

HEMET UNIFIED SCHOOL DISTRICT

**GENERAL OBLIGATION BONDS
2002 ELECTION, SERIES A
2002 ELECTION, SERIES B**

**CONTINUING DISCLOSURE REPORT
for fiscal year ended June 30, 2003**

MARCH 31, 2004

**DALE SCOTT & COMPANY, INC.
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Audited Financial Statements

Please refer to the Hemet Unified School District Audit Report dated June 30, 2003 submitted separately to each National Repository.

Adopted Budget

Please refer to the Hemet Unified School District 2003/04 Adopted Budget submitted separately to each National Repository.

Average Daily Attendance

The following exhibit displays Average Daily Attendance for the District.

**EXHIBIT 1
AVERAGE DAILY ATTENDANCE
HEMET UNIFIED SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2002-03	17,165
2003-04	18,662

Source: Hemet Unified School District.

Short-Term Borrowing

On July 3, 2003 the District issued \$9,915,000 in Tax and Revenue Anticipation Notes. These notes mature on July 6, 2004 and yield 0.9%. Funds for the payment of these Notes in full have been set aside by the District in accordance with the authorizing resolution

Pension Plans

The District participates in the State of California Teachers' Retirement System (STRS). The plan covers all full-time certificated employees. The District's contribution to STRS for fiscal year 2002-03 totaled \$5,000,600 and in fiscal year 2003-04 is expected to total \$5,100,000. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees' Retirement System (PERS). This plan covers all classified personnel who are employed four or more hours per day. For fiscal year 2002-03, the District's contribution totaled \$2,781,800, and for fiscal year 2003-04, the District's contribution is expected to total \$2,925,000. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California schools.

Both PERS and STRS systems are operated on a statewide basis. District contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as liability. STRS has a substantial State unfunded liability. Since this liability has not been broken down by the state agency, it is impossible to determine the District's share.

Lease Obligations

The District has outstanding capital leases totaling \$5,505,308. Shown in the table below is the yearly schedule of future minimum lease payments due under capital leases.

**EXHIBIT 2
MINIMUM CAPITAL LEASE OBLIGATIONS
HEMET UNIFIED SCHOOL DISTRICT**

<u>Fiscal Year Ending June 30</u>	<u>Lease Payment</u>
2004	\$1,055,504
2005	992,542
2006	962,443
2007	557,200
2008	399,765
2009-2013	1,887,825
2014-2018	<u>1,343,060</u>
Total	\$7,198,339
Less: Amount Representing Interest	(1,693,031)
Present Value of Minimum Lease Payments	\$5,505,308

Source: Hemet Unified School District

Long-Term Borrowing

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

In August 1993, the Hemet Unified School Facilities Corporation issued certificates of participation in the amount of \$10,625,000. As of June 30, 2003, the principal balance outstanding was \$7,465,000.

In April 1997, the Hemet Unified School Facilities Corporation issued certificates of participation in the amount of \$5,420,000. As of June 30, 2003, the principal balance outstanding was \$4,895,000.

In June 2002, the District issued its General Obligation Bonds 2002 Election, Series A. These bonds were issued for \$23,000,000 with a final maturity date of August 1, 2026.

In June 2003, the District issued its General Obligation Bonds 2002 Election, Series B. These bonds were issued for \$15,000,000 with a final maturity date of August 1, 2027.

General Fund Summary

As allowed under current law, the District Board of Trustees has opted for a single budget adoption process. The following table shows a summary of the District's audited actual amounts for Fiscal Year 2002-03 and adopted budget for 2003-04.

**EXHIBIT 3
GENERAL FUND BUDGET
FISCAL YEARS 2002-03 AND 2003-04
HEMET UNIFIED SCHOOL DISTRICT**

	2002-03 <u>Audited Actuals</u>	2003-04 <u>Adopted Budget</u> ⁽¹⁾
Beginning Balance	\$ 7,055,328	\$ 4,897,987
Revenue		
Revenue Limit Income	87,312,649	89,481,569
Federal Income	10,186,723	9,628,361
State Income	14,829,487	12,770,308
Local Income	<u>7,700,493</u>	<u>5,796,214</u>
Total Revenue	120,029,353	117,676,452
Expenditures		
Certificated Salaries	64,100,178	61,610,300
Classified Salaries	17,745,236	16,768,903
Employee Benefits	22,720,977	23,136,977
Books & Supplies	6,296,929	4,342,376
Svcs & Other Operating Expenses	9,335,646	11,421,549
Capital Outlay	990,084	165,651
Other Outgo Expenditures	1,447,072	602,785
Direct Support/Indirect Costs	<u>(312,871)</u>	<u>(372,089)</u>
Total Expenditures	122,323,250	117,676,452
Other Sources and Uses		
Operating Transfers In	1,311,556	0
Operating Transfers Out	<u>(1,175,000)</u>	<u>0</u>
Total Other Sources & Uses	136,556	0
Net Ending Balance	\$ 4,897,987	\$ 4,897,987

(1) Beginning balance revised to reflect audited actual ending balance.
Source: Hemet Unified School District.

Assessed Valuation

The District has a 2003-04 assessed valuation of \$5,691,651,233 (full cash value) accounting for approximately 4.63% of the total assessed valuation of Riverside County. Shown in the following table is the assessed valuation for the District.

**EXHIBIT 4
HISTORIC ASSESSED VALUATIONS (1)
HEMET UNIFIED SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>District Assessed Valuations</u>	<u>County Assessed Valuations (2)</u>
2002-03	\$5,273,937,273	\$110,020,472,952
2003-04	5,691,651,233	122,844,382,408

(1) Before redevelopment increment.
 (2) Includes Unitary Utility Valuation.
 Source: California Municipal Statistics, Inc.

Largest Taxpayers

The largest assessed property taxpayers in the District for fiscal year 2003-04 are shown in the exhibit below.

**EXHIBIT 5
LARGEST LOCAL SECURED TAXPAYERS
HEMET UNIFIED SCHOOL DISTRICT
2003-04**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Assessed Valuation</u>	<u>% of Total (1)</u>
1. Freedom Properties Hemet	Hotel	\$ 34,175,728	0.61%
2. James Femino	Commercial Store	24,743,312	0.44
3. BHI DoverXVI	Shopping Center	23,312,395	0.42
4. John M. Sachs Inc.	Apartments	21,691,541	0.39
5. Donahue Schriber Realty Group	Commercial Store	16,904,951	0.30
6. Merrill Gardens	Hotel	14,780,758	0.27
7. Deutsch Co. Electronic Components Division	Communications	11,415,773	0.21
8. Vintage Pointe Properties	Apartments	11,337,039	0.20
9. Century TCI California Communications LP	Communications	10,538,726	0.19
10. Hemet Retirement Residence	Retirement Home	10,305,571	0.19
11. MGP V	Hotel	10,103,642	0.18
12. Wal Mart Real Estate Business Trust	Commercial Store	9,841,880	0.18
13. Agri Empire	Agricultural	9,485,178	0.17
14. J Mar Investment Co.	Commercial Store	9,370,989	0.17
15. Home Depot USA Inc.	Commercial Store	8,959,306	0.16
16. Quail Ridge Apartments	Apartments	8,710,185	0.16
17. Oak Terrace Associates	Apartments	8,138,527	0.15
18. CNL Retirement MA2 California	Retirement Home	8,126,536	0.15
19. RK Multifamily Income Fund XII	Apartments	7,995,000	0.14
20. Bonair Townhomes	Apartments	<u>7,738,737</u>	<u>0.14</u>
		\$267,675,774	4.81%

(1) 2003-04 Local Secured Assessed Valuation: \$5,560,786,413
 Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the functions 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. Exhibit 6 displays tax levy and delinquency data for the District

**EXHIBIT 6
SECURED TAX LEVIES AND DELINQUENCIES
HEMET UNIFIED SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>Secured Tax Levy</u> ⁽¹⁾	<u>Secured Tax Delinquencies</u>	<u>Delinquencies As a Percent of Levy</u>
2002-03	\$1,805,875.96	\$58,332.70	3.23%

(1) 1% General Fund apportionment.

Source: California Municipal Statistics, Inc.

Revenue Limits

Exhibit 7 shows the District's revenue limit per unit of average daily attendance and revenue limit total for 2002-03 and 2003-04.

**EXHIBIT 7
REVENUE LIMITS FISCAL YEAR 2002-03 AND 2003-04
HEMET UNIFIED SCHOOL DISTRICT**

<u>Fiscal Year</u>	<u>Revenue Limit per Unit of Average Daily Attendance</u>	<u>Average Daily Attendance</u>	<u>Total Revenue Limit</u>
2002-03	\$4,755	17,165	\$81,652,463
2003-04 ⁽¹⁾	4,697	18,577	87,256,169

(1) Estimate.

Source: Hemet Unified School District.

Typical Total Tax Rate

Exhibit 8 presents the total tax rate for typical property owners within the incorporated and unincorporated areas of the District.

**EXHIBIT 8
TYPICAL TOTAL TAX RATE
HEMET UNIFIED SCHOOL DISTRICT**

	<u>2002-03</u>	<u>2003-04</u>
General	1.00000	1.00000
Metropolitan Water District	.03629	.05321
Eastern Municipal Water District, I.D. No. 17	<u>.00670</u>	<u>.00610</u>
Total	1.04299	1.05931

Source: California Municipal Statistics, Inc.
