SAN DIEGO CITY SCHOOLS

Finance Division

2002/2003 FISCAL YEAR
SECOND INTERIM FINANCIAL REPORT
AS OF JANUARY 31, 2003

March 11, 2003
INTRODUCTION

This is the second of two Interim Financial Reports to be presented to the Board of Education for the 2002/2003 fiscal year. This report provides the board with the financial status of the district as of January 31, 2003. This report is presented to the board to provide the current fiscal status of the district and to meet the fiscal accountability requirements of AB1200.

Education Code Section 42131 requires that the governing board of each school district shall certify in writing, within 45 days after the close of the period being reported, whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and subsequent two fiscal years. The certification shall be classified as positive, qualified, or negative certification.

This report indicates a positive certification.
SAN DIEGO CITY SCHOOLS
Finance Division
March 11, 2003

2002/2003 FISCAL YEAR
SECOND INTERIM FINANCIAL REPORT
AS OF JANUARY 31, 2003

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2002/2003 SECOND INTERIM FINANCIAL REPORT
GENERAL FUND (J-201I)
NARRATIVE PRESENTATION

INTRODUCTION

The following narrative provides an analysis of the revenue and expenditure projections for the 2002/2003 fiscal year.
A projection of the major General Fund revenue sources for 2002-2003 shows the following:

1. Revenue Limit income is anticipated to be $20,211,314 below the adopted budget amount. This is due to a revision in forecast P-2 ADA based on actual enrollment data using the first month's official enrollment count on September 27, 2002, and a reduction of 2.15%.

2. Federal revenue is anticipated to be $10,658,761 above the adopted budget amount. This is due to an increase in Special Education and Title I funding.

3. Other State income is anticipated to be $35,552,513 below the adopted budget amount. This is due to the following factors:
   a. Income for Categorical Programs is anticipated to be $33,211,263 above the adopted budget amount. This is due to a reduction of 12% for State Categorical Programs.
   b. Lottery income is anticipated to be $130,126 above the adopted budget amount.
   c. K-3 Class Size Reduction income is anticipated to be $922,308 above the adopted budget amount. This is due to a revision in forecast P-2 ADA based on actual enrollment data using the first month's official enrollment count on September 27, 2002.
   d. Class Size Reduction Grade 9 income is anticipated to be $596,625 above the adopted budget amount. This is due to a revision in forecast P-2 ADA based on actual enrollment data using the first month’s official enrollment count on September 27, 2002.
   e. Mandated Program income is anticipated to be $1,186,447 below the adopted budget amount. This is due to suspension of funding for some mandated programs.
f. Other State allocations are anticipated to be $2,803,862 below the adopted budget amount.

4. Other Local income is anticipated to be $811,678 below the adopted budget amount. This is due to a decrease in funding from local sources.

To summarize, in projecting the June 30, 2003 income position of the district, it appears that the General Fund will have $3,812,878 ($45,916,744) of unappropriated income.
Expenditures

The projection of expenditures for the remainder of 2002/2003 indicates that there will be a total of $53,759,169 of unexpended appropriations on June 30, 2003, which includes $28,396,620 in reserved amounts.

The unexpended appropriations are from the following sources:

1000 Certificated Salaries $27,883,191
Personnel turnover and vacancies account for the projected ending balance.

2000 Classified Salaries ($18,608,304)
Personnel turnover, vacancies and current year reductions account for the projected ending balance.

3000 Employee Benefits ($14,927,822)
The employee benefit projection is proportionate to the certificated and classified salary expenditure projections.

4000 Books and Supplies $52,042,250
Outstanding purchase orders and contracts on June 30, 2003 for books and supplies, carryover balances in the Master Plan for Instructional Materials Program are the major components of this projection.

5000 Services and Other Operating Expenses ($25,286,338)
The projected ending balances in the utility accounts comprise the majority in this category, as well as additional expenses for the implementation of the District Wide Applications (DWA).

6000 Capital Outlay $1,530,797
Unliquidated capital improvements in progress and outstanding orders for equipment are the significant items in this category.
7000 Other Outgo $2,728,775

The PERS Recapture projection is proportionate to the classified salary expenditure projection.

9000 Reserves $28,396,620
This category is comprised of reserved amounts for the district’s Revolving Cash Fund, District Warehouse/Inventory, TRANS Interest, mandated cost, audit adjustment and Designated Reserve for Economic Uncertainties for 2003/2004 operations.
INTRODUCTION

The following pages provide a narrative on the financial status of all other funds accounted for outside of the General Fund. All funds are projected to have a positive or zero ending balance.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from state and local revenues and the beginning balance $4,257,733. This represents no change to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projected ending balance is $668,105.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from federal, state, and local revenues and the beginning balance is $49,438,318. This represents no change to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projected ending balance is $7,807,413.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from federal, state, and local revenues, interfund transfers and the beginning balance is $50,685,210. This represents an increase of $108,212 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projected ending balance is $564,965.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from state and local revenues, interfund transfers and the beginning balance is $10,932,231. This represents an increase of $5,563,991 to the original adopted budget.

EXPENDITURES

The total projected expenditures/encumbrances are within the approved budget. Any encumbered appropriations on June 30 will represent deferred maintenance projects that will be completed during the summer.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues, interfund transfers and the beginning balance is $2,924,613. This represents an increase of $1,139,383 to the original adopted budget.

EXPENDITURES

The total projected expenditures/encumbrances are within the approved budget. Any unexpended appropriations will be designated for future bus purchases.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from federal, state and local revenues and the beginning balance is $54,190,662. This represents a decrease of $890,619 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projected ending balance is $13,616,880 for fiscal year 2002/2003.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues and the beginning balance is $482,302,598. This represents an increase of $53,992 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. They include projects approved under Phase I of the Proposition MM General Obligation bond program such as reroofing, rewiring, asphalt, plumbing, paint, playground equipment, single session kindergarten, new schools for growth/overcrowding, technology infrastructure, construction of lunch court structures, water to all elementary classrooms, additional building space to support instruction and site discretionary projects at all schools. There is a projected positive ending balance.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues, interfund transfers and the beginning balance is $38,517,326. This represents an increase of $9,442,435 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. They include 2002/2003 annual facility adjustments and activities under Capital Facilities. There is a projected positive ending balance.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from state revenues, and the beginning balance is $1,073,237. This represents an increase of $230,365 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. There is a projected ending balance of zero.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues and the beginning balance is $4,563,732. This represents an increase of $38,277 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. They include the maintenance of the 2002/2003 Balboa Stadium and the district property management program. There is a projected positive ending balance.
COUNTY SCHOOLS FACILITIES FUND  
(J220I)

REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues and the beginning balance is $75,949,807. This represents an increase of $51,450,943 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projects will include the purchase of furniture and equipment for schools under Proposition MM. There is a projected positive ending balance.
BOND INTEREST AND REDEMPTION FUND
(J226I)

REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from beginning balance is $27,488,525. This represents an increase of $12,257,466 to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. They will be used to make the 2002/2003 debt service payments for the Proposition MM bonds. There projected ending balance will be $0.
SAN DIEGO CITY SCHOOLS
Finance Division

2002/2003 SECOND INTERIM FINANCIAL REPORT
ALL OTHER FUNDS
NARRATIVE PRESENTATION

TAX OVERRIDE
(J227I)

REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues and the beginning balance is $86,272,216. This represents no change to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. They will be used to make the 2002/2003 debt service payments for the Pre-Field and Proposition XX, Y, and O building programs. The projected ending balance of $12,494 will be used to meet obligations in future years.
REVENUE, OTHER FINANCING SOURCES, AND BEGINNING BALANCE

In examining this Fund's financial statements as of January 31, 2003, our projected resources for fiscal year 2002/2003 from local revenues, interfund transfers and the beginning balance is $62,425,943. This represents an increase of $17,270,587 (decrease in interest of $134,317, increase in interfund transfers of $544,682, and Audit Adjustment to Beginning Fund Balance of $16,860,222) to the original adopted budget.

EXPENDITURES

The total projected expenditures are within the approved budget. The projected ending balance is $12,557,766, which will be restricted for liabilities incurred in the Self-Insurance and Retiree Medical Benefit Programs.
SAN DIEGO CITY SCHOOLS

Finance Division

2003/2004
2004/2005
PROJECTIONS

March 11, 2003

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### BUDGET ASSUMPTIONS

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<tr>
<td>State Categoricals</td>
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The 2002-03 state deferrals were not accrued.

**Lottery**
- Regular, Unrestricted: $114.50, $112.17, $112.17
- Prop 20-Instructional Materials: $11.50, $13.30, $13.30

**Class Size Reduction K-3**
- Enrollment: 43,299, 43,874, 43,874
- Rate Per Enrollment: $906, $906, $906

**Enrollment Estimates**
- 131,695, 130,300, 130,300

**ADA Used for Revenue Limit Calc**
- 124,494, 124,091, 124,091

**School Formula Allocations**
- **Instructional Supplies**
  - Elementary: $21.84, $21.84, $21.84
  - Middle: $21.84, $21.84, $21.84
  - Senior: $28.63, $28.63, $28.63
- **SIS Supplies**
  - Elementary: $0.32, $0.32, $0.32
  - Middle: $1.22, $1.22, $1.22
  - Senior: $1.22, $1.22, $1.22
- **Office Supplies**
  - Elementary: $0.50, $0.50, $0.50
- **Custodial Supplies**
  - Elementary: $2.23, $2.23, $2.23
  - Middle: $2.40, $2.40, $2.40
  - Senior: $2.66, $2.66, $2.66

**Utilities**
- 10%, 10%

**Benefits**
- STRS: 8.25%, 8.25%, 8.25%
- PERS: 2.89%, 2.89%, 2.89%
- PERS Recapture: 10.13%, 10.13%, 10.13%
- OASDI/Medicare: 7.65%, 7.65%, 7.65%
- Unemployment Insurance: .12%, .24%, .12%
- Workers' Compensation: 2.56%, 3.55%, 2.56%
- Health Insurance: 5,933, 7,238, 8,686
- Health Percent Increase: 19%, 15%

**Employee Projected Salary Increase**
- .00%, .00%, .00%

**Consumer Price Index**
- Base Year 02-03: 2.30%
- Projected Year 1 03-04: 2.60%
- Projected Year 2 04-05: 2.90%
Beginning in 2003-2004 we have redirected the holding accounts in the 4000 series to the 1000 Certificated Salaries, 2000 Classified Salaries, 3000 Benefits and 5000 Consultants and 6000 Capital Outlay accounts.

Salaries in 2003-04 and 2004-05 have been increased for maintenance of salary schedule only.

In 2003-04 contracted services expenses were increased by $15M for the implementation of the Districtwide Application (DWA).

In 2003-04 other local income includes $27.2M from the release of the COP (Certificate of Participation) reserves.