheets when students left early.

Questioned Costs: None.

Context: The condition existed throughout fiscal year 2019-20.

Effect: The procedural deficiency makes it difficult for the District to demonstrate compliance with the program requirement listed in the criteria.

Cause: The District has not adequately monitored the program to ensure that it is being operated in accordance with all state requirements.

Recommendation: The District should remind ASES staff of the proper procedures for recording and documenting attendance. In addition, the District should review, on a daily basis, all sign-in and sign-out sheets to ensure that the appropriate early release codes are noted for all students who leave before 5 pm.

District Response: The District has reminded staff of the proper procedures for recording and documenting attendance. The Business Office is reviewing, on a daily basis, all sign-in and sign-out sheets to ensure that the appropriate early release codes are noted for all students who leave before 5:00 pm.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Reported in the 2018-19 audit as Finding 2019 - 004

2020 - 004 / 40000

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Criteria: In accordance with Education Code Section 42600, the total amount budgeted as the proposed expenditure of the school district for each major classification of school district expenditures listed in the school district budget forms prescribed by the Superintendent of Public Instruction shall be the maximum amount which may be expended for that classification of expenditures for the school year.

Condition: Total General Fund expenditures exceeded total General Fund appropriations by $83,214 during fiscal year 2019-20.

Questioned Cost: None.

Context: Total expenditures exceeded total appropriations in the General Fund as of June 30, 2020, see page 49.

Effect: The District did not comply with the legal requirements for expenditure appropriations.

Cause: Expenditures were made when no appropriations for such expenditures were available.

Recommendation: Transfers may be made from available reserves in unspent expenditure classifications, designated fund balance, or unappropriated fund balance, to any expenditure classifications with Board approval under Education Code Section 42600. No payments should be made when there are no available appropriations in the expenditure classification.

District Response: During fiscal year 2019/20 the Business Manager and the new Superintendent worked closely to only make payments with available appropriations. In addition, Budget revisions were brought to the Board subsequent to Second Interim as a result of the COVID-19 outbreak in an effort to proactively evaluate the economic impact on the District. However, expenditures exceeded appropriations primarily for the following two reasons:

1) Certificated and Classified salaries increased as a result of settled negotiations in the prior fiscal year, vacation and overtime and related benefits under-budgeted by $44,975.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

EXPENDITURES IN EXCESS OF APPROPRIATIONS (CONCLUDED)

District Response (Concluded):

2) Books, Services, Capital Outlay and Other Operating expenditures were revised downward after Second Interim as a result of anticipated reductions from the closures of school sites. However, the final actual expenditures exceeded final revised budgeted amounts by $38,239 due to additional costs related to facilities maintenance and distance learning upgrades required as the result of the COVID-19 outbreak.

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Recommendations	Current Status	Explanation If Not Fully Implemented
STATE AWARDS		
2019 - 001 / 40000		
UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS		
The District should enforce established procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.	Implemented	
2019 - 002 / 70000		
INSTRUCTIONAL MATERIALS		
The District should enforce established procedures to ensure that a compliant public hearing is held, and the required resolution is adopted, within the first eight weeks of school in accordance with Education Code Section 60119.	Implemented	
2019 - 003 / 72000		
SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES		
Future school accountability report card disclosures regarding safety, cleanliness, and adequacy of school facilities, should be based on and consistent with the most recent available data collected by the District.	Implemented	

Recommendations	Current Status	Explanation If Not Fully Implemented
STATE AWARDS (CONCLUDED)		
2019 - 004 / 40000		
EXPENDITURES IN EXCESS OF APPROPRIATIONS		
Transfers may be made from available reserves in unspent expenditure classifications, designated fund balance, or unappropriated fund balance, to any expenditure classifications with Board approval under Education Code Section 42600. No payments should be made when there are no available appropriations in the expenditure classification.	Not Implemented	Comment Repeated (See **2020 - 004**)

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APPENDIX D

COUNTY INVESTMENT POLICY

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ALPINE COUNTY
TREASURER

STATEMENT OF INVESTMENT POLICY

Lowell Black
Director of Finance

January 2019

INTRODUCTION

The County of Alpine's Investment Policy has been prepared in accordance with State law. This policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code. The County establishes investment policies that meet its current investment goals. The County may change this policy as its investment objectives change.

I. POLICY STATEMENT

The purpose of this Policy is to provide a basis for the implementation and management of a prudent, conservative investment program. It is the policy of the Alpine County Director of Finance, herein referred to as Treasurer, to invest public funds in a manner which provides the maximum safety of principal invested with secondary emphasis on meeting the daily cash flow needs of the investment pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds, while achieving the highest return.

As the appointed investment official of the County of Alpine, the Treasurer must manage public monies in a way that is consistent with investment oversight and sound investment practices. Risk management must be an integral part of any prudent investment policy. Risk management must include adequate internal controls so Pool participants and the public have confidence that public monies are secure. Though all investments contain a degree of risk, the proper exercise of prudence, the maintenance of a high level of ethical standards and the proper delegation of authority reduces the potential for loss.

II. PURPOSES

This Investment Policy is set forth by the Treasurer for the following purposes:

A. To implement the investment program in accordance with its legislative parameters and the authority to invest which is hereby delegated for a one-year period to the Treasurer by the Board of Supervisors.

B. To establish a clear understanding for the Board of Supervisors, County management, responsible employees, citizens, and third parties of the objectives, policies and guidelines for the investment of County idle and surplus funds;

C. To offer guidance to investment staff and any external investment advisers on the investment of the County Pool; and

D. To establish a basis for evaluating investment results.

III. OBJECTIVES

The objectives of this investment policy are, in order of priority:

A. Safety of principal. The primary objective of the Treasurer's investment program is to safeguard investment principal by mitigating exposure to risk factors, including, but not limited to, market (interest rate) risk, credit risk, and reinvestment risk. Specific risk parameters are set forth below in Sections XII and XIII.

B. Maintenance of sufficient liquidity to meet cash flow needs.

C. Attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity. The expected rate of return on the County's portfolio is more specifically defined in Section XIV.

D. Assurance of ongoing compliance with all Federal, State and local laws governing the investment of moneys under the control of the Treasurer; with this Investment Policy and with the Prudent Investor standard of care.

IV. SCOPE

This Statement of Investment Policy applies to county, school and special district fund assets deposited in the County Treasury and under the control of the County Treasurer. It does not apply to assets that are not deposited in the County Treasury, including, but not limited to:

A. Bond Funds (the investment of which is governed by the bond documents)

B. Assets of Pool participants other than assets on deposit in the County Treasury (which are the responsibility of the participant's governing body),

V. STANDARD OF CARE

A. **The Prudent Investor Standard** is the appropriate standard of care for the County Pool. This standard shall be used by investment officials, and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

B. **The Prudent Investor Standard Defined:** When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

VI. Delegation of Authority

Authority to manage the County's investment program is derived from the California Government Code Sections 53600 *et seq.,* and Sections 53630 *et seq*.

Within the Treasurer's office, only the Treasurer, Supervising Chief Deputy Treasurer-Tax Collector, herein referred to as Assistant Treasurer, are authorized to make investments and to direct the receipt and delivery of investment securities at the custody bank.

The County may engage the services of an external investment manager to assist in the management of the County's investment portfolio. The external manager may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such a manager must be registered under the Investment Advisers Act of 1940.

VII. ETHICS AND CONFLICTS OF INTEREST

Individuals performing the investment function and members of the Treasury Oversight Committee shall maintain the highest standards of conduct. They must maintain their independence and not have actual conflicts of interest. In addition, they shall avoid the appearance of having conflicts of interest or having lack of independence.

The Treasurer, the Assistant Treasurer and any member of the County Treasury Oversight Committee will not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the Treasurer conducts business.

The Treasurer, the Assistant Treasurer and any member of the County Treasury Oversight Committee may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the Treasurer conducts business or may, in the future, conduct business. (GC 21733(d)).

VIII. SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custody and securities clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts. All security holdings shall be reconciled monthly by the County Treasurer.

IX. Delivery vs. Payment

All security transactions are to be conducted using industry-standard "delivery-versus-payment" procedures.

X. INTERNAL CONTROLS

The Treasurer shall establish and document a system of internal controls that is prudent and comprehensive. Internal controls shall be designed to provide reasonable assurances that the combined pool assets are protected. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

Internal controls are designed to ensure separation of transaction authority from accounting and record keeping and to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's office.

No investment personnel may engage in an investment transaction except as provided under this investment policy and the procedures established by the County Treasurer.

Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased; that these securities have been sold to the county under a repurchase agreement; and the stipulated date and amount of the resale by the County back to the seller of the securities.

The Treasurer shall designate a staff person as a liaison in the event circumstances require timely action and the County Treasurer is not present.

XI. Authorized Financial Dealers and Institutions

The County Treasurer shall determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

- Primary government dealers as designated by the Federal Reserve Bank;
- Non-Primary dealers;
- Nationally or state-chartered banks;
- The Federal Reserve Bank; and
- Direct issuers of securities eligible for purchase by the County.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the County shall be at the sole discretion of the County.

Public deposits shall be made only in qualified public depositories within the State of California as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.

The County Treasurer will conduct business with firms as long as it is in the best interest of the County to do so.

XII. Permitted Investments

A. Authorized Investments

All investments shall be made in accordance with California Government Code Sections 53601 *et seq*. and 53630 *et seq*. and as described within this Investment Policy. Percentage allowances per this policy shall be determined by the overall portfolio size at the close of the date any security is purchased. Permitted investments under this policy shall include:

1. Securities issued by the US Treasury, provided that
   a. There shall be no restriction on the percent of portfolio investment in US Treasury securities
   b. The final maturity shall not exceed five years.

2. Securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government, provided that
   a. There shall be no restriction on the percent of portfolio investment in US Government agencies;
   b. The final maturity shall not exceed five years.

3. Bonds, notes, warrants or certificates of indebtedness issued by the state of California, local agencies within California, or the County of Alpine provided that:
   a. The maximum allowable portfolio investment in this category shall be 5%.
   b. The final maturity shall not exceed one year.
   c. Prior approval of the Treasurer is obtained.
   d. The credit quality of the issuer shall be AAA as rated by at least two of the three major rating services.

4. State of California Local Agency Investment Fund (LAIF), provided that
   a. The County may invest up to the maximum amount permitted by LAIF
   b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the County Treasurer to adequately judge the risk inherent in LAIF's portfolio.

5. Bank deposits (Non-negotiable certificates of deposit) which are fully collateralized with securities in accordance with California law, provided that:
   a. The maximum allowable portfolio investment in time non-negotiable certificates of deposit shall be 10%.
   b. The final maturity shall not exceed one year.

6. Money Market Mutual Funds, provided that
   a. The maximum allowable portfolio investment in Money Market Funds shall be 15%.
   b. The Fund is registered with Securities and Exchange Commission.
   c. The Fund shall be rated AAA by at least two of three rating services. (Moody's, S&P, or Fitch)
   d. The Fund must have as one of its primary objectives that it will strive to maintain a $1.00 net asset value and share price.
   e. The Fund shall have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million.
   f. The fund shall invest only in securities authorized under the California Government Code.

B. Prohibited Investment and Practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than money market funds as described above), unregulated and/or un-rated investment pools or trusts, collateralized mortgage obligations and futures and options.

2. In accordance with Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

XIII. PORTFOLIO RISK MANAGEMENT

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Treasurer shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section XII (A) are designed to mitigate credit risk in the portfolio.

2. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the County's risk preferences.

3. If securities owned by the County are downgraded by either Moody's, S&P, or Fitch to a level below the quality required by this Investment Policy, it shall be the County's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The County Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

4. The Treasurer will continue to monitor and reevaluate the security on a weekly basis in order to reaffirm or change the decision to hold a downgraded security.

5. If a decision is made to retain a downgraded security in the portfolio, the status of the investment will be reported quarterly to the Board of Supervisors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The County will maintain a minimum of six months of budgeted operation expenditures in short term investments to provide sufficient liquidity for expected disbursements.

2. The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.

3. The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the County based on the County's investment objectives,

constraints and risk tolerances. The market benchmark is defined in section XIV.

C. Mitigating Reinvestment Risk in the Portfolio

Reinvestment risk is the risk that cash flows from securities will be reinvested at interest rates that are lower than the rate of the original investment. Securities that are highly subject to reinvestment risk include mortgage-backed and callable securities.

The County, therefore, adopts the following strategies to control and mitigate its exposure to reinvestment risk.

1. The portfolio shall include securities with a range of durations and maturities.

2. Mortgage-backed securities are prohibited

3. Investment in callable securities is limited to 15% of the portfolio.

XIV. PERFORMANCE AND EVALUATION

A. Overall Performance Objective

The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles that is commensurate with investment risk constraints and cash flow needs.

B. Specific Objective

The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle that is approximately equal to the return on the Benchmark Index. The current Benchmark Index for the portfolio is the Merrill Lynch U.S. Treasuries, 1-3 Years.

XV. REPORTING AND DISCLOSURE

The County Treasurer shall provide investment reports to the Board of Supervisors and the Treasury Oversight Committee. (GC 27133(e)). The County Treasurer will also provide investment reports to the County Office School District.

A. Monthly Reports

On a monthly basis the Treasurer will report the time-weighted total rate of return, using industry-standard methodology, for the portfolio for the prior month, three months, twelve months, year to date, and since inception compared to the Benchmark Index returns for the same periods. The report shall be prepared using current market values (including accrued interest) obtained from a recognized source for all securities in the portfolio.

In addition, the monthly report of the Treasurer shall include, at a minimum, the following:

1. A detailed listing of assets in the portfolio, including cost and current market value (including accrued interest)
2. A table displaying the distribution of the portfolio by maturity and by duration
3. A table displaying the elements of the Investment Policy and the level of portfolio compliance with each
4. A complete list of the corporate positions (MTNs, commercial paper and other non-governmental issues) in the portfolio displaying credit ratings by Moody's and S&P,
5. A brief description of any significant events or news that affect any of the portfolio holdings.

B. Quarterly Reports

The County Treasurer shall submit quarterly investment reports to the Board of Supervisors. These reports shall disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate;
2. A one-page summary report showing:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Average portfolio credit quality; and
   d. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and
   e. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.

C. Annual Reports

The Treasurer shall review the investment policy annually within 90 days of the end of the calendar year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

XVI. TREASURY OVERSIGHT COMMITTEE

The Board of Supervisors shall establish a Treasury Oversight Committee. The Committee shall consist of between three and eleven members. The Board of Supervisors, in consultation with the County Treasurer, shall determine the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132 of California Government Code. The Investment Policy Statement shall be reviewed annually by the Treasury Oversight Committee.

Pursuant to Section 53646 and 53607 of California Government Code, the Treasurer shall annually render to the Board of Supervisors for review and approval the Investment Policy Statement and renew the delegation of investment authority.

XVII. COST AND EARNINGS APPORTIONMENT

Prior to quarterly interest distribution, actual investment costs incurred by the Treasurer will be deducted from the interest earnings of the pool. The costs are described in Government Code Sections 27013, 27133 and 27135 and include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. The net interest amount shall than be apportioned to pool participants based on the average cash balance of funds on deposit by each participant during that quarter in the County Treasury.

XVIII. VOLUNTARY PARTICIPANTS

The County Treasurer does not solicit any agency's voluntary entry into the local government investment pool. However, should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the Government Code and provide to the county Treasurer a resolution adopted by their governing board stating that they have excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized to coordinate the transaction, the anticipated time frame for deposit, and the agency's willingness to be bound to the 30 day written notice requirement for withdrawals, as well as the treasurer's ability to deduct pro-rata administrative charges permitted by **Section XVII** of this investment policy. Any solicitation for entry into the pool must have the County Treasurer's prior approval.

XIX. PARTICIPANT WITHDRAWAL

Before a local agency withdraws funds from the Pool, it must submit a withdrawal request to the County Treasurer. The Treasurer shall review the withdrawal request based on the size of the withdrawal, the remaining balances in the pool after the withdrawal, current market conditions, effect on cash flows, availability of funds, the circumstances involving the request, and whether the withdrawal would adversely affect other depositors in the Pool.

XX. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated immediately into the Investment Policy.

Appendix I

TABLE OF INVESTMENTS AUTHORIZED UNDER THE CODE

INVESTMENTS AUTHORIZED UNDER THE CODE	MAXIMUM % OF PORTFOLIO	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	ALPINE COUNTY INVESTMENT POLICY
US. Treasury Obligations	100%	None	5 years	
US agency obligations (U.S. Govt. Sponsored Enterprises)	100%	None	5 years	
Indebtedness issued by State or Local Agencies	No limit in CGC	With approval of Treasurer	5 years	1 Yr max maturity; 5% of portfolio
Bankers Acceptances	30%	CGC	180 days	Currently not allowed
Commercial Paper	40%	CGC	270 days	Currently not allowed
State of California- Local Agency Investment Fund (LAIF)	As limited by LAIF	As limited by LAIF	N/A	
Negotiable CDs	30%	CGC	5 years	Currently not allowed
Collateralized Time Deposits	No limit in CGC	CGC	No limit in CGC	1 Yr max maturity; 10% of portfolio
Repurchase Agreements		CGC	1 year	Currently not allowed
Medium Term Corporate Notes	30%	CGC	5 years	Currently not allowed
Money Market mutual funds	No limit in CGC	CGC		15%

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Alpine County Unified School District
43 Hawkside Drive
Markleeville, California 96120

OPINION: $2,600,000* Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021)

Members of the Board of Education:

We have acted as bond counsel to the Alpine County Unified School District (the "District") in connection with the issuance by the District of $2,600,000* principal amount of Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Education of the District on January 14, 2021 (the "Resolution").

In connection with this opinion, we have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District. The Boards of Supervisors of Alpine County are required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income

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* Preliminary, subject to change.

for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Code.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the ALPINE COUNTY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $2,600,000* Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on March 12, 2021 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Indenture which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" shall mean, initially, Capitol Public Finance Group, LLC, or any successor Dissemination Agent designed in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2- 12(b)(5).

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* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for fiscal year 2020-21 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then–applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the most recent equalized assessment role;
(iii) Secured *ad valorem* tax levies and delinquencies for taxable property within the District for the current year; and
(iv) Top 20 property owners in the District for the then current fiscal year as measured by secured assessed valuation, the amount of their respective taxable assessed value and their percentage of total secured taxable value.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service 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 security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above 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 United States 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 of 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. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. 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. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized 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 proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present 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. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, 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 Significant Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and 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.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

ALPINE COUNTY UNIFIED SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

CAPITOL PUBLIC FINANCE GROUP, LLC, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alpine County Unified School District

Name of Issue: Alpine County Unified School District (Alpine County, California) General Obligation Bonds, Election of 2018, Series B (2021)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ___________________________

CAPITOL PUBLIC FINANCE GROUP, LLC, as Dissemination Agent

By ____

Title ____

cc: Paying Agent

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APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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 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"). DTC has a 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 the 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 requested by an authorized representative of DTC. The deposit of the 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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