Los Angeles Unified School District
Debt Report
Fiscal Year 2006-07

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Chief Financial Officer
May 15, 2008

LOS ANGELES UNIFIED SCHOOL DISTRICT
Office of the Chief Financial Officer

DAVID L. BREWER III
Superintendent of Schools

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A Message to the Board of Education of the Los Angeles Unified School District and the District's Taxpayers

I present to you the report of the Los Angeles Unified School District's long-term debt (the "Debt Report"). Sometimes referred to as "bonded indebtedness", long-term debt is typically used to finance capital projects with a long useful life. Issuing debt to pay for long-term assets is based upon the principle of matching the cost of acquiring the asset to the time period that taxpayers and the general community utilize those assets. The District strives to achieve an equitable balance between the debt burden to the community and the time frame over which the assets are used.

The vast majority of the District's capital projects fall within the new construction, modernization, technology and safety programs being financed with $13.605 billion of voter-approved General Obligation Bonds and $6.1 billion of State matching funds and other sources. A relatively small number of projects, including the construction of two medical magnet schools and the acquisition and improvement of the District's Beaudry headquarters facility, are being financed with Certificates of Participation ("COPs") that are repaid from the General Fund or developer fees.

This report frequently uses the words "bonds" and "debt" interchangeably, even when the underlying obligation does not technically constitute "debt" under California's constitution.[1] This conforms with market convention for the general use of the term "debt" and "debt service" as applied to a broad variety of instruments in the municipal market, regardless of their precise legal status. The rating agencies and the investor community evaluate the District's debt position based on all of its outstanding obligations whether or not such obligations are "debt" in the narrow definition.

This Debt Report presents a complete picture of the District's indebtedness in the categories of General Obligation Bonds and Certificates of Participation.

General Obligation Bonds represent debt that is paid from voter approved taxes that are levied and collected by the County of Los Angeles and that are not under the control of the District. The District's taxpayers have shown strong commitment to the District's capital program by approving four General Obligation Bond authorizations since 1997, with each successive authorization being the largest school district measure of its kind at the time. A top priority of the District is to manage the issuance of these bonds in a manner that minimizes the tax rates paid by our taxpayers, which the District believes it has accomplished, as more fully detailed in this Debt Report.

COPs represent debt that is paid from revenues under the District's control, such as General Fund revenues and developer fees. To assure that issuance of such debt is undertaken in a prudent manner that protects the District's instructional programs and operations, the Board of Education has

[1] "Debt," under the California Constitution excludes short-term obligations such as tax and revenue anticipation notes and lease transactions such as COPs.

adopted a Debt Management Policy that prescribes limits to the amount of COPs indebtedness that may be undertaken. This Debt Report provides a discussion of the District's COPs debt performance, which is in compliance with policy targets and ceilings.

Both General Obligation Bonds and COPs are considered to be "direct debt" of the District and are also included in the measurement of the "overall direct debt" issued by all local public agencies within the District's boundaries. It is important to monitor the levels and growth of direct debt and overall direct debt as they portray the debt burden borne by our taxpayers and serve as proxies for the capacity taxpayers have to take on additional debt in the future. The District must be mindful not to overburden its taxpayers by issuing debt too quickly, for example. The Debt Management Policy sets forth various municipal market debt ratios and benchmarks against which the District measures and compares its own direct debt burden. This Debt Report provides a complete summary of the District's direct debt performance in this regard.

When debt is issued, independent credit rating agencies assign a rating to the issue. The District's credit ratings are directly related to the financial condition of the District. As of June 30, 2006, the District's General Obligation Bond ratings were Aa3 by Moody's Investors Service, AA- by Standard & Poor's and A+ by Fitch Ratings, reflecting high quality investment grade status. The ratings assigned to all General Obligation Bonds and COPs associated with the District affect interest payments and the cost to District taxpayers and the General Fund, as applicable. In addition, the fiscal health of the State can further affect the District's interest costs. The recent deterioration of the State's credit quality and the massive amount of debt it issued as part of its financial recovery strategy resulted in increased credit spreads for agencies of the State, including the District, even though such agencies may have maintained their own credit quality. A complete history of the District's long-term credit ratings is provided in this Debt Report.

I hope that the information in this Debt Report can be used to support development of sound capital plans and adherence to the District's finance and debt policies. I look forward to working with you in pursuing such capital plans, as they provide critical guidance for the protection of the District's infrastructure and assets. Together with sound capital planning, the District's debt and finance policies secure the District's fiscal strength in the years ahead.

If you have any questions or comments regarding this Debt Report, please contact my office at (213) 241-7888. Your input is important to us and would be greatly appreciated.

Sincerely,

Megan K. Reilly
Chief Financial Officer

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PREFACE

The Chief Financial Officer must submit a Debt Report to the Board of Education and Superintendent annually in accordance with the requirement of the District's Debt Management Policy. The following list identifies the information to be included and its location in the Debt Report:

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➢ A listing of outstanding General Obligation Bond debt supported by voter-approved tax levies.	2
➢ A listing of authorized but unissued general obligation bond debt.	3
➢ A discussion of the tax rates being paid by District taxpayers to service the District's General Obligation Bond debt.	4 – 8
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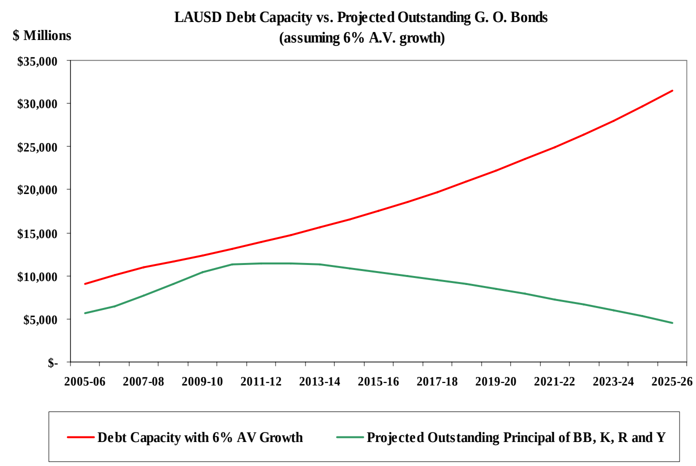
SECTION I: GENERAL OBLIGATION BOND DEBT

A. District's Bonded Debt Limitation and Assessed Valuation Growth

In accordance with Education Code Section 15106, the District's bonded debt limitation equals 2.5% of the value of taxable property (i.e., assessed valuation) in the District. For Fiscal Year 2006-07, total assessed valuation in the District was $402.6 billion, resulting in a bonded debt limitation of $10.1 billion. Table 1 presents the District's maximum debt limit versus current outstanding debt. The difference is the "Legal Debt Margin." Chart 1 shows that the Legal Debt Margin (i.e., the distance between the red and green lines) is expected to remain positive even as the District issues a significant amount of General Obligation Bonds in the years ahead.

Chart 1



In addition to the District's debt issuance pattern, the Legal Debt Margin is greatly affected by assessed valuation growth in the District, which is depicted in Chart 2. Assessed valuation typically grows at the maximum annual rate of 2% allowed under Proposition 13 for existing property plus additional growth from new construction and the sale and exchange of property. The annual growth in assessed valuation averaged 7.05% over the last 30 years (including growth from 2006-07 to 2007-08) and averaged a somewhat higher 9.17% over the past 5 years. Based on this historical context, the District's assumed annual growth rate of 6% in Chart 1 is reasonable.

Chart 2

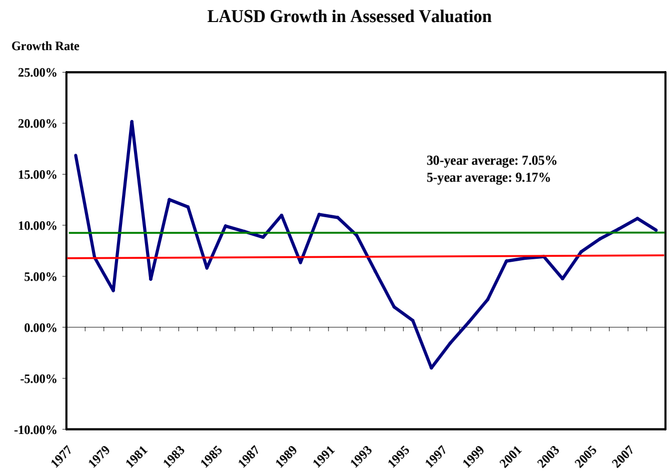


Table 1
Bonded Debt Limitation and Legal Debt Margin, Fiscal Year 2006-07
(in $000s)

Total Assessed Valuation	$402,608,837
Bonded Debt Limitation (2.5% times Assessed Valuation)	10,065,221
Less: Outstanding General Obligation Bonds[1]	(6,504,880)
Plus: Amounts Available in Bond Interest and Redemption Fund to Pay Principal	360,140
Equals: Legal Debt Margin[1]	**$3,920,481**

1 The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting them for unamortized bond premiums and discounts.

B. Bonds Outstanding and Bonds Authorized But Unissued

As of June 30, 2007, the District had a total of $6.5 billion[1] of outstanding voter authorized General Obligation Bonds, a detailed listing of which is shown in Table 2 and the debt service requirements for which can be found in Appendix 1.

Table 2
General Obligation Bond Issuance and True Interest Cost
(as of June 30, 2007)

Bond Issue	Date of Issue	Principal Amount Issued ($000s)	Outstanding Principal ($000,)[2]	True Interest Cost (%)
Proposition BB Series A	07/22/97	$356,000	$125,700	5.19%
Proposition BB Series B	08/25/98	350,000	35,050	4.99%
Proposition BB Series C	08/10/99	300,000	37,445	5.18%
Proposition BB Series D	08/03/00	386,655	44,975	5.37%
Proposition BB Series E	04/11/02	500,000	118,790	5.09%
Proposition BB Series F	03/13/03	507,345	350,980	4.43%
Measure K Series A	03/05/03	2,100,000	511,210	4.79%
Measure K Series B	2/22/2007	500,000	500,000	4.31%
Measure R Series A (5 year maturity)	09/23/04	72,630	55,780	2.28%
Measure R Series B (5 year maturity)	09/23/04	60,475	37,560	2.24%
Measure R Series C	09/23/04	50,000	47,170	4.33%
Measure R Series D	09/23/04	16,895	12,855	4.33%
Measure R, Series E	08/10/05	400,000	371,060	4.36%
Measure R, Series F	02/16/06	500,000	500,000	4.21%
Measure R, Series G	8/17/2006	400,000	400,000	4.55%
Measure Y, Series A	02/22/06	56,785	56,785	3.72%
Measure Y, Series B	02/22/06	80,200	80,200	3.85%
Measure Y, Series C	02/22/06	210,000	210,000	4.15%
Measure Y, Series D (taxable)	02/22/06	47,400	47,400	5.18%
2002 General Obligation Refunding Bonds	04/17/02	258,375	254,085	4.94%
2004 General Obligation Refunding Bonds A-1	12/21/04	90,740	90,650	4.13%
2004 General Obligation Refunding Bonds A-2	12/21/04	128,385	128,385	4.38%
2005 General Obligation Ref. Bonds, A-1	07/20/05	346,750	346,750	4.17%
2005 General Obligation Ref. Bonds, A-2	07/02/05	120,925	120,925	4.22%
2006 General Obligation Ref. Bonds, Series A	02/22/06	132,325	132,325	4.07%
2006 General Obligation Ref. Bonds, Series B	11/15/2006	574,905	574,905	4.32%
2007 General Obligation Ref. Bonds, Series A-1	1/31/2007	1,153,195	1,153,195	4.41%
2007 General Obligation Ref. Bonds, Series A-2	1/31/2007	136,055	136,055	4.41%
2007 General Obligation Ref. Bonds, Series B	2/22/2007	24,845	24,845	4.12%
	Total	***$9,602,510***	***$6,504,880***	

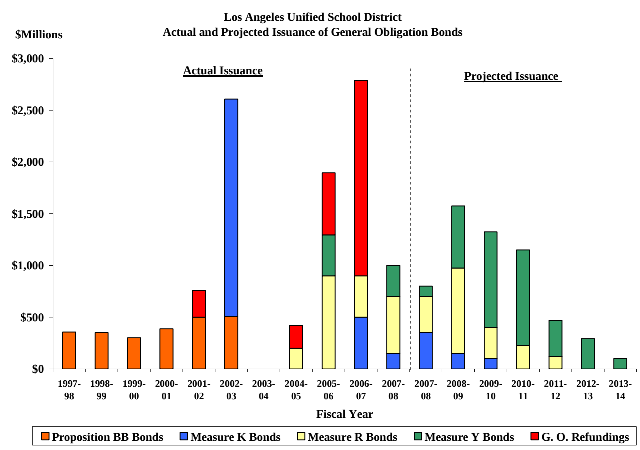
The District had a total of $6.7 billion of authorized but unissued General Obligation Bonds as of June 30, 2006. Table 3 presents overall highlights of the District's authorized but unissued bonds and Chart 3 in the next subsection depicts actual and projected issuance of bonds.

[1] The District's CAFR reports this figure differently by adjusting it for unamortized bond premiums and discounts.
[2] Refunding bonds count against the District's bonded debt limitation but refunded bonds do not.

Table 3
Authorized but Unissued General Obligation Bonds as of June 30, 2006
($ Thousands)

	Proposition BB	Measure K	Measure R	Measure Y
Voter Authorization Amount	$2,400,000	$3,350,000	$3,870,000	$3,985,000
Issued	2,400,000	2,600,000	1,500,000	394,385
Authorized but Unissued	$0	$750,000	$2,370,000	$3,590,615

Chart 3



C. Intended Issuances of Bonds

Intended issuances are based on actual spending patterns and expenditure projections prepared by the Facilities Services Division and other departments and are subject to change. Generally, the District expects to issue bonds semiannually over the next seven fiscal years. Projections of the intended issuances of General Obligation Bonds for each bond authorization are presented in Chart 3[1], with details for the next two fiscal years shown in Table 4.

Table 4
Intended Issuances of Bonds
Fiscal Years 2006-07 and 2007-08
($ Thousands)

	FY 2007-08	FY 2008-09	Total
Measure K	$150,000	$350,000	$500,000
Measure R	550,000	350,000	900,000
Measure Y	300,000	100,000	400,000
Refunding of Prior G.O. Bond Issues[1]	—	—	—
Total General Obligation Bonds	$1,000,000	$800,000	$1,800,000

The District's intended issuance of $1.8 billion of General Obligation Bonds in Fiscal Years 2007-08 and 2008-09 is expected to increase General Obligation Bond debt service by $18.4 million in Fiscal Year 2007-08 and by $105 million in Fiscal Year 2008-09. A detailed schedule of the projected annual payments on these obligations for the next two fiscal years can be found in Appendix 2.

The Chief Financial Officer regularly monitors market conditions for refunding opportunities that, pursuant to the Debt Management Policy, will produce at least 3% net present value savings for each maturity of bonds refunded. Table 5 provides a summary of the savings from refundings through June 30, 2007. The Chief Financial Officer estimates that these refundings will save taxpayers

[1] Chart 3 and Table 4 reflect actual issuance of the bonds and refunding bonds issued through March 2008, subsequent to the June 30, 2007 reporting period of this Debt Report.

approximately $181.3 million, which equates to saving about $45.03 per $100,000 of assessed valuation over the term of the bonds.

Table 5
Savings in Refunded Bonds
(as of June 30, 2006)

Refunding Bond Issue	Amount Refunded[1] ($ millions)	Term of the Refunding Bonds	Savings ($ millions)	Annual Savings	Annual Savings per $100,000 AV[2]	Total Savings per $100,000 AV[3]
2002	$262.730	17 years	$12.8	$752,941	$0.19	$ 3.18
2004 A-1 & A-2	215.680	18 years	10.6	588,889	0.15	2.63
2005 A-1 & A-2	484.950	20 years	38.4	1,920,000	0.48	9.54
2006 A	131.935	13 years	6.3	484,615	0.12	1.56
2006 B	561.375	21 years	29.3	1,395,238	0.35	7.28
2007 A-1 & A-2	1,250.320	21 years	82.1	3,909,524	0.97	20.39
2007 B	25.790	12 years	1.8	150,000	0.04	0.45
Total	$2,933.780		$181.3	$9,201,207	$2.29	$45.03

Memoranda:

(1) The principal amount of refunded bonds typically does not equal the principal amount of refunding bonds.

(2) Calculated based upon FY 2006-07 assessed valuation of $402.6 billion.

(3) Figure represents the marginal effect of the refunding savings only; the tax levy is also affected by the interest rates on each issue of bonds relative to what was assumed at the time of each bond election, by the actual issuance pattern of bonds and by assessed valuation growth, i.e. higher assessed valuation growth also reduces the levy per $100,000 AV.

D. Tax Rate Performance on Outstanding Bonds

The respective Tax Rate Statements for each of the District's four General Obligation Bond authorizations set forth the following specific estimated tax rates to be paid by District taxpayers to service the debt on the outstanding General Obligation Bonds for the particular authorization:

(1) The estimated tax rate in the fiscal year following issuance of the first series of bonds;

(2) The estimated maximum tax rate and the fiscal year in which the maximum tax rate occurs;

(3) The estimated tax rate in the fiscal year following the issuance of the last series of bonds; and

(4) The estimated average tax rate over the term of all issued bonds.

The tax rates and fiscal years estimated in the respective Tax Rate Statements are not technically binding on the District. Nevertheless, the District actively manages its bond issuance program so that actual tax rates are close to or lower than the tax rates set forth in each respective Tax Rate Statement. A discussion of the particular tax rates disclosed to taxpayers in each Tax Rate Statement and the District's actual tax rate performance is provided below.

D.1. Proposition BB Tax Rates. Prior to the Proposition BB election on April 8, 1997, assessed valuation growth in the District had weakened due to an economic recession triggered by contraction in the defense industry in the early 1990s. In fact, actual assessed valuation growth was negative at the time of the election, as shown in Chart 2 earlier. Therefore, the District used a very conservative assumption for annual assessed valuation growth (2%) relative to historical averages in structuring the tax rate model; the District also used a conservative estimate of 5.75% for the assumed interest rate on bonds to be issued over time (see Section III.B.1. for a discussion of interest rate trends).

Table 6 below provides the District's projected tax rates for the Proposition BB bond program at the time of the Proposition BB election and the District's latest updated projections. Actual and projected tax rate performance has generally been better than expected due to a combination of interest cost on issued bonds being less than assumed and actual growth in assessed valuation being higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $26.00 per $100,000 of assessed valuation, which is $14.29 lower than the originally estimated $40.29 per $100,000 of assessed valuation at the time of the election In addition to producing excellent tax rate performance, the District was also able to accelerate issuance of Proposition BB bonds such that the final series of bonds was issued in Fiscal Year 2002-03, five years earlier than originally projected. This has benefited the District's taxpayers by delivering much needed school construction and modernization projects ahead of schedule at reduced taxpayer cost.

Table 6
Estimated Tax Rates Set Forth in Tax Rate Statements for Proposition BB
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected[1]
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$23.43 (in FY 1998-99)	$24.42 (in FY 1998-99) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$67.46 (in FY 2010-11)	$50.55 (in FY 2004-05) Actual
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$67.46 (in FY 2010-11)	$50.55 (in FY 2004-05) Actual
Estimated average tax rate over the term of all issued bonds	$40.29	$26.00

D.2. Measure K Tax Rates. Measures K, R and Y were each approved pursuant to Proposition 39 which, among other things, requires a unified district such as LAUSD to represent that the tax rate for each separate Proposition 39 authorization will not exceed $60 per $100,000 of assessed valuation in any given year. When developing the tax rate model for the November 5, 2002 Measure K bond election, the District was mindful of this requirement and structured the bond program accordingly. In addition, owing to a resumption of assessed valuation growth as the local economy recovered from the defense cutbacks of the 1990s, the District assumed that annual assessed valuation growth would be 3.90%, higher than what was assumed in the Proposition BB tax rate

[1] The projections in the Proposition BB tax rate model use Fiscal Year 2007-08 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of June 30, 2007. There are no remaining unissued Proposition BB bonds.

model but still a very conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.50%, lower than what was assumed in the Proposition BB tax rate model but still a conservative assumption relative to interest rate trends (see Section III.B.1. for a discussion of interest rate trends).

Table 7 below provides the District's projected tax rates for the Measure K bond program at the time of the Measure K election and the District's updated projections. Actual and projected tax rate performance has been better than expected due to a combination of interest cost on issued bonds being less than assumed, the issuance pattern of bonds being slower than assumed and actual growth in assessed valuation being higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $28.54 per $100,000 of assessed valuation, which is $24.45 lower than the originally estimated $52.99 per $100,000 of assessed valuation at the time of the election. Also, the tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

One of the reasons that issuance of Measure K bonds has been slower than assumed is that the District was able to secure more State matching funds than originally projected and, thus, hasn't needed to issue Measure K bonds as quickly. In addition, the large first issuance of Measure K bonds in 2003 provided $2.1 billion of bond proceeds and afforded the District more time between bond issuances.

Table 7
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure K
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected[1]
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$60.00 (in FY 2004-05)	$31.97 (in FY 2004-05) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2004-05)	$47.60 (in FY 2008-09)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$59.06 (in FY 2006-07)	$45.30 (in FY 2010-11)
Estimated average tax rate over the term of all issued bonds	$52.99	$28.54

D.3. Measure R Tax Rates. When developing the tax rate model for the March 2, 2004 Measure R bond election, the District was mindful of the $60 per $100,000 of assessed valuation limitation under Proposition 39 and structured the bond program accordingly. In addition, the District assumed that annual assessed valuation growth would be 5.0%, higher than what was assumed in the Proposition BB and Measure K tax rate models but still a conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.25%, lower than what was

[1] The projections in the Measure K tax rate model use Fiscal Year 2007-08 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of June 30, 2007 plus the $150 million of Measure K, Series B bonds issued on August 16, 2007. The debt service on future issuances of Measure K bonds is estimated in the model.

assumed in the Proposition BB and Measure K tax rate models but still a conservative assumption relative to interest rate trends (see Section III.B.1. for a discussion of interest rate trends).

Table 8 below provides the District's projected tax rates for the Measure R bond program at the time of the Measure R election and the District's updated projections. Actual and projected tax rate performance has been better than expected due to a combination of interest cost on issued bonds being less than assumed and actual growth in assessed valuation being higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $27.60 per $100,000 of assessed valuation, which is $5.66 lower than the originally estimated $33.26 per $100,000 of assessed valuation at the time of the election. Also, the tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

The District issued its first Measure R bonds in Fiscal Year 2004-05. Of the $200 million issued, $150 million was applied toward defeasance of outstanding COPs, thereby providing $156 million of debt service savings to the District's General Fund (see Section II.A. for further details). The COPs had been previously issued by the District to fund critical infrastructure projects identical to the type of projects on the Measure R project list. With removal of the COPs debt service from the General Fund, more general resources are available to support the educational initiatives of the District.

Table 8
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure R
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected[1]
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$21.93 (in FY 2005-06)	$12.33 (in FY 2005-06) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2011-12)	$54.24 (in FY 2008-09)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$58.65 (in FY 2012-13)	$48.17 (in FY 2012-13)
Estimated average tax rate over the term of all issued bonds	$33.26	$27.60

D.4. Measure Y Tax Rates. When developing the tax rate model for the November 8, 2005 Measure Y bond election, the District was mindful of the $60 per $100,000 of assessed valuation limitation under Proposition 39 and structured the bond program accordingly. In addition, the District assumed that annual assessed valuation growth would be 6.0%, a conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.25%, the same as in the Measure R tax rate model.

[1] The projections in the Measure R tax rate model use Fiscal Year 2007-08 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of June 30, 2007 plus the $550 million of Measure R, Series H bonds issued on August 16, 2007. The debt service on future issuances of Measure R bonds is estimated in the model.

Table 9 below provides the District's projected tax rates for the Measure Y bond program at the time of the Measure Y election and the District's. Actual and projected tax rate performance has been better than expected due to a combination of interest cost on issued bonds being less than assumed and actual growth in assessed valuation being higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $25.09 per $100,000 of assessed valuation, which is $1.62 lower than the originally estimated $26.71 per $100,000 of assessed valuation at the time of the election. Also, the tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

The District issued its first Measure Y bonds in Fiscal Year 2005-06. Of the $394.4 million issued, $184.4 million was applied toward defeasance of or sinking fund payments for outstanding COPs, thereby providing $223.4 million of debt service savings to the District's General Fund (see Section II.A. for further details). The COPs had been previously issued by the District to fund critical infrastructure projects identical to the type of projects on the Measure Y project list. With removal of the COPs debt service from the General Fund, more general resources are available to support the educational initiatives of the District.

Table 9
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure Y
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected[1]
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$5.74 (in FY 2006-07)	$3.45 (in FY 2006-07) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2012-13)	$50.52 (in FY 2013-14)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$57.05 (in FY 2013-14)	$45.23 (in FY 2014-15)
Estimated average tax rate over the term of all issued bonds	$26.71	$25.09

SECTION II: CERTIFICATES OF PARTICIPATION DEBT

A. COPs Outstanding

The District has issued COPs over the years to fund a variety of capital projects including the construction of two medical magnet high schools, the acquisition of portable classrooms for class size reduction and relief of overcrowding, the acquisition of buses, the matching of federal funds for the E-Rate computer program, the acquisition and implementation of major information technology systems, the construction of adult education facilities and the acquisition and improvement of the

[1] The projections in the Measure Y tax rate model use Fiscal Year 2007-08 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of June 30, 2007 plus the $300 million of Measure Y, Series E bonds issued on August 16, 2007. The debt service on future issuances of Measure Y bonds is estimated in the model.

District’s administrative headquarters. Debt service on COPs that were issued to fund projects related to enrollment growth or relief of overcrowding is paid from developer fees that are levied when new housing creates a need for additional seats for students; should developer fees be insufficient to pay debt service on these COPs, the debt service will be paid from General Fund sources. Debt service on all other existing COPs is paid from General Fund sources.

Tables 10 and 11 provide listings of outstanding COPs in fixed rate mode and variable rate mode, respectively. As of June 30, 2007, a total of $410.8 million of COPs were outstanding.[1] The debt service requirements on outstanding COPs can be found in Appendix 3.

In seeking to achieve the benefits of a diversified debt portfolio, the District has periodically issued variable rate COPs[2]. In Fiscal Year 2006-07, the Debt Management Policy (which appears in Appendix 5) permitted issuance of variable rate COPs so long as the total unhedged amount in that mode does not exceed 20% of outstanding COPs or $100 million, whichever is less. The maximum amount of unhedged variable rate COPs would thus be $85.4 million (20% of outstanding COPs). Given the District’s projected average General Fund unrestricted cash balance of $413.2 million in Fiscal Year 2006-07 and that cash is a natural hedge, the District believes its interest rate exposure on its $215.3 million of variable rate COPs to be entirely hedged.

[1] The District issued its 2007 Series A COPs in the aggregate principal amount of $99,660,000 on November 15, 2007 to fund technology projects, a reserve fund and costs of issuance. The TIC on the 2007 Series A COPs was 3.83%. The 2007 Series A COPs are not shown in Table 10 because they were delivered after the June 30, 2007 “as of” date for Table 12.

[2] It is currently impractical for school districts in California to issue variable rate General Obligation Bonds, so the District’s variable rate portfolio is comprised solely of COPs.

Table 10
Fixed-Rate Certificates of Participation Issuance and True Interest Cost
(as of June 30, 2007; excludes matured and/or refunded issues)

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Principal Outstanding (as of June 30, 2007) ($000s)	True Interest Cost (%)
Refunding COPs (Multiple Properties Project), Series 1998A[1]	06/10/98	$60,805.0	$32,035.0	4.76%
COPs (Qualified Zone Academy Bonds), Series 2000A (taxable) [2]	05/23/00	30,446.7	25,372.0	N/A
COPs (Multiple Properties Project), 2000 Series B[3]	10/04/00	172,715.0	7,075.0	4.24%
COPs (Administration Building Project I), 2001 Series B	11/06/01	68,890.0	68,890.0	4.88%
Refunding COPs (Dr. Francisco Bravo Medical Magnet Senior High School Project), Series 2002 Series A[3]	03/06/02	21,655.0	3,570.0	3.85%
COPs (Administration Building Project II), 2002 Series C	12/19/02	9,490.0	8,750.0	4.77%
COPs (Multiple Properties Project), 2003 Series B	06/26/03	31,620.0	29,195.0	4.11%
COPs (Refinancing Project I and Refunding Project I), 2004 Series A	07/28/04	50,700.0	12,935.0	3.46%
COPs (Refinancing Project I and Refunding Project I), 2004 Series B (taxable)	07/28/04	6,925.0	1,925.0	4.09%
COPs (Qualified Zone Academy Bonds) Series 2005 (taxable) [4]	12/01/05	10,000.0	10,000.0	N/A
	TOTAL	***$463,246.7***	***$199,747.0***	

Table 11
Variable-Rate Certificates of Participation Issuance
(as of June 30, 2007)

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Principal Outstanding (June 30, 2007)
COPs (Belmont Learning Complex), 1997 Series A[3]	12/09/97	$91,400	$59,000
Refunding COPs (Administration Building Project), 2005 Series A	05/24/05	86,525	86,525
COPs (Administration Building Project III), 2005 Series B	05/24/05	21,340	21,340
Refunding COPs (Multiple Properties Project), 2005 Series C[1]	05/24/05	44,225	44,225
	TOTAL	***$243,490***	***$211,090***

[1] Debt service on these COPs is currently paid from developer fees.
[2] The Series 2000A and 2005 COPs do not carry interest payments; instead, the purchaser receives a tax credit. A portion of the 2000A COPs has been economically defeased such that the net amount due as of June 30, 2007 was $8,878,341. The entire amount of 2005COPs has been economically defeased.
[3] Debt service on these COPs is currently being paid from developer fees.

The District significantly reduced the portion of COPs paid from General Fund sources in Fiscal Years 2004-05 and 2005-06 when proceeds from Measure R and Measure Y bonds were used to defease $143.42 million and $183.7 million of COPs principal, respectively. Chart 5 shows the resulting significant decline in General Fund COPs debt service due to the defeasance of these COPs versus the debt service level prior to defeasance. The COPs defeasance resulted in nearly $500 million of savings to the General Fund through Fiscal Year 2024-25. Chart 6 provides the COPs debt service as of Fiscal Year 2007-08, reflecting issuance of additional new money and refunding COPs in both 2005 and 2007. Debt service payments from the General Fund total $514 million through the final maturity of the COPs.

Chart 4

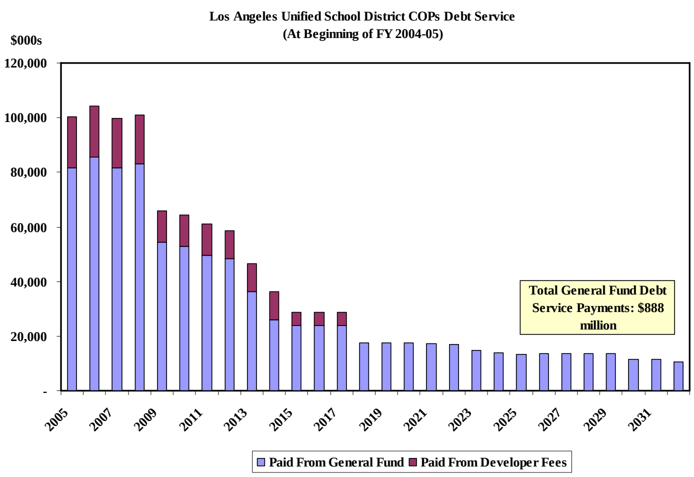


Chart 5

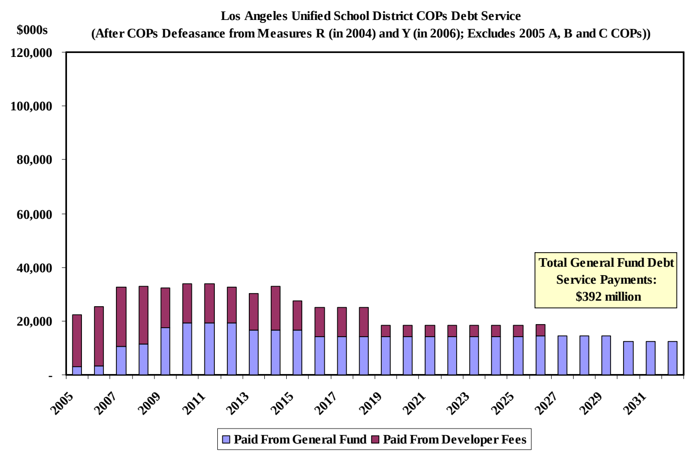
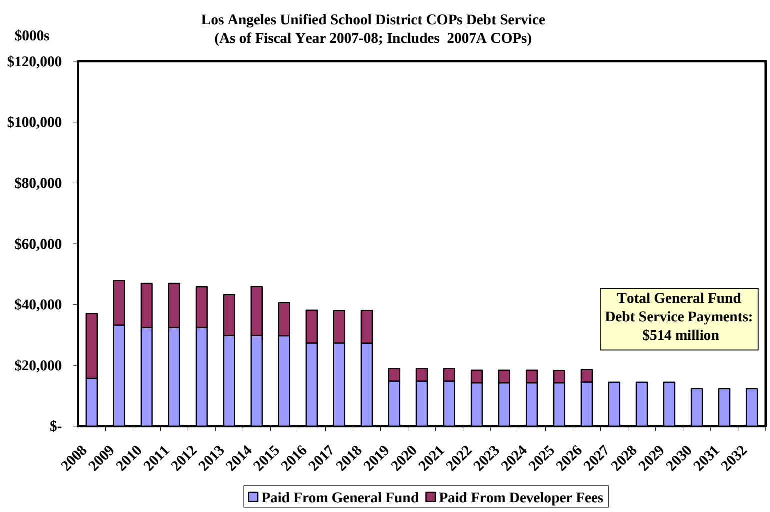


Chart 6



SECTION III: THE MARKET FOR THE DISTRICT'S DEBT

A. Municipal Bond Market

The District's bonds, COPs, and tax and revenue anticipation notes ("TRANs") are issued and traded in the United States' municipal bond market, a deep and highly liquid market. Major groups of investors in this market include insurance companies, bond funds, hedge and arbitrage funds, investment banks, trust departments, investment advisors, individual investors, and money market funds. Each of these market participants may exhibit differing preferences for the structure and maturities of the bonds, COPs or TRANs that they purchase. As one of the largest issuers of municipal bonds in the country, the District is able to draw significant attention from all of these investor groups. The table to the right is a listing of the largest institutional holders of the District's bonds.

The borrowing cost that the District pays its investors is a function of market interest rate levels, anticipated Federal Reserve policy actions and, most importantly, the investment community's perception of and demand for the District's credit. Investors demand rates of return on their investments commensurate with their perception of the District's ability and willingness to repay its obligations as well as the District's overall financial, debt and economic performance compared to other issuers. The investment community has historically viewed the District's bonds and COPs as high quality investment grade securities, owing to the District's strong financial position, a vast local economy, significant access to voter-approved tax levies, and a pristine debt service payment track record.

Top 25 Institutional Holders of LAUSD Bonds*

Rank	Firm Name	$ Thousands
1	AIG Global Investment Corp	$ 701,770
2	Franklin Templeton Investments	375,580
3	Vanguard Group Inc, The	294,820
4	Nuveen Asset Management Inc	156,153
5	AllianceBernstein LP	155,730
6	Deutsche Asset Management	133,785
7	BlackRock Investment Management LLC	89,040
8	JPMorgan Asset Management	76,193
9	Ambac Capital Management Inc	66,650
10	Loews Corp	62,010
11	State Farm Insurance Companies	58,920
12	Chubb Corp, The	56,885
13	Hartford Investment Management Co	48,180
14	SAFECO Asset Management Co	43,100
15	Fidelity Management & Research Co	36,065
16	GE Asset Management Inc	31,138
17	OFFIT Investment Group of Evergreen Invst Mgmt Co LLC	25,355
18	Wells Capital Management Inc	24,920
19	Mellon Private Wealth Management Group	22,000
20	American Family Insurance Group	20,000
21	Berkley Dean & Co Inc	17,200
22	Standish Mellon Asset Management Co LLC	16,955
23	Capital Research & Management Co	15,000
24	Travelers Companies Inc, The	14,645
25	Columbia Management Advisors Inc	13,350
	Total	**$ 2,555,444**

* Many of the District's bonds and COPs are held by individual investors and trust departments on behalf of individual investors. There is no information available on the amount of such holdings. However, Merrill Lynch's retail accounts hold over $500 million of LAUSD paper alone.
Source: The Maxx Report, September 30, 2007

Traditionally, the large numbers of investors residing in California and the State's progressive income tax system have provided investors with incentives to purchase the District's bonds and COPs. During recent years, however, investor perception of California debt weakened due to the State's credit deterioration, investor concerns over the magnitude of the State's budget shortfalls, and massive issuance of energy-crisis and economic recovery bonds by the State. During this period, the

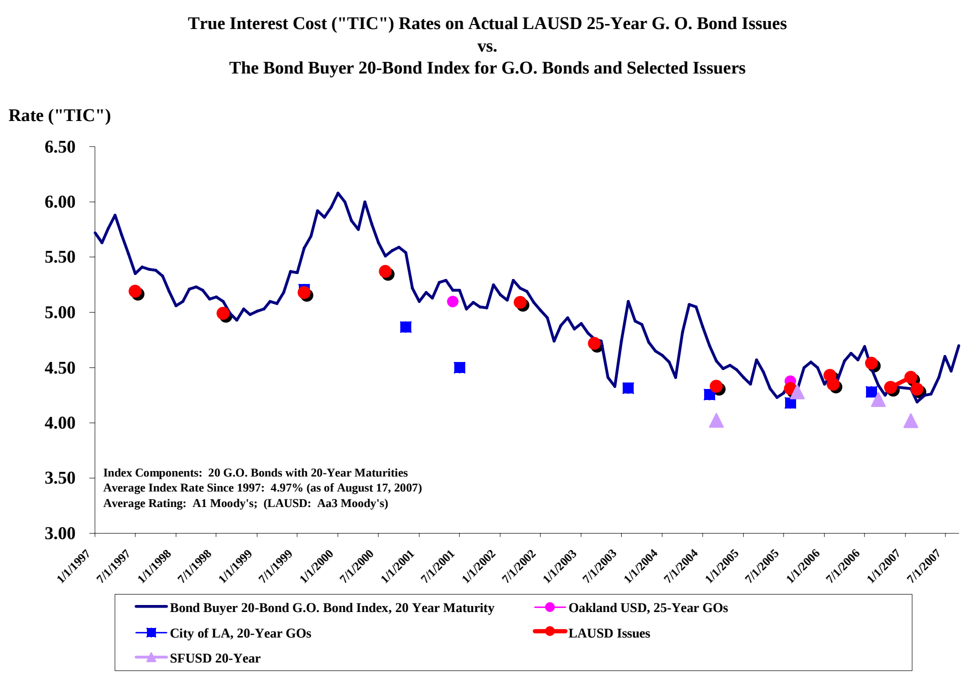
State's credit was downgraded by the three major rating agencies to the lowest level of any state. The State's borrowing costs rose accordingly as did interest costs for issuers viewed as "agencies" of the State, such as LAUSD, even though the District's credit ratings remained very strong and well-above those of the State.

The impact of the State's "penalty" on LAUSD was not as great as the penalty on the State itself, reflecting the District's ability to maintain its high ratings. The "State penalty" has shown some reduction recently as rating agencies have upgraded the State due to its reduced budget deficits. However, the State's ratings are still well below the triple-A level enjoyed by the State when its fiscal health was much stronger and, as a result, California issuers such as the District may continue to have to pay interest costs at higher spreads to national names than would have otherwise been the case.

B. Cost of the District's Fixed Rate and Variable Rate Debt

B.1. Fixed Rate Debt. All of the District's General Obligation Bond issues and many of its COPs issues carry fixed interest rates. Since reaching a cyclical high in 1999, fixed interest rates have fallen to historically low levels. This has helped the District achieve very low interest cost on its General Obligation Bonds when compared to industry benchmarks such as the The Bond Buyer 20-Bond Index, as shown in Chart 6 below. The District's bonds have a term to maturity of 25 years so, *ceteris paribus*, one would expect the TICs to be above The Bond Buyer 20-Bond Index; however, yields on the District's issues tend to be below the index. A listing of the true interest cost ("TIC") for each series of 25-year General Obligation Bond was provided earlier in Table 2 and in Table 10 for the District's fixed-rate COPs.

Chart 7



B.2. Variable Rate Debt. Current statutory provisions make it impractical for the District to issue variable rate General Obligation Bonds, as ancillary costs such as remarketing fees, auction agent fees, and dealer fees cannot be paid from voter approved tax levies. Thus, with the vast majority of the District's debt necessarily being issued as fixed rate bonds, the District has looked to its COPs issuance program to achieve debt portfolio diversification in the form of variable rate COPs. The District has issued four series of variable rate COPs, as summarized earlier in Table 11. The interest rates on these COPs vary with the movement of interest rates at the short end of the yield curve, which has resulted in low interest expense due to historically low interest rates in the recent market.

SECTION IV: THE DISTRICT'S CREDIT RATINGS

A. Long-Term Credit Ratings on General Obligation Bonds and Certificates of Participation

Long-term credit ratings provided by a rating agency are an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Long-term credit ratings serve as unbiased opinions of a borrower's financial strength and ability to repay its debt on a timely basis. Long-term credit ratings are one of the most important indicators of creditworthiness readily available to the investment community and have a direct impact on the borrowing rates paid by the District.

Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P"), and Fitch Ratings ("Fitch") currently rate the District's General Obligation Bonds as Aa3, AA-, and A+, respectively. Fitch downgraded the District in Fiscal Year 2004-05 from AA- to A+, citing as the principal rationale the reduction in the District's reserves from a previous level of 10% of expenditures in Fiscal Year 2002-03 to 5% of expenditures in Fiscal Years 2003-04 and 2004-05. Despite the downgrade by Fitch, the District's General Obligation Bond ratings are generally "high quality investment grade" ratings as shown in Chart 8. Moody's, S&P and Fitch currently rate the District's COPs in the "upper medium grade" category as A1/A2, A+ and A, respectively. General Obligation Bond ratings are typically one to two notches higher than those of COPs, owing to the superior credit strength of the *ad valorem* property taxes pledged to repay General Obligation Bonds versus the General Fund pledge that supports repayment of COPs.

Chart 8
Credit Quality Tranches
(District's G.O. Bond Ratings Highlighted in Red)
(District's COPs Ratings Highlighted in Blue) (1)

	Moody's	S&P
Best Quality	Aaa	AAA
High Quality	Aa1	AA+
	Aa2	AA
	Aa3	AA-
Upper Medium Grade	A1	A+
	A2	A
	A3	A-
Medium Grade	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Below Investment Grade	Ba1 and lower	BB+ and lower

(1) S&P rates COPs one notch lower than general obligation bonds, whereas Moody's rates COPs two notches lower than general obligation bonds.

In addition to the rating itself, each rating agency publishes an outlook on the rating. Outlooks are either "Positive", "Stable" or "Negative." A "Positive" outlook indicates a possible upgrade in the rating may occur; a "Negative" outlook indicates a possible rating downgrade may occur; and a "Stable" outlook indicates that neither an upgrade nor a downgrade is anticipated to occur. In July 2006, both Moody's and S&P had removed their respective Negative outlooks on the District ratings. Citing the District's improved financial flexibility and reserves, each of the two agencies assigned an outlook of "Stable" for the District's ratings. Fitch has also assigned a "Stable" outlook to its rating of the District.

Recognizing the importance of maintaining high quality ratings, the Board of Education adopted a Budget and Finance Policy that, among other things, establishes a minimum 5% General Fund reserve, effective July 1, 2005. The Chief Financial Officer notes, however, that the District's 5% reserve is comprised of both restricted and unrestricted balances, whereas the average unrestricted balance is about 9% for unified school districts in California. A key objective for the District going forward is to rebuild its unrestricted reserves above the 5% mark so that additional resources will be available to deal with significant fiscal challenges such as those experienced in Fiscal Year 2003-04. A history of the District's General Obligation Bond and COPs ratings is presented in Appendix 4.

B. Short-Term Credit Ratings on Tax and Revenue Anticipation Notes

The District issued tax and revenue anticipation notes ("TRANs") from Fiscal Year 1983-84 through Fiscal Year 1986-87 and each fiscal year since Fiscal Year 1991-92 to finance periodic cash flow deficits. The District has always received the highest possible short-term ratings from Moody's (MIG1) and S&P (SP-1+) on its TRANs.

SECTION V: DEBT RATIOS

A. Use of Debt Ratios

Pursuant to the District's Debt Management Policy set forth in Appendix 5, the Chief Financial Officer must calculate certain debt factors and debt burden ratios, compare them to benchmarks, and report the results in this Debt Report. Measuring the District's debt performance through the use of debt ratios provides a convenient way to compare the District to other borrowers. The most common debt ratios applied to school districts are:

- Ratio of Outstanding Debt to Assessed Value. The formula for this computation is contained in Section 15106 of the Education Code. The ratio is calculated for both "Direct Debt" (i.e., general obligation bonds) and "Combined Direct Debt" (both general obligation bonds and COPs), the latter commonly referred to as "Debt Burden" in the California Municipal Statistics Overlapping Debt Statement. In addition, the ratio "Overall Debt Burden" includes the District's Direct Debt plus the Direct Debt of issuers whose boundaries overlap those of the District. It is important to monitor the levels and growth of Direct Debt and Overall Direct Debt as they portray the debt burden borne by our taxpayers and serve as proxies for taxpayer capacity to take on additional debt in the future. The District must be mindful not to overburden its taxpayers by issuing debt too quickly, for example.

- Ratio of Outstanding Debt Per Capita. The formula for this computation is Outstanding Debt divided by the population residing within the District's boundaries. Ratios are computed for both "Direct Debt Per Capita" and "Overall Debt Per Capita." It is important to monitor these ratios as they attempt to measure the degree to which debt is concentrated, i.e. whether it is spread across a large or small population.

- Ratio of Annual Lease Debt Service to General Funds Expenditures. The formula for this computation is annual lease debt service expenditures divided by General Funds (i.e., General and Debt Service Funds) expenditures (excluding interfund transfers) as reported in the most recent Comprehensive Annual Financial Report.

- Proportion of Fixed-Rate and Variable-Rate COPs Issues. The Debt Management Policy requires the District to keep its variable rate exposure, to the extent not hedged or swapped to fixed rate, at or below 20% of the total principal of outstanding COPs or $100 million, whichever is less. If variable rate debt is issued, the Chief Financial Officer periodically, but at least annually, determines whether it is appropriate to convert the debt to fixed interest rates. No such conversions were recommended in Fiscal Year 2006-07.

B. LAUSD's Compliance With Debt Management Policy; Debt Levels Compared to Other School Districts

Table 12 provides a summary of the District's performance against policy benchmarks, targets and ceilings for debt paid from General Fund or other resources controlled by the District, such as developer fees. The District's policy calls for such debt service to be no more than 2 – 2 ½ % of General Funds Expenditures. In addition, the Board imposed an even more restrictive COPs debt service ceiling of $105.0 million in 2004. The District's actual performance is well within the policy targets and ceilings.

Table 12
Policy Benchmarks, Targets and Ceilings for Debt Paid From General Fund or Other District Resources (COPs)
(as of June 30, 2007)

Factor	Benchmark/Target	Ceiling	LAUSD Actual	Over(Under) Policy Ceiling
COPs Gross Debt Service Limit (percentage)	2% of General Funds Expenditures (FY 2006-07)	2.5% of General Funds Expenditures	0.49%	(2.01%)
COPs Gross Debt Service Limit (dollars)	Not applicable	$105,000,000	$32,544,902--------[1]	($72,455,098)
Unhedged Variable Rate Debt as % of Total COPs Debt		20%	0.0%	(20%)

The District is the largest independent public school district in the United States. On the basis of its size, one could argue that it is appropriate to compare LAUSD to other entities with similar size.

[1] Includes the annual base rental payments deposited into the sinking fund for the 2000 QZABs; excludes base rental payments into the sinking fund of the 2005 QZABs, as that issue has been economically defeased.

However, those types of entities comprise a heterogeneous collection of cities, states, school districts and other public agencies rather than a homogenous group such as school districts. Thus, the Debt Management Policy requires that the Chief Financial Officer include a comparison of the District to the cohort of other large school districts, even though that category includes districts with varying types of funding mechanisms different from the District's funding mechanisms and includes no other district as large as LAUSD.

Table 13 below sets forth the debt burden ratios that recognize the direct debt and overall debt of the District compared to benchmarks for large school districts whose ratings are in the double-A or higher rating category.

Due to the statistical dispersion of the underlying data for the benchmarks in Table 13 and the large size of the District's bonding program relative to other large school districts, the District's debt burden ratios are not unexpectedly higher than most of the benchmarks. Nevertheless, the District believes the "large, highly-rated" school district cohort to be the most appropriate cohort group against which it should be compared.

Table 13
Policy Benchmarks for District's Direct and Overall Debt
(As of June 30, 2007)

Debt Burden Ratio	Benchmark	Benchmark's Value	LAUSD Actual[1]
Direct Debt to Assessed Value	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	1.10%	1.71%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	1.50%	
Overall Debt to Assessed Valuation	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	2.60%	3.05%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	3.20%	
Direct Debt Per Capita	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	$736	$1,428
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	$847	
Overall Debt Per Capita	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	$1,665	$2,544
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	$2,639	

[1] The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting outstanding bonds and COPs for unamortized bond premiums and discounts.

APPENDIX 1

Los Angeles Unified School District
Debt Service Payments on Outstanding General Obligation Bonds

APPENDIX 1

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Semi-Annual Debt Service
(As of June 30, 2007)

Payment Date	Election of 1997 (Proposition BB) Series A-F and Refundings 1	Election of 2002 (Measure K) Series A-B and Refundings 1	Election of 2004 (Measure R) Series A-G	Election of 2005 (Measure Y) Series A-D	AGGREGATE Semi-annual Debt Service	AGGREGATE Fiscal Year Total Debt Service
7/1/2007	$ 141,557,111.01	$ 59,175,923.14	$ 116,970,800.01	$ 9,562,438.38	$ 327,266,272.54	
1/1/2008	60,810,231.88	49,097,835.63	32,168,425.01	9,562,438.38	151,638,930.90	$ 478,905,203.44
7/1/2008	132,680,231.88	78,787,835.63	98,638,425.01	37,932,438.38	348,038,930.90	
1/1/2009	59,138,139.38	48,607,250.63	30,763,522.51	8,927,785.26	147,436,697.78	495,475,628.68
7/1/2009	134,283,139.38	83,832,250.63	100,153,522.51	48,272,785.26	366,541,697.78	
1/1/2010	57,450,168.13	48,001,150.63	29,235,170.01	7,999,411.26	142,685,900.03	509,227,597.81
7/1/2010	135,290,168.13	89,281,150.63	62,940,170.01	44,579,411.26	332,090,900.03	
1/1/2011	55,561,832.50	47,155,800.63	28,534,108.76	7,128,623.76	138,380,365.65	470,471,265.68
7/1/2011	136,366,832.50	95,140,800.63	63,704,108.76	42,008,623.76	337,220,365.65	
1/1/2012	53,518,677.50	46,039,195.63	27,765,690.01	6,265,342.51	133,588,905.65	470,809,271.30
7/1/2012	138,098,677.50	101,479,195.63	64,525,690.01	42,835,342.51	346,938,905.65	
1/1/2013	51,366,605.00	44,676,611.88	26,944,596.26	5,382,367.51	128,370,180.65	475,309,086.30
7/1/2013	141,031,605.00	108,116,611.88	65,384,596.26	32,027,367.51	346,560,180.65	
1/1/2014	48,941,970.00	43,239,979.38	26,079,821.26	4,718,173.75	122,979,944.39	469,540,125.04
7/1/2014	143,501,970.00	115,169,979.38	66,304,821.26	24,703,173.75	349,679,944.39	
1/1/2015	46,367,186.25	41,527,648.13	25,164,802.51	4,192,355.00	117,251,991.89	466,931,936.28
7/1/2015	146,192,186.25	122,802,648.13	67,284,802.51	12,272,355.00	348,551,991.89	
1/1/2016	43,707,578.75	39,464,298.13	24,184,947.51	4,001,125.00	111,357,949.39	459,909,941.28
7/1/2016	211,322,578.75	66,499,298.13	68,334,947.51	12,451,125.00	358,607,949.39	
1/1/2017	39,356,130.00	38,863,929.38	23,134,781.88	3,800,309.38	105,155,150.64	463,763,100.03
7/1/2017	226,476,130.00	63,688,929.38	69,469,781.88	12,650,309.38	372,285,150.64	
1/1/2018	34,559,008.75	38,292,494.38	22,000,413.13	3,588,684.38	98,440,600.64	470,725,751.28
7/1/2018	241,719,008.75	62,112,494.38	70,660,413.13	12,863,684.38	387,355,600.64	
1/1/2019	29,247,946.25	37,714,044.38	20,806,841.25	3,366,809.38	91,135,641.26	478,491,241.90
7/1/2019	257,417,946.25	62,619,044.38	71,926,841.25	13,081,809.38	405,045,641.26	
1/1/2020	23,677,783.75	37,104,419.38	19,530,966.25	3,134,334.38	83,447,503.76	488,493,145.02
7/1/2020	269,702,783.75	65,499,419.38	73,255,966.25	13,314,334.38	421,772,503.76	
1/1/2021	17,589,658.75	36,407,103.75	18,204,163.75	2,890,634.38	75,091,560.63	496,864,064.39
7/1/2021	157,384,658.75	198,757,103.75	74,639,163.75	13,550,634.38	444,331,560.63	
1/1/2022	14,139,225.00	32,350,373.75	16,813,903.75	2,634,706.88	65,938,209.38	510,269,770.01
7/1/2022	154,394,225.00	214,725,373.75	76,113,903.75	13,804,706.88	459,038,209.38	
1/1/2023	10,699,525.00	28,189,193.75	15,340,066.25	2,365,778.75	56,594,563.75	515,632,773.13
7/1/2023	158,564,525.00	214,244,193.75	77,665,066.25	13,005,778.75	463,479,563.75	
1/1/2024	7,083,350.00	23,938,150.00	13,789,773.75	2,105,218.75	46,916,492.50	510,396,056.25
7/1/2024	139,608,350.00	231,913,150.00	79,289,773.75	13,265,218.75	464,076,492.50	
1/1/2025	3,933,606.25	19,258,712.50	12,159,818.75	1,831,525.00	37,183,662.50	501,260,155.00
7/1/2025	88,878,606.25	244,393,712.50	80,999,818.75	13,056,525.00	427,328,662.50	
1/1/2026	1,935,500.00	14,174,131.25	10,445,850.00	1,554,365.00	28,109,846.25	455,438,508.75
7/1/2026	44,375,500.00	257,364,131.25	82,775,850.00	13,334,365.00	397,849,846.25	
1/1/2027	21,128,025.00	8,681,468.75	8,672,993.75	1,263,487.50	39,745,975.00	437,595,821.25
7/1/2027	12,419,581.25	152,931,468.75	84,632,993.75	13,618,487.50	263,602,531.25	
1/1/2028	12,081,387.50	120,889,556.25	6,802,968.75	958,375.00	140,732,287.50	404,334,818.75
7/1/2028	-	32,060,312.50	86,592,968.75	13,928,375.00	132,581,656.25	
1/1/2029	-	2,157,300.00	4,836,393.75	637,500.00	7,631,193.75	140,212,850.00
7/1/2029	-	32,722,300.00	88,651,393.75	13,077,500.00	134,451,193.75	
1/1/2030	-	1,469,587.50	2,770,562.50	326,500.00	4,566,650.00	139,017,843.75
7/1/2030	-	33,409,587.50	87,515,562.50	13,386,500.00	134,311,650.00	
1/1/2031	-	750,937.50	651,937.50	0.00	1,402,875.00	135,714,525.00
7/1/2031	-	34,125,937.50	26,741,937.50	0.00	60,867,875.00	
1/1/2032	-	249,125.00	912,625.00	474,406.25	1,636,156.25	62,504,031.25
7/1/2032	-	10,214,125.00	37,417,625.00	20,449,406.25	68,081,156.25	68,081,156.25
	$ 3,903,559,351.04	$ 3,679,367,275.77	$ 2,390,306,087.71	$ 602,142,953.30	$ 10,575,375,667.82	$ 10,575,375,667.82

[1] Includes refunding bonds and excludes refunded bons with respect to the particular bond authorization.

APPENDIX 2

Los Angeles Unified School District
Debt Service Requirements on Intended Sales
of Authorized but Unissued Bonds

APPENDIX 2

Debt Service Requirements on Intended Sales of Authorized but Unissued Bonds during Fiscal Years 2006-07 and 2007-08

Fiscal Year Ending June 30,	FY 2007-08 GO Sales Debt Service	FY 2008-09 GO Sales Debt Service	Total All New Bonds Debt Service
2008	$ 75,383,891		$ 75,383,891
2009	69,719,625	$ 53,558,661	123,278,286
2010	69,718,975	53,555,563	123,274,538
2011	69,721,275	53,558,425	123,279,700
2012	69,715,475	53,555,475	123,270,950
2013	69,715,950	53,556,525	123,272,475
2014	69,719,900	53,557,775	123,277,675
2015	69,722,000	53,555,363	123,277,363
2016	69,723,300	53,558,413	123,281,713
2017	69,719,550	53,558,838	123,278,388
2018	69,722,950	53,558,813	123,281,763
2019	69,719,950	53,557,288	123,277,238
2020	69,722,950	53,555,488	123,278,438
2021	69,717,450	53,554,688	123,272,138
2022	69,714,450	53,558,088	123,272,538
2023	69,724,200	53,558,688	123,282,888
2024	69,721,200	53,558,563	123,279,763
2025	69,715,950	53,558,188	123,274,138
2026	69,718,200	53,554,638	123,272,838
2027	69,721,950	53,554,988	123,276,938
2028	69,721,200	53,554,800	123,276,000
2029	69,721,425	53,557,925	123,279,350
2030	69,723,625	53,555,088	123,278,713
2031	69,721,138	53,557,250	123,278,388
2032	69,717,313	53,554,000	123,271,313
2033		53,555,250	53,555,250
	$ 1,748,663,891	$ 1,338,918,774	$ 3,087,582,665

APPENDIX 3

Los Angeles Unified School District
Debt Service Payments on Outstanding Certificates of Participation

APPENDIX 3

Los Angeles Unified School District
Certificates of Participation Lease Obligations
Gross Debt Service[1]
As of June 30, 2007
($ in thousands)

Fiscal Year Ending June 30,	Paid from General Fund[2]	Paid from Developer Fees[3]	Total
2008	15,158	21,398	36,555
2009	32,715	14,670	47,385
2010	31,877	14,586	46,463
2011	31,850	14,588	46,438
2012	31,843	13,455	45,297
2013	29,250	13,436	42,686
2014	29,242	16,138	45,380
2015	29,223	10,818	40,041
2016	26,804	10,785	37,589
2017	26,785	10,734	37,520
2018	26,769	10,783	37,552
2019	14,313	4,152	18,466
2020	14,307	4,156	18,463
2021	14,298	4,152	18,450
2022	14,294	4,146	18,440
2023	14,285	4,147	18,432
2024	14,280	4,144	18,424
2025	14,247	4,141	18,388
2026	14,494	4,139	18,634
2027	14,486	-	14,486
2028	14,473	-	14,473
2029	14,455	-	14,455
2030	12,329	-	12,329
2031	12,309	-	12,309
2032	12,303	-	12,303
	506,390	184,570	690,961

[1] The District has assumed certain interest rates for the variable rate lease obligations included in the above table.

[2] Includes the annual base rental payments deposited inton the sinking fund for the 2000 QZABs; excludes base rental payments into the sinking fund of the 2005 QZABs, as that issue has been economically defeased.

[3] In the event that insufficient developer fees are available to pay the indecated lease obligations, the General Fund would need to pay said obligations.

APPENDIX 4

Los Angeles Unified School District
History of Underlying Long-Term Ratings

APPENDIX 4

Los Angeles Unified School District
History of Underlying Long-Term Ratings[1,2]

	General Obligation Bonds			Certificates of Participation[1]			
Year	Moody's	Standard & Poor's	Fitch	Moody's		Standard & Poor's	Fitch
1988	Aa2	AA	Not rated	A1		A+	Not rated
1989	Aa2	AA	Not rated	A1		A+	Not rated
1990	Aa2	AA	AA	A1		A+	A+
1991	Aa2	AA	AA	A1		A+	A+
1992	Aa2	AA	AA	A1		A+	A+
1993	A1	AA-	AA	A2		A	A+
1994	A1	AA-	AA-	A2		A	A
1995	A1	AA-	AA-	A2		A	A
				Non-abatable	Abatable		
1996[3]	Aa3	AA-	AA-	A1	A2	A	A
1997	Aa3	AA-	AA-	A1	A2	A	A
1998	Aa3	AA-	AA-	A1	A2	A	A
1999	Aa3	AA-	AA	A1	A2	A	A+
2000	Aa3	AA-	AA	A1	A2	A	A+
2001[4]	Aa3	AA-	AA	A1	A2	A+	A+
2002	Aa3	AA-	AA	A1	A2	A+	A+
2003[5]	Aa3	AA-	AA-	A1	A2	A+	A
2004[6]	Aa3	AA-	A+	A1	A2	A+	A-
2005	Aa3	AA-	A+	A1	A2	A+	A-
2006[7]	Aa3	AA-	A+	A1	A2	A+	A
2007	Aa3	AA-	A+	A1	A2	A+	A

[1] Table does not include the ratings on the District long-term variable rate COPs; the ratings on those COPs issues reflect the ratings of the credit provider for each transaction.
[2] Municipal bond insurance policies were purchased to allow the ratings to be increased to Aaa/AAA/AAA on all or a portion of all fixed-rate issues since 1993.
[3] Beginning in 1996, Moody’s began to rate non-abatable leases one notch higher than abatable leases; the other agencies do not make such a distinction. In addition, Moody's replaced their two-notch per tier system (e.g. Aa1, Aa2) with a three notch per tier system (e.g. Aa1, Aa2, Aa3).
[4] Beginning in 2001, Standard and Poor’s began to rate lease obligations only one notch (rather than the previous two notches) lower than the issuer’s general obligation bond rating.
[5] On February 11, 2003, Fitch downgraded the District’s ratings by one notch and assigned an Outlook of Stable.
[6] On July 8, 2004, Fitch downgraded the District’s ratings by one notch and assigned an Outlook of Stable and Moody’s assigned an Outlook of Negative to all District ratings. On July 12, 2004, S&P assigned an Outlook of Negative to all District ratings.
[7] On July 19, 2006, S&P and Moody’s revised the Outlook on all District ratings to Stable.

APPENDIX 5

Los Angeles Unified School District
Debt Management Policy