OFFICIAL STATEMENT

NEW ISSUE - BOOK ENTRY ONLY **RATINGS: S&P: AAA**
MOODY'S: Aaa
See "RATINGS" herein.

In the opinion of Bond Counsel, under existing law, interest on the Series 2008 Bonds (i) will be excludable from gross income for federal income tax purposes if the Authority and City of Leeds Board of Education comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2008 Bonds in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2008 Bonds will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein for further information and certain other federal tax consequences arising with respect to the Series 2008 Bonds.

$46,560,000
THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS
Educational Facilities Revenue Bonds, Series 2008

Dated: April 1, 2008 **Due: April 1, as shown on the inside cover**

The Series 2008 Bonds are issuable as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2008 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2008 Bonds. Individual purchases of the Series 2008 Bonds will be made in Book-Entry Only form, and individual purchasers ("Beneficial Owners") of the Series 2008 Bonds will not receive physical delivery of bond certificates.

Interest will be payable on the Series 2008 Bonds each April 1 and October 1, beginning October 1, 2008. Payment of debt service on Series 2008 Bonds not in Book-Entry Only form shall be made by check or draft or, at the request of the holder of the Series 2008 Bonds in an aggregate principal amount of not less than $100,000 accompanied by adequate written instructions, by wire transfer, provided that payment of principal of Series 2008 Bonds shall be made only upon surrender of such Bonds at the office of the Trustee, U.S. Bank National Association, Birmingham, Alabama. So long as DTC or its nominee is the registered owner of the Series 2008 Bonds, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owner is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

The Series 2008 Bonds are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the Bond-Financed Facilities described herein. The Series 2008 Bonds will not constitute an indebtedness of the State of Alabama or of the City of Leeds, Alabama (the "City"), or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the City. The Authority has pledged no specific revenues to secure the payment of debt service on the Series 2008 Bonds other than revenues derived from or with respect to the lease of the Bond-Financed Facilities, and amounts received by or on behalf of the Authority with respect to a Funding Agreement among the City, the Authority and City of Leeds Board of Education (the "Board"), as more specifically described herein. The Bond-Financed Facilities will be leased to the Board pursuant to a lease agreement that will terminate, if not renewed on September 30, 2008. The Board will have the right to renew the lease agreement for successive one-year terms, each such renewal term to coincide with the fiscal year of the Board. As additional security for the payment of debt service on the Series 2008 Bonds and certain other obligations, the Authority will grant to the Trustee, pursuant to the Indenture, a statutory mortgage lien on the Bond-Financed Facilities. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2008 BONDS." The Series 2008 Bonds will be subject to redemption prior to their respective maturities as described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP.

ASSURED GUARANTY®

FOR MATURITIES, AMOUNTS, RATES & PRICES, SEE INSIDE COVER.

Purchase of the Series 2008 Bonds involves certain risks. See "RISK FACTORS" for a discussion of certain of these risks. The Series 2008 Bonds are offered when, as and if issued, subject to approval of validity by Waldrep Stewart & Kendrick, LLC , Birmingham, Alabama. Waldrep Stewart & Kendrick, LLC, Birmingham, Alabama is serving as Disclosure Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barnes Tucker & Barnes, Leeds, Alabama. It is expected that the Series 2008 Bonds in definitive form will be available for delivery in New York, New York, on or about April 24, 2008. This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

RAYMOND JAMES & ASSOCIATES, INC. **STERNE, AGEE & LEACH, INC.**

The date of this Official Statement is April 18, 2008

MATURITIES, AMOUNTS, RATES & PRICES

(accrued interest to be added)

Maturity (April 1)	Principal Amount	Interest Rate	Yield
2011	$875,000	4.00%	3.00%
2012	910,000	4.00%	3.26%
2013	945,000	4.00%	3.44%
2014	985,000	4.00%	3.61%
2015	1,020,000	4.00%	3.76%

$3,320,000 Term Bond due April 1, 2018 at 4.00%; Yield: 4.18%
$6,540,000 Term Bond due April 1, 2023 at 4.50%; Yield: 4.69%
$8,190,000 Term Bond due April 1, 2028 at 4.75%; Yield: 4.94%
$10,410,000 Term Bond due April 1, 2033 at 5.125%; Yield: 5.10%*
$13,365,000 Term Bond due April 1, 2038 at 5.125%; Yield: 5.14%

*Priced to the first optional redemption date of April 1, 2018

**THE PUBLIC EDUCATIONAL BUILDING AUTHORITY
OF THE CITY OF LEEDS**

Mr. Jack Courson
Dr. Carl Marbury
Mrs. Pat Sewell

CITY OF LEEDS BOARD OF EDUCATION

Mr. Greg Dawkins
Dr. Grady Sue Saxon
Mr. Toney Abernathy
Mrs. Jamey Helton
Mrs. Jan Stone

BOND COUNSEL

Waldrep Stewart & Kendrick, LLC
Birmingham, Alabama

AUTHORITY COUNSEL

Barnes Tucker & Barnes
Leeds, Alabama

UNDERWRITERS

Raymond James & Associates, Inc.
Sterne, Agee & Leach, Inc.

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No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2008 Bonds made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Authority, and other sources, which are believed to be reliable, but it is not guaranteed as to accuracy or completeness or to be construed as a representation by the Underwriters.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Financial Guaranty Insurance" and Appendix C specimen Financial Guaranty Insurance Policy.

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OFFICIAL STATEMENT
REGARDING
$46,560,000
THE PUBLIC EDUCATIONAL PUBLIC BUILDING AUTHORITY
OF THE CITY OF LEEDS
Educational Facilities Revenue Bonds, Series 2008

INTRODUCTION

This Official Statement is furnished in connection with the issuance of the Series 2008 Bonds referred to above (the "Series 2008 Bonds") by The Public Educational Building Authority of the City of Leeds (the "Authority").

The Authority is a public corporation organized under the laws of the State of Alabama. The Series 2008 Bonds will be issued pursuant to a Trust Indenture dated April 1, 2008 (the "Indenture") between the Authority and U.S. Bank National Association, Birmingham, Alabama (the "Trustee"). Certain provisions of the Indenture are described herein under "DESCRIPTION OF THE SERIES 2008 BONDS" and "SECURITY AND SOURCE OF PAYMENT". For a description of certain other provisions of the Indenture, see "Appendix B– Summary of the Indenture and the Lease Agreement".

The Series 2008 Bonds are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the Bond-Financed Facilities described herein, as well as proceeds derived from a Funding Agreement, as herein described (the "Funding Agreement"). The Series 2008 Bonds will not constitute an indebtedness of the State of Alabama or of the City of Leeds, Alabama (the "City"), or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the City. The Authority has pledged no revenues to secure the payment of debt service on the Series 2008 Bonds other than revenues derived from or with respect to the Bond-Financed Facilities, and from the Funding Agreement. The Bond-Financed Facilities will be leased to City of Leeds Board of Education (the "Board") pursuant to a Lease Agreement dated as of April 1, 2008 (the "Lease Agreement") for an initial term ending on September 30, 2008. Pursuant to the Lease Agreement, the Board will have the option to renew the lease agreement for successive one-year terms, each such renewal term to coincide with the fiscal year of the Board. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2008 BONDS".

As additional security for the payment of debt service on the Series 2008 Bonds and certain other obligations, the Authority will grant to the Trustee, pursuant to the Indenture, a statutory mortgage lien on the Bond-Financed Facilities. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2008 BONDS".

The Series 2008 Bonds are being issued for the purpose of (i) financing the capital projects described herein (the "Improvements"), (ii) capitalizing interest for two years, and (iii) paying the costs of issuing the Series 2008 Bonds. See "THE PLAN OF FINANCING AND THE PROJECTS".

The Series 2008 Bonds are subject to optional and mandatory redemption at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2008 BONDS - Redemption Prior to Maturity". The Series 2008 Bonds are being offered in the denomination of $5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2008 BONDS".

Payment of the principal of and interest on the Series 2008 Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued by Assured Guaranty Corp. (the "Bond Insurer") simultaneously with the issuance of the Series 2008 Bonds. See "FINANCIAL GUARANTY INSURANCE".

The Authority, the Board and the City have covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

Purchase of the Series 2008 Bonds involves certain risks. See "RISK FACTORS" for a discussion of certain of these risks.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2008 Bonds, contact Raymond James & Associates, Inc, Tower Place 200, 3348 Peachtree Road NE, Suite 850, Atlanta, Georgia 30326.

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement. In addition, certain capitalized terms used in this Official Statement and not defined in this section are defined in "Appendix B– Summary of the Indenture and the Lease Agreement".

"**Authority**" means The Public Educational Building Authority of the City of Leeds, a public corporation under the laws of the State of Alabama.

"Board" means City of Leeds Board of Education, an agency of the state of Alabama.

"**Bond Insurer**", or "**Insurer**" means Assured Guaranty Corp., a Maryland domiciled insurance company.

"**City**" means the City of Leeds, Alabama, a municipal corporation under the laws of the State of Alabama.

"**Financial Guaranty Insurance Policy**" means the financial guaranty insurance policy issued by the Bond Insurer guaranteeing the payment when due of the principal of and interest on the Series 2008 Bonds as provided therein.

"Funding Agreement" means the Funding Agreement dated as of April 1, 2008 among the Board, the City and the Authority, and included in its entirety herein as Exhibit F, providing for, among other things, the payment by the City of the debt service on the Series 2008 Bonds from the sources described therein.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended.

"**Indenture**" means the Trust Indenture dated as of April 1, 2008 between the Authority and the Trustee pursuant to which the Series 2008 Bonds will be issued.

"**Lease Agreement**" means that certain lease agreement described more particularly under "SECURITY AND SOURCE OF PAYMENT".

"**Series 2008 Bonds**" means the Authority's $46,560,000 Educational Facilities Revenue Bonds, Series 2008, dated April 1, 2008, which are being offered by this Official Statement.

"**Trustee**" means U.S. Bank National Association, Birmingham, Alabama, which is the trustee, paying agent and registrar for the Series 2008 Bonds.

"**Bond-Financed Facilities**" means those facilities described more particularly under "THE PLAN OF FINANCING".

DESCRIPTION OF THE SERIES 2008 BONDS

General Provisions

The Series 2008 Bonds will be fully registered Bonds in the denomination of $5,000 or any multiple thereof, will be dated April 1, 2008, and will be numbered separately from 1 upward.

The Series 2008 Bonds will mature annually on April 1 in the amounts and years set forth on the inside cover page hereof. The Series 2008 Bonds will bear interest at the applicable per annum rates set forth on the inside cover page hereof. All Series 2008 Bonds with the same maturity will bear interest at the same rate. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Series 2008 Bonds will be payable on each April 1 and October 1, beginning October 1, 2008.

The Series 2008 Bonds will be issued pursuant to the Indenture. Certain provisions of the Indenture are described herein under "DESCRIPTION OF THE SERIES 2008 BONDS" and "SECURITY AND SOURCE OF PAYMENT". For a description of certain other provisions of the Indenture, see "Appendix B– Summary of the Indenture and the Lease Agreement".

Method and Place of Payment

The Series 2008 Bonds will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2008 Bonds is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who were registered holders of the Series 2008 Bonds on the regular record date for such interest payment date, which will be the 15th day of the month preceding such interest payment date. Payment of the principal of (and premium, if any, on) the Series 2008 Bonds and payment of accrued interest due upon redemption on any date other than an interest payment date will be made only upon surrender of the Series 2008 Bonds at the principal office of the Trustee (U.S. Bank National Association) in Birmingham, Alabama.

The holder of Series 2008 Bonds in an aggregate principal amount of $100,000 or more may, upon the terms and conditions of the Indenture, request payment of debt service by wire transfer to an account of such holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Trustee.

Redemption Prior to Maturity

Optional Redemption. Series 2008 Bonds maturing on April 1, 2019 or thereafter, or any smaller principal amount of such Series 2008 Bonds that is a multiple of the smallest authorized denomination, may be redeemed at the option of the Authority on April 1, 2018 or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Optional Redemption Upon Occurrence of Certain Calamities. All (but not less than all) Series 2008 Bonds may be redeemed at the option of the Authority, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, within 180 days after any of the following shall have occurred:

(1) the Bond-Financed Facilities shall have been damaged or destroyed to such extent that, in the opinion of the Board, they cannot be restored within a period of 12 months to substantially the condition thereof immediately prior to such damage or destruction or the Board is thereby prevented from carrying on its normal operations at the Bond-Financed Facilities for a period of not less than 12 months; or

(2) the taking by eminent domain of all or substantially all the Bond-Financed Facilities or of any part, use or control of the Bond-Financed Facilities that, in the opinion of the Board, results in the Board's being thereby prevented from carrying on its normal operations at the Bond-Financed Facilities for a period of not less than 12 months; or

(3) as a result of a change in law or a final order of any court or other governmental authority the Lease Agreement becomes void or unenforceable or impossible of performance or unreasonable burdens or excessive liabilities are imposed on the Board that, in the opinion of the Board, render the Bond-Financed Facilities uneconomic for their intended use.

Mandatory Redemption. The Series 2008 Bonds maturing on April 1, 2018 (the "2018 Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

Year	Amount
2016	$1,065,000
2017	1,105,000

$1,150,000 of the 2018 Term Bonds will be retired at maturity

The Series 2008 Bonds maturing on April 1, 2023 (the "2023 Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

Year	Amount
2019	$1,195,000
2020	1,250,000
2021	1,305,000
2022	1,365,000

$1,425,000 of the 2023 Term Bonds will be retired at maturity

The Series 2008 Bonds maturing on April 1, 2028 (the "2028 Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

Year	Amount
2024	$1,490,000
2025	1,560,000
2026	1,635,000
2027	1,710,000

$1,795,000 of the 2028 Term Bonds will be retired at maturity

The Series 2008 Bonds maturing on April 1, 2033 (the "2033 Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

Year	Amount
2029	$1,880,000
2030	1,975,000
2031	2,075,000
2032	2,185,000

$2,295,000 of the 2033 Term Bonds will be retired at maturity

The Series 2008 Bonds maturing on April 1, 2038 (the "2038 Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on April 1 in years and principal amounts (after credit as provided below) as follows:

Year	Amount
2034	$2,415,000
2035	2,535,000
2036	2,665,000
2037	2,805,000

$2,945,000 of the 2038 Term Bonds will be retired at maturity

Provisions Generally Applicable to Redemption Prior to Maturity. If less than all Series 2008 Bonds Outstanding are to be redeemed, the particular Series 2008 Bonds to be redeemed may be specified by the Authority by written notice to the Trustee, or, in the absence of timely receipt by the Trustee of such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that (i) the principal amount of Series 2008 Bonds of each maturity to be redeemed must be a multiple of the smallest authorized denomination of Series 2008 Bonds, and (ii) if less than all Series 2008 Bonds with the same stated maturity are to be redeemed, the Series 2008 Bonds of such maturity to be redeemed shall be selected by lot by the Trustee.

Any redemption will be made upon at least 30 days' notice by registered or certified mail to the holders of Series 2008 Bonds to be redeemed.

If a trust is established for payment of less than all Series 2008 Bonds of a particular maturity, the Series 2008 Bonds of such maturity to be paid from the trust shall be selected by the Trustee within 7 days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify holders whose Series 2008 Bonds (or portions thereof) have been selected for payment from such trust and shall direct such holders to surrender their Series 2008 Bonds to the Trustee in exchange for Series 2008 Bonds with the appropriate designation.

Upon any partial redemption of a Series 2008 Bond, such Series 2008 Bond shall be surrendered to the Trustee in exchange for one or more new Series 2008 Bonds in authorized form for the unredeemed portion of principal.

Any Series 2008 Bond (or portion thereof) which is to be redeemed must be surrendered to the Trustee for payment of the redemption price. Series 2008 Bonds (or portions thereof) duly called for redemption will cease to bear interest after the redemption date, unless the Authority defaults in payment of the redemption price.

Registration and Exchange

The Series 2008 Bonds will be issued in book-entry only form, as described below under "Book-Entry Only System", and the method for registration and exchange of the Series 2008 Bonds will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2008 Bonds is discontinued.

The Series 2008 Bonds are transferable only on the Bond register maintained at the principal office of the Trustee. Upon surrender of a Series 2008 Bond to be transferred, properly endorsed, a new Series 2008 Bond will be issued to the designated transferee.

The Series 2008 Bonds will be issued in denominations of $5,000 or any multiple thereof and, subject to the provisions of the Indenture, may be exchanged for a like aggregate principal amount of Series 2008 Bonds, of any authorized denominations and of the same maturity, as requested by the holder surrendering the same.

No service charge shall be made for any transfer or exchange, but the Authority may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Right of the Board to Exercise Rights and Options With Respect to Terms of the Series 2008 Bonds

For a description of certain rights of the Board under the Indenture and related documents, see "Appendix B– Summary of the Indenture and the Lease Agreement".

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee or such other name as maybe requested by an authorized representative of DTC. The Series 2008 Bonds will be issued as a single fully-registered certificate 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also are subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 beneficial ownership interests in the Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each beneficial owner of a Series 2008 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written communication 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2008 Bonds, except in the event that use of the book-entry only system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as maybe requested by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other name as maybe requested by an authorized representative of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the terms of the Series 2008 Bonds. For example, Beneficial Owners of Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 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 Trustee and request that copies of notices be provided to them directly.

Redemption notices shall be sent to DTC. If less than all of the Series 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority 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 Series 2008 Bonds are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2008 Bonds will be made to Cede & Co., or such nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participants and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. (or any other DTC nominee) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2008 Bonds (i) payments of principal of or interest and premium, if any, on the Series 2008 Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2008 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2008 Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Authority nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2008 Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series 2008 Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to bondholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2008 Bonds; or (6) any consent given or other action taken by DTC as bondholder.

DTC may discontinue providing its services as a depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depositor is not obtained, Series 2008 Bonds are required to be printed and delivered. In addition, the Authority may discontinue the book-entry only system for the Series 2008 Bonds at any time by giving reasonable notice to DTC.

Authority for Issuance

The Series 2008 Bonds are being issued under the authority of the constitution and laws of the State of Alabama, including particularly Chapter 18 of Title 16 of the Code of Alabama (1975) (the "Enabling Law"). Section 16-18-7 of the Code of Alabama (1975) authorizes any public educational building authority in the State of Alabama to issue revenue Bonds for the purpose of acquiring, constructing, improving, enlarging, completing and equipping "ancillary facilities, " described generally as educational facilities, together with any lands deemed by such authority to be desirable in connection therewith. Such Bonds may be issued in such denomination or denominations and may have such maturity or maturities as provided by their terms. All such Bonds shall be limited obligations of such authority payable solely out of revenues derived from the project with respect to which they are issued. Such Bonds may also be secured by a statutory mortgage lien on such project.

SECURITY AND SOURCE OF PAYMENT

General

The Series 2008 Bonds are special, limited obligations of the Authority, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Authority from the leasing of the facilities described below under "THE PLAN OF FINANCING AND THE PROJECTS" (the "Bond-Financed Facilities"), as well as the proceeds of a Funding Agreement dated as of April 1, 2008 among the City, the Authority and the Board, as more fully described below (the "Funding Agreement"). The Series 2008 Bonds will not constitute an indebtedness of the State of Alabama or of the City of Leeds, Alabama, or give rise to a pecuniary liability or charge against the general credit or taxing powers of the State of Alabama or the City of Leeds. The Authority has pledged no revenues to secure the payment of debt service on the Series 2008 Bonds other than revenues derived from or with respect to the Bond-Financed Facilities and from the Funding Agreement.

The Bond-Financed Facilities will be leased to the Board pursuant to a lease agreement (the "Lease Agreement") for an initial term continuing until and including September 30, 2008. Thereafter, at the option of the Board, the Lease Agreement may be renewed for successive one-year terms continuing to and including September 30, 2038. If the Board elects not to renew the Lease Agreement at the end of any fiscal year as therein provided, the Authority will have no funds with which to pay the principal of and interest on the Series 2008 Bonds. See "RISK FACTORS".

The Board will covenant in the Lease Agreement that, so long as the Series 2008 Bonds are outstanding, the Board will not relocate the educational facilities financed with the proceeds of the Series 2008 Bonds to any alternative facility unless the Lease Agreement is expressly amended to provide that such alternative facility is made a part of the Bond-Financed Facilities under the Lease Agreement. Further, the Board has covenanted that, so long as any Series 2008 Bonds are outstanding, if any of the Bond-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the Board nor any officer, department or agency of the Board shall thereafter acquire or construct or enter into any lease or rental agreement for additional office or storage space or renew any existing lease or rental agreement for educational facilities until all such vacant space in the Bond-Financed Facilities shall have been filled.

Pursuant to the Indenture, the Authority will assign and pledge to the Trustee all the Authority's rights under the Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications, and certain other collateral (the "Trust Estate") to secure the payment of debt service on the Series 2008 Bonds.

Pursuant to the Funding Agreement, the City has pledged the proceeds of its one-cent sales tax (the "Pledged Sales Tax") and its one percent Occupational Tax (the "Pledged Occupational Tax") (the Pledged Sales Tax and the Pledged Occupational Tax are herein referred to as the "Pledged Taxes") to the Authority for the payment of debt service on the Series 2008 Bonds. The Pledged Taxes were levied by the City in 2006 in order to accelerate the payment on certain of its general obligation indebtedness. The Pledged Occupational Tax is a tax levied upon any person engaging in or following any trade, occupation or profession within the City, and is levied at the rate of one percent (1%) of the gross receipts of each such person. Employers are required to deduct the amount of such tax from each payment due to such employee and to remit such amounts monthly to the City and to file a return with the City showing the total amounts due to the City by such employer. The Pledged Sales Tax is a special privilege or license tax levied against all persons on account of business activities determined by the application of a one percent (1%) rate against gross receipts or gross sales generated from such business activities in the City. Under the Funding Agreement, the obligation of the City to make payments to the Authority from the Pledged Taxes will not commence until the City has fully paid and satisfied certain of its general obligation indebtedness for which payment is being accelerated from the proceeds of the Pledged Taxes, currently estimated to commence in fiscal year 2012. Therefore, the City will not have available revenues to begin its payments under the Funding Agreement until 2012. Further, the Board has heretofore received a grant from Jefferson County, of which approximately $11,500,000 remains (the "County Grant Proceeds"). Pursuant to the Funding Agreement, the Board plans to use a portion of the County Grant Proceeds to provide for the defeasance of the City's Taxable General Obligation School Warrants, Series 2003, now outstanding in the aggregate principal amount of $1,585,000. Following such defeasance, there will remain approximately $9,700,000 of County Grant Proceeds. Because the City will not begin its payments under the Funding Agreement until 2012, and the Board does not have sufficient current revenues to make rental payments under the Lease prior to such time, the Board will deposit the remaining County Grant Proceeds into a special account established pursuant to the Indenture called the County Grant Proceeds Account, and the Trustee will use such County Grant Proceeds, together with interest earnings thereon, to the payment of debt service on the Series 2008 Bonds after amounts in the Capitalized Interest Fund have been expended for interest payments on the Series 2008 Bonds, and until the City can begin making payments under the Funding Agreement. The investment of funds in the County Grant Proceeds Account will be restricted to the yield on the Series 2008 Bonds pending their expenditure. Moneys received by the Authority from the Funding Agreement will serve as a credit against the obligations of the Board to make rental payments pursuant to the Lease.

Set forth below are the receipts by the City from the Pledged Taxes for the fiscal years shown:

Sales Tax

Fiscal Year	**Amount**
2007	$ 1,007,098*

Occupational Tax

Fiscal Year	**Amount**
2006	$ 293,040
2007	792,000*

* The receipts reflect a sales tax collection for only half of 2006 and whole years' receipts for the occupational tax for 2007, which reflects the entire collection of such taxes since their levy by the City.

The Board expects that the moneys needed for the annual rental payments due under the Lease Agreement will come from the County Grant Proceeds and credits received against its rental payments from payments by the City under the Funding Agreement. In the unexpected event of a default by the City under the Funding Agreement or a reduction in receipts of the Pledged Taxes (such that the amount due from the City under the Funding Agreement might be less than the annual rental payment due), there is no assurance that the Board will have sufficient funds available to it to make such payments or to make up any deficiency between the amount due as rental payment and the amount paid by the City under the Funding Agreement.

For a description of certain other provisions of the Indenture and the Lease Agreement, see "Appendix B– Summary of the Indenture and the Lease Agreement."

Statutory Mortgage Lien on the Bond-Financed Facilities

As additional security for the payment of the Series 2008 Bonds and all other obligations under the Indenture, the Authority will grant to the Trustee, pursuant to the Indenture, a statutory mortgage lien on the Bond-Financed Facilities. The mortgage will not be subject to foreclosure and will not be construed so as to compel the sale of the Bond-Financed Facilities or any part thereof in satisfaction of the Series 2008 Bonds.

Provisions for Payment

The Series 2008 Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid, and the pledge and assignment of the Trust Estate shall be terminated, if there shall have been deposited with the Trustee cash and/or Federal Securities (as defined in "Appendix B– Summary of the Indenture and the Lease Agreement") which (assuming due and punctual payment of the principal of and interest on such Federal Securities) will provide money sufficient to pay when due the debt service due and to become due on such Series 2008 Bonds on and prior to the redemption date or maturity date thereof, as the case may be. At such time as the Series 2008 Bonds shall be deemed paid as aforesaid, they shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of any payment from such cash and/or Federal Securities deposited with the Trustee and the purpose of transfer and exchange as provided in the Indenture.

Issuance of Additional Bonds

In the Indenture, the Authority will reserve the right to issue bonds or other obligations ("Additional Bonds") for any lawful purpose, without limit as to aggregate principal amount, payable from and secured by a pledge of the Trust Estate equally and ratably with the Series 2008 Bonds. Prior to the issuance of such Additional Bonds the Authority must deliver to the Trustee certain prescribed documents, which are described more particularly in "Appendix B– Summary of the Indenture and the Lease Agreement."

Remedies

If there is any default by the Authority in the payment of debt service on the Series 2008 Bonds, any holder is authorized to bring a civil action, mandamus or other proceedings enforcing payment thereof and compelling performance of all duties of the directors and officers of the Authority. Further, such holder shall be entitled as a matter of right to the appointment of a receiver for the operation and maintenance of the Bond-Financed Facilities and the collection and application of rents therefrom. For further description of the remedies available to holders of the Series 2008 Bonds, and the limitations thereon, see "Appendix B– Summary of the Indenture and the Lease Agreement."

No Defaults on Indebtedness

The Authority has never defaulted in the payment of debt service on its bonds, Bonds or other funded indebtedness, nor has it ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

The United States Bankruptcy Code

The United States Bankruptcy Code permits municipal corporations, political subdivisions and public agencies or instrumentalities, including the Authority, that are insolvent or unable to meet their debts to file petitions for relief in the Federal bankruptcy courts.

FINANCIAL GUARANTY INSURANCE

The following information is not complete and reference is made to Appendix C for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the holder of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent, to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (unaudited), total liabilities of $961,967,238 (unaudited), total surplus of $399,571,264 (unaudited) and total statutory capital (surplus

plus contingency reserves) of $982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008);

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "FINANCIAL GUARANTY INSURANCE-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "FINANCIAL GUARANTY INSURANCE".

THE PLAN OF FINANCING AND THE PROJECTS

The Series 2008 Bonds are being issued for the purpose of (i) financing the Bond-Financed Facilities described below, (ii) capitalizing interest on the Series 2008 Bonds for two years and (iii) paying the costs of issuing the Series 2008 Bonds. The Authority, however, has reserved the right under the Indenture to use the proceeds of the 2008 Bonds for other legally permissible purposes.

The Improvements will consist of the construction of a new high school in the City on an approximately forty-eight acre tract at an approximate cost of $25,000,000. Approximately $14,000,000 will be used to construct a new middle school. In addition the Board plans to improve athletic fields and construct other educational facilities, including the furnishing of the high school and the middle school.

SOURCES AND USES OF FUNDS

The expected sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

Sources of Funds	
Principal amount of Series 2008 Bonds [1]	$46,560,000
(less: net original issue discount)	(280,449)
Total	$46,279,551
Uses of Funds	
Bond-Financed Facilities	$40,497,676
Capitalized Interest	4,305,898
Expenses of issuance (including underwriter's discount, financial guaranty insurance premium, legal, accounting and other issuance expenses)	$1,475,977
Total	$46,279,551

(1) Accrued interest received by the Authority upon the sale of the Series 2008 Bonds will be deposited in the Debt Service Fund established under the Indenture and applied to the payment of interest on the Series 2008 Bonds due October 1, 2008.

DEBT SERVICE REQUIREMENTS

The following table contains the estimated debt service requirements on the Series 2008 Bonds:

Period Ending	Principal	Annual Debt Service*
(4/1/)2009		2,223,994
2010		2,223,994
2011	875,000	3,098,994
2012	910,000	3,098,994
2013	945,000	3,097,594
2014	985,000	3,099,794
2015	1,020,000	3,095,394
2016	1,065,000	3,099,594
2017	1,105,000	3,096,994
2018	1,150,000	3,097,794
2019	1,195,000	3,096,794
2020	1,250,000	3,098,019
2021	1,305,000	3,096,769
2022	1,365,000	3,098,044
2023	1,425,000	3,096,619
2024	1,490,000	3,097,494
2025	1,560,000	3,096,719
2026	1,635,000	3,097,619
2027	1,710,000	3,094,956
2028	1,795,000	3,098,731
2029	1,880,000	3,098,469
2030	1,975,000	3,097,119
2031	2,075,000	3,095,900
2032	2,185,000	3,099,556
2033	2,295,000	3,097,575
2034	2,415,000	3,099,956
2035	2,535,000	3,096,188
2036	2,665,000	3,096,269
2037	2,805,000	3,099,688
2038	2,945,000	3,095,931
	46,560,000	91,181,550

*Might not match exactly due to rounding to nearest dollar.

THE PUBLIC EDUCATIONAL BUILDING AUTHORITY

The Authority is a public corporation incorporated in 2007 under the laws of the State of Alabama. The general purpose of the Authority is to provide educational and ancillary facilities for use by the Board. All powers of the Authority are vested in a Board of Directors, consisting of three members elected by the governing body of the City for staggered terms. No officer of the State of Alabama, any County or any incorporated municipality is eligible to serve on the Board of Directors. Each member must be a duly qualified resident of the City and serve without compensation. The following are the current directors of the Authority and the dates of expiration of their respective terms of office:

Name	**Date of Ending of Current Term**
Jack Courson	November 2013
Dr. Carl Marbury	November 2011
Pat Sewell	November 2009

THE BOARD

General Information

City of Leeds Board of Education (Board) is an agency of the State of Alabama in which the administration and supervision of the public schools and educational interests of the City of Leeds are vested. The Board is composed of five (5) members who are appointed by The City Council of the City of Leeds for five (5) year terms. Board members are appointed by district along the same district lines as the City Council of the City of Leeds. The members of the Board, their respective occupations and the year in which their respective terms of office expire are as follows:

Name	**Occupation**	**Term Expires**
Mr. Greg Dawkins	Engineer	4/30/2008
Dr. Grady Sue Saxon	Retired Educator	4/30/2010
Mr. Toney Abernathy	Stores Clerk	4/30/2012
Mrs. Jamey Helton	Accountant	4/30/2011
Mrs. Jan Stone	Patient Services Specialist	4/30/2009

The Leeds City Schools Superintendent of Education is appointed by the Board for a negotiated term. The current Superintendent, Dr. Billy Pack holds a contract that will expire June 30, 2010.

The Chief School Finance officer is Luther H. Higdon and holds the title of Executive Director of Finance and was appointed by the Board for an indefinite term. The Custodian of Public School Funds of the Leeds City Schools, Luther H. Higdon was appointed by the Board for an indefinite term.

The Board formulates school policies with respect to the City School System, and upon the written recommendation of the Leeds City Schools Superintendent, appoints principals, teachers, clerical and professional assistants of the Board, prescribes the course of study and approves contracts. The Board delegates to the Leeds City Schools Superintendent, as its executive officer, and staff, the responsibility for administering the policies of the Board in the operation of the schools.

The Board operates 3 schools within the City of Leeds, the names of and grades taught are as follows:

Schools	Grades
Leeds High School	**9 – 12**
Leeds Middle School	**6 – 8**
Leeds Elementary School	**K - 5**

The following are selected statistics concerning enrollment in the Leeds City Schools System:

	2003-2004	**2004-2005**	**2005-2006**	**2006-2007**
Pre-kindergarten	104	97	125	134
Kindergarten	101	120	99	122
First	94	106	115	95
Second	98	105	97	122
Third	100	99	106	106
Fourth	102	100	90	102
Fifth				
Total Elementary:	599	627	632	681
Sixth	120	102	102	91
Seventh	101	110	103	94
Eighth	103	99	105	101
Ninth	117	119	125	111
Tenth	85	106	98	111
Eleventh	92	82	99	93
Twelfth	65	80	74	87
Total Secondary:	683	698	706	693

The Average Daily Membership for the past four years, and average number of students on the attendance rolls during the first 40 days of school not including pre-kindergarten students, is as follows:

School Year	Average Daily Membership
2006 - 2007	1374
2005 - 2006	1338
2004 - 2005	1325
2003 – 2004	1282

Employees and Employee Relations

The Board now employs approximately 174 persons, of whom approximately 99 work as teachers in the instructional program of the Leeds City School System. The Board's current pupil-to-teacher ratio is approximately 13.83 to 1. The Foundation Program, on which contributions by the State are calculated, is based on various pupil-to-teacher ratios, depending on the grade. The State of Alabama requires all classes meet the Southern Association of Colleges and Schools (SACS) class size caps. The State of Alabama Foundation Program funds classroom teachers at a pupil-to-teacher ratio much less than SACS standards require. Currently, the Foundation funds teachers at 13.8 to 1 for K through grade three, 21.4 to 1 for grades four to six, 20.4 to 1 for grades seven and eight and 18 to 1 for grades nine through twelve. The costs of achieving a ratio lower than the State minimum must be borne by the Board from its local school funds.

No employees of the Board are represented by labor unions or similar employee organizations. The Board does not bargain collectively with any labor union or employee organization. The Board has never experienced a strike, boycott or other work stoppage and no such work stoppage is threatened.

Approximately 59 of the persons employed by the Board are members of the Alabama Education Association (AEA). AEA represents individual teachers in tenure and contract disputes with the Board, but does not bargain with the Board on behalf of teachers with respect to salaries or compensation; however, AEA does actively represent teachers at the State level, where minimum salaries are determined.

Retirement System

Employees of the Board are participants in the Teachers Retirement System of Alabama, which was established by an act of the Alabama Legislature. The Board is required to deduct from each employee's paycheck an amount or percentage specified by the State Board of Control each month. The State of Alabama, by annual appropriation by the Legislature, contributes a similar amount. Currently, each employee contributes five percent and the Board contributes 9.36 percent for FY2007 and will contribute 11.75 percent for FY2008. The Board is provided the matching portion for all State funded employees and is only required to make contributions to the retirement system for locally funded employees. Approximately 21 employees are federally funded, including their benefits. Approximately 143 employees are State funded, including their benefits. The remaining employees and their benefits are paid from locally generated funds.

General Financial Information

The Board operates on a fiscal year beginning October 1 and ending September 30. At the beginning of each fiscal year, the Board is required to submit a proposed budget for approval by the State Department of Education. The following table contains the Board's budget for the upcoming fiscal year (2006-2007), as adopted by the Board and submitted for approval by the State Department of Education.

Beginning Fund Balance	$ 987,101.00
Budgeted Revenues	12,098,689.79
Budgeted Expenditures	13,747,590.00
County Grant Proceeds	13,623,912.23
Other Fund Sources (Uses)	167,315.00
Expected Ending Balance:	**$ 13,129,428.00**

Annual budgets are adopted for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2006-2007 fiscal years was August 15, 2006. The Board approved its original 2006-2007 annual budget on August 14, 2006, and submitted the budget on August 14, 2006.

The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent with the approval of the board has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

The revenues so budgeted to be paid to the Board by the State of Alabama for this fiscal year may be less than the budgeted amount if there is a prorated reduction in the distribution to local school systems (See "Major Sources of Revenue" below). However, the Board does not expect any such proration or other significant adverse change in the total budgeted receipts and expenditures. The board expects the above budget summary to accurately reflect the Board's net operation.

At the end of each fiscal year, the Board is required to file an unaudited financial statement with the State Department of Education on forms provided by the State Board. Under Alabama law, the Board must be audited by an independent Certified Public Accounting firm. The last audit for the Board was for the fiscal year of the Board ending on September 30, 2006.

Major Sources of Revenue

The following are the principal sources of revenues of the Board and the amounts derived from each such source during the last three fiscal years of the Board:

Total Government Funds

	FY 2006	***FY 2005***	***FY 2004***
State Revenues	$ 6,381,587.00	$ 5,854,693.00	$ 5,403,148.00
Federal Revenues	$ 1,226,202.77	$ 957,226.79	$ 910,793.01
Local Sources	$ 3,348,329.58	$ 3,109,860.88	$ 2,720,781.67
Other Sources	$ 20,365.46	$ 11,119.69	$ 39,161.87
Total Revenues	**$10,976,484.81**	**$ 9,932,900.36**	**$ 9,073,884.55**

Financial Information

The following are the major revenue sources of the Board.

State Revenues In a normal non-construction year the Board receives the largest share of its annual revenue from the State of Alabama. The Alabama Legislature makes an annual appropriation of funds for education purposes in the State, and these funds are distributed to local boards of education according to a complex formula based primarily on enrollment in the various school systems. Most State funds are restricted for instructional programs, but the State periodically makes special grants from annual State revenues or State bond issues for capital improvement purposes. None of the State revenues are available to pay debt-service on long term obligations to the Board. In order to participate in the State Foundation Program, under which the majority of state revenues are distributed, the Board must receive local taxes equivalent to 10 mills of ad valorem taxes. The Board presently meets this requirement.

The Board expects to meet current expenses for this fiscal year with available revenues.

Federal Revenues. The Board receives Federal money each year for various education programs. Most of these programs support high poverty students, vocational education or special education purposes, and the Federal funds are restricted to this designated purpose.

Local Revenues. The following make up the primary local revenue sources. Ad valorem taxes levied by municipal and county authorities.

Jefferson County (30.1 mills)
2.1 mill County
5.4 mill County
0.7 mill County
5.1 mill District
8.8 mill District
5.0 mill District
3.0 mill District

Saint Clair County (3.0 mills)
3.0 mill District 3

Indebtedness

Long Term Debt. The Board does not have authority to issue long term indebtedness that is payable from the general revenue or taxes received by the Board. All long-term indebtedness must be payable solely out of tax specified in the proceedings authorizing the issuance of the obligations. Under existing law, Boards of Education in the State may issue long term debt only for capital improvements or for refunding its warrant anticipation notes or warrants previously issued and outstanding and may not incur long-term indebtedness to pay operating expenses.

As of September 30, 2006 the Board had $3,821,121 in warrants, notes, capital lease contracts payable and other long term debt outstanding. These warrants are secured by the Board's 30.1 mills tax it receives from Jefferson County. The Board also entered into a funding agreement securing payment to the City as to the City's presently outstanding Taxable General Obligation School Warrants, Series 2003 in the principal amount of $1,585,000, which are expected to be defeased contemporaneously with the issuance of the Series 2008 Bonds.

Short Term Debt. The Board is authorized to issue revenue in anticipation of its current revenues. Such notes must mature by the end of the fiscal year in which issued and must be limited in principal amount to the estimated revenues for the remainder of such fiscal year. The Board has no such notes outstanding.

The Board is also authorized to issue notes with a maturity of 18 months in anticipation of the issuance of warrants or long term indebtedness. Such warrant anticipation notes must be payable solely out of a specified tax or taxes. The Board has no such notes outstanding.

Revenues and Expenditures

The Board's revenues, expenditures and changes in fund balances for all governmental funds for fiscal years 2004-2006 are summarized below.

	FY 2004	FY 2005	FY 2006
Revenues			
State	$ 5,403,148.00	$ 5,854,693.00	$ 6,381,587.00
Federal	910,793.01	957,226.79	1,226,202.77
Local	2,720,781.67	3,109,860.88	3,348,329.58
Other	39,161.87	11,119.69	20,365.46
Total Revenues	$ 9,073,884.55	$ 9,932,900.36	$ 10,976,484.81
Expenditures			
Instructional Services	$ 4,927,618.93	$ 5,700,855.37	$ 5,654,047.69
Instructional Support Services	1,001,300.58	1,413,622.61	1,422,051.13
Operation & Maintenance Services	859,130.43	803,894.77	1,008,099.72
Student Transportation Services	1,352,770.71	1,309,680.05	510,616.79
General Admin. Services	679,413.92	534,912.95	938,731.29
Other Expenditures	530,050.97	120,324.83	76,126.30
Debt Service:			
Principal Retirement	490,805.96	149,980.57	143,071.81
Interest & Fiscal Charges	101,971.73	199,519.69	205,068.48
Debt Issuance Costs/ Other Debt Service	120,000.00		1,675.00
Total Expenditures	$ 9,982,063.23	$10,232,790.84	$ 10,814,182.39
Excess (Deficiency) of Revenue over Expenditures	($ 908,178.68)	($ 299,890.48)	$ 162,302.42
Other Financing Sources (Uses)			

Indirect Cost			$ 89,836.06
Transfers in	$ 860,970.92	$ 482,136.71	$ 406,513.31
Other Financing Sources	$ 2,521,408.50	$ 78,425.51	$ 365.41
Sale of Capital Assets			$ 825.00
Transfers Out	($ 860,970.92)	($ 482,136.71)	($ 406,513.31)
Total Other Financing Sources (Uses)	$ 2,521,408.50	$ 78,425.51	$ 91,026.47
Net Changes in Fund Balances	$ 1,613,229.82	($221,464.97)	$ 253,328.89
Fund Balances – Beginning of Year	($ 287,864.67)	$1,325,365.15	($ 94,505.59)
Fund Balances – End of Year	$ 1,325,365.15	$ 1,103,900.18	$ 158,823.30

Budget and Accounting System

The Board maintains a financial reporting system for the purpose of providing timely and accurate reports of board receipts and disbursements. The accounting policies of the Board conform to generally accepted accounting principles applicable to local governmental units. Financial activities of the Board are monitored internally on a weekly basis and are audited annually by an Independent Certified Public Accounting Firm.

Prior to the commencement of each fiscal year, the Superintendent of Education, in conjunction with administrative staff, prepares an annual operating budget for adoption by the Board, which is subject to the approval by the State Superintendent of Education. The budget preparation begins on or about May 15th. when the Board receives its expected allocation estimate from the State of Alabama for State funding. To the expected State allocated revenues added revenues that are generated locally from countrywide sales tax receipts and ad valorem taxes. These local taxes are budgeted for no growth from year to year thus alleviating any miscalculation of future revenue increases.

Expenses are based in large part on the wage and salary increases approved by the legislature, as they must be adopted by the local school districts. The Superintendent and his staff request and receive input from each school and from the community. This input is considered by the Superintendent and administration staff, and initial budget drafts are formulated. A presentation is made to the Board in early July, and the budget may be adopted, amended or held over for review at that time. By law, all budgets must be forwarded to the State Department of Education on or before August 15th and each city school district's budget must be balanced.

The budget represents a complete financial plan for the Board and reflects the projection of all receipts and disbursements from all sources. Formal budget integration is used during the fiscal year as a management control device for the Board's General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. The budget is adopted by a "line-item" basis consistent with generally accepted accounting principles. Budget control is maintained at the line-item level by encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors.

The accounts of the Board are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that include its assets, liabilities, fund equity, revenues and expenditures as appropriate. Board resources are accounted for on an individual fund basis by the purpose for which such resources are to be spent, monitoring of these funds is the means for controlling spending activities. The Board's records are maintained in compliance with current State and Federal regulations and in accordance with generally accepted accounting principles.

THE CITY

The following information with respect to the City is provided for general information purposes only. The obligation of the City to make payments under the Funding Agreement is payable solely from the Pledged Taxes.

General

The City is a municipal corporation organized under the laws of the State of Alabama. The City is located in Jefferson, St. Clair and Shelby Counties, Alabama, which is just north of the geographical center of Alabama. The population of the City is 11,092 according to the most recent federal census (2005). The corporate limits of the City encompass approximately 22.3 square miles.

Governance and Administration

The City is governed under the mayor-council form of government. The Mayor is elected on an at-large basis for a 4-year term. The Council members are elected from districts, each for a 4-year term. The Mayor serves as the manager of the City and is responsible for the daily operations of all departments of the City. The Council acts as the legislative branch of the City.

Executive, Legislative and Administrative Officials

Executive

JAMES "TAC" WHITFIELD, Mayor, served on the Leeds City Council from 1994 until his election as Mayor in August 2004. He will be up for re-election in 2008.

Legislative

The name and expiration of the term of each City Council member is set forth below:

Council Member	Term Expiration
Kenneth Washington	October 2008
Ross Bartee	October 2008
Carol Phillips	October 2008
Bryce Thornton	October 2008
Cary Kennedy	October 2008

Administrative

KEVIN FOUTS**,** Executive Asst. to Mayor, was appointed by the City Council in May 2007. He serves at the will of the City Council.

Services, Departments and Agencies

As of May 1, 2007, the City employed 59 full-time personnel and 8 part-time personnel in its various departments.

There are several independent public corporations or agencies that have responsibility for providing governmental services in the City. Each of these corporations or agencies has its own governing body, all or a majority of the members of which are appointed by the City's Mayor or Council. The City has no responsibility for payment of expenses or other obligations of these corporations or agencies and has no right to their revenues. The significant independent entities and public corporations include the following:

Employee Relations

The City considers relations with its employees to be satisfactory. No employees of the City are represented by labor unions or similar employee organizations. The City does not bargain collectively with any labor union or any other employee organization.

Personnel and Retirement System

The City employed approximately 59 full-time personnel in its several departments as of May 1, 2007. The benefits and compensation for all employees of the City's several departments are established by the City Council and are paid from the City's general fund. No employees of the City are represented by labor unions or similar employee organizations, and the City does not bargain collectively with any labor unions or employee organizations.

Approximately 59 of the City's employees participate in a retirement system established by the Legislature of Alabama and known as the Employees' Retirement System of Alabama (the "Retirement System"). The City assumes pension or retirement liability only for employees required by state statute to participate in the System. Regular covered employees are required to contribute 5% of their earnings to the plan, while certified full time firefighters and law enforcement officers contribute 6% of their compensation. The City is required to contribute the remaining amounts necessary to pay benefits when due, as determined by actuarial computations.

FINANCIAL SYSTEM

Financial Systems

The accounts of the City are organized on the basis of funds and account groups, each of which is considered 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, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Individual funds and account groups summarized in the financial statements set forth in Appendix E to this Official Statement are classified as follows:

Governmental Funds

General Fund. The General Fund is used to account for all revenues and expenditures applicable to the general operations of the City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Commercial Development Authority. The Commercial Development Authority is used to account for the operations of the Leeds Commercial Development Authority, a blended component unit of the City.

Debt Service Funds. Debt Service Funds are used to account for the accumulation of financial resources for, and payment of, interest, principal and related costs on long-term general obligations and limited obligation debts, as well as any other non-current obligations.

Description of Major Sources of General Fund Revenues

9.2 mills ad valorem tax. The City levies a 9.2 ad valorem tax for general municipal purposes. The following table shows the net receipts from the 9.2 mill general purpose ad valorem tax received by the City for the fiscal years indicated:

Fiscal Year	Amount
2003	$ 615,612
2004	718,318
2005	765,359
2006	814,774
2007	895,036

Sales and Use Tax. The City levies by ordinance a general sales and use tax within its corporate limits at the rate of 4% (four cents per dollar) on the gross receipts of all persons selling tangible personal property at retail or conducting places of amusement in the City. Certain transactions within the City's corporate limit, however, are taxed at lower rates. There is no statutory maximum rate applicable to the general sales and use tax. The general sales tax is collected from the consumer by the vendor and paid monthly to the City.

As of May 1, 2007, the City allocates the four cents per dollar sales and use tax in the following manner: proceeds of three cents are deposited into the City's General Fund and one cent to the debt retirement fund (the Pledged Sales Tax which is being pledged pursuant to the Funding Agreement).

Listed below are the ten largest sales taxpayers in the City and the total amount of sales taxes collected for the fiscal year ended September 30, 2007.

Name of Taxpayer	
Wal Mart Stores East, LP.	
Lowes Home Centers, Inc.	
Huntsville Wholesale Furniture, Inc.	
Lehigh Portland Cement Co.	
A&R Supermarket Inc.	
Robinson Christopher Scott	
Bruno's Supermarket, Inc.	
CLP Corporation	
Dolgencorp, Inc.	
H&V Foodmart	
TOTAL OF TOP TEN	$ 4,357,848
TOTAL SALES TAX COLLECTED	$ 6,989,395

The following table shows General Fund receipts from the sales and use taxes for the fiscal years indicated:

Fiscal Year	Amount
2003	$ 5,091,632
2004	5,637,732
2005	5,453,581
2006	7,749,043
2007	9,223,647

Business License Tax. Under general authority granted to cities and towns in Alabama by the Legislature, the City levies privilege license taxes on the privilege of engaging in certain businesses and professions within the corporate limits of the City. Most license taxes are computed as a percentage of gross receipts based on a graduated scale.

The following table shows receipts from business licenses received by the City for the fiscal years indicated.

Fiscal Year	Amount
2003	$ 439,739
2004	519,091
2005	558,525
2006	542,521
2007	991,296

RESULTS OF OPERATIONS

This section of the Official Statement presents certain historical financial information concerning the City. The information in this section will be updated annually and such annual report will be filed with appropriate information repositories in accordance with the requirements of Rule l5c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE.”

Comparative Statement of General Fund and All Fund Revenues and Expenditures. The tables on the following pages set forth revenues, expenditures and changes in fund balance for the City’s General Fund and all Funds for the four fiscal years ended September 30, 2003 through 2007. The table showing all Funds excludes the Board, which is a separate legal entity. This information was extracted from the audited financial statements of the City for fiscal years ending September 30, 2003, September 30, 2004, September 30, 2005, September 30, 2006 and September 30, 2007. The audited financial statements for fiscal year 2007 are included in Appendix E to this Official Statement. Audited financial statements for prior fiscal years may be obtained from the Underwriters upon request.

Comparative Statement of General Fund Revenue and Expenditures and Changes in Fund Balance

	2003	2004	2005	2006	2007
REVENUES					
Taxes	$ 5,091,632	$ 5,637,732	$ 5,453,581	$ 7,950,920	$ 9,223,647
Licenses and Permits	439,739	519,091	558,525	542,521	991,296
Intergovernmental	654,374	827,730	1,139,872	986,162	1,092,395
Charges for Service	368,315	260,545	264,472	278,391	280,740
Fines and Forfeitures	134,078	196,807	192,146	172,717	186,706
Interest Income	7,478	3,878	14,291	23,822	410,246
Rental Income	-----	804,765	116,387	145,930	58,449
Other Revenues	559,278	103,200	47,846	11,543	68,197
TOTAL REVENUE	$ 7,254,894	$ 8,389,748	$ 7,787,120	$10,112,006	$ 12,311,676
EXPENDITURES					
General Government	$ 542,293	$ 1,588,331	$ 1,760,526	$ 1,618,977	$ 1,788,165
Streets and Infrastructure	165,956	154,178	856,131	622,991	669,031
Inspections and Permits	338,160	-----	268,145	94,159	74,163
Sanitation and Sewer	33,232	32,527	25,339	23,053	21,486
Public Safety	125,305	151,666	3,493,042	2,620,428	3,862,820
Library	67,253	66,168	343,616	255,399	321,256
Parks and Recreation	32,070	44,452	379,922	327,898	187,766
TOTAL EXPENDITURES	$ 14,765,442	$ 7,000,269	$ 7,126,721	$ 5,562,905	$ 6,924,687
Capital Outlay	$ 3,469,463	$ 5,533,987	$ 209,475	$ 203,540	$ 848,257
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES					
OTHER FINANCING SOURCES (USES)					
Loan proceeds	$ 3,760,650	$ 617,500	$ 137,504	------	$ 32,795,000
Proceeds from sale of general fixed assets	10,775	11,650	924,973	------	4,938,183
Insurance proceeds	21,982	-----	75,679	11,247	------
Operating transfers	-----	-----	-----	------	------
TOTAL OTHER FINANCING SOURCES (USES)	$ 3,793,407	$ 629,150	$ 1,138,156	$ 11,247	$ 37,733,183
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($3,717,141)	($4,697,937)	-----	$ 1,895,786	-----
FUND BALANCE BEGINNING OF YEAR	$ 3,823,445	$ 106,304	($4,791,633)	($ 4,944,885)	($ 3,049,099)
FUND BALANCE END OF YEAR	$ 106,304	($4,591,633)	($4,944,885)	($ 3,049,099)	$ 36,600,688

Major Sources of City Revenues
The principal City revenue sources for the fiscal years ended September 30, 2005 and 2006 are summarized in the following table:

Principal City Revenue Sources

	FY Ending 9/30/06		FY Ending 9/30/07	
	Amount	**Percent**	**Amount**	**Percent**
Taxes	$ 7,950,920	78.6 %	$ 9,223,647	75.0 %
Licenses and Permits	542,521	5.4	991,296	8.0
Charges for Services	278,391	2.8	280,740	2.3
Fines and Forfeitures	172,717	1.7	186,706	1.5
Other Revenues	11,543	0.1	68,197	0.5

For a description of the major sources of General Fund revenues, see "THE CITY - Description of Major Sources of General Fund Revenues."

DEBT MANAGEMENT

General

The principal forms of indebtedness that the City is authorized to incur include general ob1igation bonds, general obligation warrants, general obligation bond anticipation notes, revenue anticipation, gasoline tax anticipation bonds, and various revenue anticipation bonds and warrants relating to enterprises. In addition, the City has the power to enter into certain leases which constitute a charge upon the general credit of the City and to guarantee obligations of certain public corporations affiliated with the City.

In general, the issuance of general obligation bonds requires voter approval. The following types of obligations may be issued or incurred without voter approval: (1) general obligation warrants; (2) general obligation refunding bonds; (3) certain revenue anticipation bonds, warrants and notes; (4) general and special obligation bonds financing street, sidewalk and sewer improvements supported, in whole or in part, by assessments; and (5) capitalized lease obligations that are funded on a "year-to-year basis."

The City has never defaulted in the payment of debt service on its bonds, warrants or other funded indebtedness, nor has the City ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

Outstanding Indebtedness

Long-Term Indebtedness. The City has the following long-term indebtedness outstanding:

Description of Indebtedness	Security	Principal Balance
General Obligation Warrants, Series 2000 A	General Obligation	$ 2,265,000
General Obligation Warrants Series 2000B	General Obligation	2,030,000
General Obligation Warrants Series 2002 A	General Obligation	4,875,000

General Obligation Warrants Series 2002B	General Obligation	2,960,000
General Obligation Warrants Series 2006A*	General Obligation	24,300,000
General Obligation Warrants Series 2006B*	General Obligation	2,055,000
General Obligation Warrants Series 2006C*	General Obligation	6,440,000
	TOTAL	$44,925,000

* Although these three issues are General Obligation of the City, they were incurred in connection with the development of the Bass Pro Shops in the City and are expected to be repaid from certain incremental sales and ad valorem taxes generated from the Bass Pro Shops Project.

Assessed Valuation of Taxable Property

Set forth below is the net assessed value of taxable property, including motor vehicles, in the City for the fiscal years indicated:

Jefferson County		*Shelby County*		*St. Clair County*	
Fiscal Year	Net Assessed Value	Fiscal Year	Net Assessed Value	Fiscal Year	Net Assessed Value
2003	$ 13,247,362	2003	$ 462,900	2003	$16,832,835
2004	13,894,084	2004	555,640	2004	18,071,500
2005	14,393,687	2005	614,920	2005	23,431,445
2006	15,363,844	2006	649,940	2006	22,526,887*
2007	15,516,577	2007	733,320	2007	24,939,646*

* Unaudited

Source: Jefferson County, Shelby County and St. Clair County Tax Assessor and Director of Revenue

Largest Ad Valorem Taxpayers

Listed below are the ten largest ad valorem taxpayers in the City and the total amount of ad valorem taxes paid by each during the tax year ending September 30, 2007.

Name of Taxpayer	**Business**	**Total City Ad Valorem Taxes Paid**
Lehigh Portland Cement Co.	Cement	$ 113,785
Commercial Dev't Authority (Lowe's)	Retail	57,891
Commercial Dev't Authority (Wal-Mart)	Retail	56,207
Larry Ray & Donald Skipper	Property owners	25,068
Alabama Power Co.	Utility	23,351
Precision Husky Corp.	Sawmill Equipment	21,543
Wal-mart Stores East LP	Retail	20,826
Windstream Alabama, Inc.	Communications	19,067
Lowe's Home Center, Inc.	Retail	18,931
Walgreen Co.	Retail and Pharmacy	18,451
TOTAL OF TOP TEN		**$ 375,120**

Source: City of Leeds

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City is located in Jefferson, Shelby and St. Clair Counties (the "Counties"), just north of the geographical center of Alabama. Incorporated since 1967, the City is located adjacent to the southern side of the City of Birmingham. The City is a part of the five-county Birmingham Metropolitan Statistical Area (MSA), which anchors the business and cultural life of the State of Alabama. At the center of this area is Alabama's most populous city, Birmingham, and county, Jefferson. With a population of over one million, the Birmingham MSA ranks among the largest metropolitan areas in the nation. The City covers approximately 39.85 square miles.

Population

The following table sets forth population statistics for the State, Counties and City for years indicated.

	1980	1990	2000	2005	2006
State of Alabama	3,893,888	4,040,587	4,441,100	4,548,327	4,599,030
Jefferson County	671,324	651,525	662,047	656,014	656,700
Shelby County	66,298	99,358	143,293	171,373	178,182
St. Clair County	41,205	50,009	64,742	72,177	75,232
City of Leeds	8,638	9,946	10,455	11,077	11,092

Source: Federal Census and CBER

Employment

The following table sets forth estimated nonagricultural wage and salary employment statistics for the County as of third quarter, 2006:

Jefferson County Nonagricultural Covered Employment by Industry

	Number Employed	% of Total
Mining	1,693	0.5%
Construction	22,111	5.9
Manufacturing	29,376	7.9
Trade	65,210	17.5
Transportation & Warehousing	9,224	2.5
Utilities & Information	15,543	4.2
Finance & Insurance	24,533	6.6
Real Estate, Rental & Leasing	5,129	1.4
Healthcare & Social Assistance	44,884	12.0
Accommodation & Food Services	28,177	7.6
Professional, Technical & Business Services	68,859	18.5
State & Local Government	49,997	13.4
Federal Government	8,289	2.2
Other	58	0.0
Total wage and salary employees	**373,083**	**100.0 %**

Source: Alabama Department of Industrial Relations (2006)

Shelby County Nonagricultural Covered Employment by Industry

	Number Employed	% of Total
Mining	359	0.6%
Construction	6,009	9.4
Manufacturing	6,383	10.0
Trade	11,843	18.5
Transportation & Warehousing	735	1.1
Utilities & Information	2,286	3.6
Finance & Insurance	4,944	7.7
Real Estate, Rental & Leasing	1,023	1.6
Healthcare & Social Assistance	4,885	7.6
Accommodation & Food Services	5,269	8.2
Professional, Technical & Business Services	12,998	20.3
State & Local Government	6,865	10.7
Federal Government	286	0.4
Other	139	0.2
Total wage and salary employees	**64,024**	**100.0 %**

Source: Alabama Department of Industrial Relations (2006)

St. Clair County Nonagricultural Covered Employment by Industry

	Number Employed	% of Total
Mining	**	**
Construction	1,534	9.6
Manufacturing	2,521	15.7
Trade	3,546	22.1
Transportation & Warehousing	314	2.0
Utilities & Information	221	1.4
Finance & Insurance	439	2.7
Real Estate, Rental & Leasing	140	0.9
Healthcare & Social Assistance	1,367	8.5
Accommodation & Food Services	1,532	9.5
Professional, Technical & Business Services	1,546	9.6
State & Local Government	2,671	16.6
Federal Government	114	0.7
Other	109	0.7
Total wage and salary employees	**16,054**	**100.0 %**

Source: Alabama Department of Industrial Relations (2006)

The following table sets forth labor force estimates and employment rates for Jefferson County Shelby County and St. Clair County for the years indicated:

Jefferson County

	2003	2004	2005	2006	2007
Civilian Labor Force	320,503	318,490	316,518	324,652	326,559
Employment	304,394	303,521	304,295	313,125	315,560
Unemployment	16,109	15,239	12,223	11,527	10,999

Shelby County

	2003	2004	2005	2006	2007
Civilian Labor Force	88,296	91,184	94,624	97,164	97,813
Employment	85,456	88,402	92,096	94,768	95,505
Unemployment	2,840	2,782	2,528	2,396	2,308

St. Clair County

	2003	2004	2005	2006	2007
Civilian Labor Force	32,246	32,912	33,681	34,556	34,794
Employment	30,179	31,426	32,517	33,461	33,721
Unemployment	1,527	1,486	1,164	1,095	1,073

Source: Alabama Department of Industrial Relations.

The following table sets forth comparative unemployment rates for the Jefferson County, Shelby County, the State of Alabama and the United States for the years indicated:

	2003	2004	2005	2006	2007
Jefferson County	5.0	4.8	3.9	3.6	3.4
Shelby County	3.2	3.1	2.7	2.5	2.4
St. Clair County	4.7	4.5	3.5	3.2	3.1
State of Alabama	5.5	5.1	3.9	3.6	3.5
United States	6.0	5.5	5.1	4.6	4.6

Source: Alabama Department of Industrial Relations.

Major Employers

The major nongovernmental employers in the City as of April 2007, their principal activity and the number of employees of each are as follows:

Company or Employer	Principal Activity	Approximate No. of Employees
Hubbell Power Systems	Electrical	225
Leeds City Schools	Education	167
Precision Husky Corp.	Forestry Products	155
Lehigh Cement	Cement	134
M & B Metal Products	Wire & Metal products	130
KS & Co.	Trucking	110
Wal-Mart	Retail	100
USCO Power Co.	Electrical	90
IKG Industries	Steel	75
Rock Wool Mfg. Co.	Insulation	65
C & B Piping	Pipe	60
Am Pro Custom Molding	Molding	53

Source: City of Leeds & Leeds Area Chamber of Commerce

Income Levels

Per capita income is the total income of all families and individuals in a given area divided by the total population of the area. For the year 2006 the Center for Business and Economic Research of the University of Alabama estimates the following with respect to per capita income levels in the jurisdictions indicated:

Per Capita Income

Jefferson County	$ 38,861
Shelby County	39,590
St. Clair County	26,872
City of Leeds	18,573*
State of Alabama	29,623
United States	33,050

Source: University of Alabama CBER and Federal Census Bureau

* According to the 2000 census

Housing and Construction

The following table presents certain information about housing and construction activity in the City by calendar year:

Housing Starts - City of Leeds

Year	New Private Housing Permits	Average Price per Unit (000s)
2003	47	$ 150,000
2004	65	$ 150.000
2005	49	$175,000
2006	98	$ 175,000
2007	112	$ 200,000

Source: City of Leeds

Education

Jefferson County is home to several colleges and universities, including Samford University, The University of Alabama at Birmingham, Birmingham-Southern College, Miles College and several other 2-year institutions.

Public schools in the City are administered by the Leeds City School System, which consists of three schools with a total enrollment of 1,365 students during the current (2007-2nd semester) academic year.

Health Care Services

While no hospital is located within the corporate limits of the City, many of the Birmingham metropolitan area hospitals maintain clinics and outpatient facilities nearby. Jefferson County includes Brookwood Medical Center, UAB Hospital, BMC Princeton, Trinity Medical Center, Physicians Medical Center, Carraway Hospital, St Vincent's Hospital, UAB Medical West, Lakeshore Rehabilitation Complex and Medical Center East. Shelby County consists of Baptist Shelby and St. Clair County has St. Clair Regional Hospital.

Utilities

Electricity is supplied to the residents of the City by Alabama Power. Natural gas service is supplied by Alagasco. Water service is provided by the Leeds Water Works Board. Sanitary sewer service is provided by Jefferson County, Alabama.

Recreational Facilities

The Leeds Parks and Recreation Department manages three parks that include a recreation center, one swimming pool, tennis facilities, and baseball, soccer and softball complexes.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened questioning the validity of the Series 2008 Bonds, the proceedings under which they are to be issued, the security for the Series 2008 Bonds provided by the Indenture, the consummation of the transactions contemplated by the Indenture, the organization of the Authority, or the election or qualification of the Authority's officers.

RISK FACTORS

General

An investment in the Series 2008 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of revenues to pay debt service on the Series 2008 Bonds may be affected by events and conditions relating to, among other things, population trends, weather conditions and economic developments, the nature and extent of which are not presently determinable.

The Board expects that the moneys needed for the annual rental payments due under the Lease Agreement will come from the Pledged County Grant Proceeds and from credits received against its rental payments from payments by the City under the Funding Agreement. In the unexpected event of a default by the City under the Funding Agreement or a reduction in receipts of the Pledged Taxes (such that the amount due from the City under the Funding Agreement might be less than the annual rental payment due), there is no assurance that the Board will have sufficient funds available to it to make such payments or to make up any deficiency between the amount due as rental payment and the amount paid by the City under the Funding Agreement.

Holders of the Series 2008 Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

Each prospective investor should carefully examine his own financial condition in order to make a judgment as to his ability to bear the risk of an investment in the Series 2008 Bonds.

Right of the Board Not to Renew the Lease Agreement

The Board may elect not to renew the Lease Agreement for a successive one-year term at the end of any fiscal year of the Board. However, the Board has covenanted in the Lease Agreement that if any space in the Bond-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the Board nor any officer, department or agency of the Board may thereafter enter into any lease or rental agreement for additional office or storage space or renew any existing lease or rental agreement for office or storage space in or about the municipality in which the Bond-Financed Facilities are located until after such vacant space in the Bond-Financed Facilities shall have been filled. Further, the Board has covenanted that, so long as the Series 2008 Bonds are outstanding, the Board will not relocate any facility financed from the proceeds of the Series 2008 Bonds unless such alternative facility is expressly made subject to the Lease Agreement by amendment. If the Board exercises its option not to renew the Lease Agreement prior to the final maturity of the Series 2008 Bonds, it is possible that the Bond-Financed Facilities cannot be re-let for sufficient rentals to pay the debt service on the Series 2008 Bonds. If such event occurs, then no assurances can be given that the Authority will have sufficient funds to pay the redemption price of the Series 2008 Bonds.

Tax-Exempt Status of Series 2008 Bonds

It is expected that the Series 2008 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX EXEMPTION". It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix A, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2008 Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2008 Bonds in order for the Series 2008 Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2008 Bonds, use of the facilities financed by the Series 2008 Bonds, investment of Bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Authority.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2008 Bonds, the Authority would be treated as the taxpayer, and the owners of the Series 2008 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2008 Bonds could adversely affect the market value and liquidity of the Series 2008 Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2008 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2008 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2008 Bonds could affect the tax-exempt status of the Series 2008 Bonds or the effect of investing in the Series 2008 Bonds. For example, the United States Congress could eliminate the exemption for interest on the Series 2008 Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Indenture does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2008 Bonds do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2008 Bonds or the effect of investing in the Series 2008 Bonds.

LEGAL MATTERS

The legality and validity of the Series 2008 Bonds will be approved by Waldrep Stewart & Kendrick, LLC, Birmingham, Alabama, Bond Counsel. Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2008 Bonds have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2008 Bonds and the exemption (or inclusion with respect to the Series 2007-B Bonds) of interest thereon from Federal and State of Alabama income taxes. Waldrep Stewart & Kendrick, LLC, Birmingham, Alabama has assisted in the preparation of this Official Statement in its role as disclosure Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barnes Tucker & Barnes, Leeds, Alabama.

It is anticipated that Bond Counsel will render the opinions substantially in the form attached hereto as Appendix A.

The various legal opinions to be delivered concurrently with the delivery of the Series 2008 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

General

In the opinion of Bond Counsel, under existing law, interest on the Series 2008 Bonds will be excludable from gross income for federal income tax purposes if the Authority and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2008 Bonds in order that interest thereon be and remain excludable from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2008 Bonds to be included in gross income, retroactive to the date of issuance of the Series 2008 Bonds. The Authority and the Board have covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2008 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2008 Bonds other than the opinions expressed in the three preceding paragraphs. The form of Bond Counsel's opinion is expected to be substantially as set forth in Appendix A to this Official Statement.

Prospective purchasers of the Series 2008 Bonds should be aware that ownership of the Series 2008 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2008 Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2008 Bonds should consult their tax advisors as to collateral federal income tax consequences.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2008 Bonds will be exempt from State of Alabama income taxation.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of a Series 2008 Bond, to the extent properly allocable to each owner of such Series 2008 Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2008 Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2008 Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2008 Bond during any accrual period generally equals (i) the issue price of such Series 2008 Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2008 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Series 2008 Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2008 Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2008 Bond will be treated as gain from the sale or exchange of such Series 2008 Bond.

NO BANK QUALIFICATION

The Authority will not designate the Series 2008 Bonds as "qualified tax-exempt obligations" under Section 265(b) of the Internal Revenue Code of 1986. As a result, the Series 2008 Bonds may not be treated by financial institutions as though they were acquired on August 7, 1986, and there may not be allowed to such financial institutions that purchase the Series 2008 Bonds a deduction of up to 80% of the interest paid to depositors that is allocable to the Series 2008 Bonds by such financial institutions.

UNDERWRITING

The Series 2008 Bonds are being purchased from the Authority by Raymond James & Associates, Inc. and Sterne. Agee & Leach, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Series 2008 Bonds for an aggregate purchase price of $45,954,435.96 (which represents the face amount of the Series 2008 Bonds less underwriters' discount of $325,115.29 less net original issue discount of $280,448.75), plus accrued interest. The initial public offering price set forth on the inside cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2008 Bonds to certain dealers (including dealers depositing the Series 2008 Bonds into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriters will purchase all the Series 2008 Bonds if any are purchased.

The Authority is considering selecting Eagle Asset Management, Inc. ("Eagle") to direct the investment of certain of the 2008 Bond proceeds. Eagle is an affiliate of Raymond James & Associates, Inc. and will be paid a fee for the management of these funds. A portion of that fee will be shared with Raymond James & Associates, Inc.

CONTINUING DISCLOSURE

The Board, the City and the Authority have covenanted for the benefit of the holders of the Series 2008 Bonds to provide certain information repositories with (i) certain financial information and operating data relating to the Board, the City and the Authority on an annual basis, including without limitation all audited financial statements and any other financial or reporting data with respect to the Authority, the City and the Board with respect to the Bond-Financed Facilities (the "Annual Financial Information") within 180 days after the end of their fiscal years and (ii) notices ("Material Event Notices") of the occurrence of the following events, if it deems them to be material:

1. A delinquency in payment of principal of or interest on the Series 2008 Bonds.

2. Non-payment related defaults under the proceedings of the Authority authorizing the Series 2008 Bonds, whether or not such defaults constitute an event of default thereunder.

3. Unscheduled draws on any debt service reserve fund reflecting financial difficulties of the Board or the City.

4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2008 Bonds reflecting financial difficulties of the Board or the Authority.

5. Substitution of a credit enhancer for the one originally described in the Official Statement (if any), or the failure of any credit enhancer respecting the Series 2008 Bonds to perform its obligations under the agreement between the Board and such credit enhancer.

6. The existence of any adverse tax opinion with respect to the Series 2008 Bonds or events affecting the tax-exempt status of interest on the Series 2008 Bonds.

7. Any modification of the rights of the registered owners of the Series 2008 Bonds.

8. Redemption of any of the Series 2008 Bonds prior to the stated maturity or mandatory redemption date thereof.

9. Defeasance of the lien of any of the Series 2008 Bonds or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2008 Bonds, or any of them, to be no longer regarded as outstanding thereunder.

10. The release, substitution or sale of the property securing repayment of the Series 2008 Bonds.

11. Any changes in published ratings affecting the Series 2008 Bonds.

In addition, the Board, the City and the Authority have covenanted to provide in a timely manner to each information repository and to the appropriate state information repository (if any), notice of either the Board's, the City's or the Authority's failure to provide the Annual Financial Information on or before the date specified herein.

The Annual Financial Information is required to be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") as designated by the Securities and Exchange Commission and with any Alabama state information depository. Material Event Notices are required to be filed with each NRMSIR and any Alabama state information depository or the Municipal Securities Rulemaking Board and any Alabama state information repository.

Neither the Board, the City nor the Authority shall ever be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2008 Bonds for breach by the Board, the City or the Authority of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the Board, the City or the Authority. The failure by the Board or the Authority to provide the required information shall not be an event of default with respect to the Series 2008 Bonds under the Indenture.

No person other than the Board, the City and the Authority shall have any liability or responsibility for compliance with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures.

The Board and the Authority retain the right to modify their obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned ratings to the Series 2008 Bonds as indicated on the cover page based upon the understanding that, upon delivery of the Series 2008 Bonds, a financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Series 2008 Bonds will be issued by the Bond Insurer.

The above ratings are not recommendations to buy, sell or hold the Series 2008 Bonds, and any such ratings may be subject to revision or withdrawal at any time by either or both of the rating agency. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2008 Bonds. Neither the Authority, the Board, nor the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the Series 2008 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2008 Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority.

The Series 2008 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Authority since the date hereof.

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Authority to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, population trends and political and economic developments that could adversely impact the collection of revenues. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Authority disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2008 Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2008 Bonds, contact Raymond James & Associates, Inc, Tower Place 200, 3348 Peachtree Road NE, Suite 850, Atlanta, Georgia 30326.

This Official Statement has been approved by the governing body of the Authority.

THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS

By: /s/ Jack Courson
Chairman

Appendix A

Proposed Opinion of Bond Counsel

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(Form of Opinion of Bond Counsel)

[date of closing]

The Public Educational Building
Authority of the City of Leeds
Leeds, Alabama

U.S. Bank National Association
as Trustee
Birmingham, Alabama

City of Leeds Board of Education
Leeds, Alabama

Assured Guaranty Corp.
New York, New York

Ladies and Gentlemen:

We have examined certified copies of proceedings and other documents showing the organization under the laws of the State of Alabama of THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS (herein called the "Authority"), together with copies of proceedings of the Authority and other documents submitted to us pertaining to the issuance and validity of

$46,560,000

THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS

Educational Facilities Revenue Bonds Series 2008

Dated April 1, 2008

(which bonds are herein respectively called the "Series 2008 Bonds"). We have not examined any of the executed Series 2008 Bonds, but we have been furnished with appropriate certificates respecting their form and due execution. In our examination of all documents pertaining to the issuance of the Series 2008 Bonds, we have assumed the authenticity of documents submitted to us as originals, the conformity to the original documents of documents submitted to us as copies, the authenticity of the originals of such latter documents and the correctness of any facts stated in such documents.

The documents submitted to us show as follows:

(a) the Series 2008 Bonds have been issued under a Trust Indenture dated as of April 1, 2008 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (herein, together with its successors in trust under the Indenture, called the "Trustee");

(c) the Authority and City of Leeds Board of Education (herein called the "Board"), have entered into a Lease Agreement dated as of April 1, 2008 (herein called the "Lease"), pursuant to which the Authority has agreed to acquire, construct and equip the Bond-Financed Facilities (as defined in the Lease) and to lease the same to the Board for a term extending until 11:59 o'clock p.m. on September 30, 2008, with successive one-year options to renew the Lease;

(d) the Lease obligates the Board to pay rent directly to the Trustee, for the account of the Authority, on such dates and in such amounts as shall, together with certain proceeds from the sale of the Series 2008 Bonds and other moneys, be sufficient to provide for the payment, when due, of the principal of and the interest and premium (if any) on the Series 2008 Bonds; and

(e) as security for the payment of debt service on the Series 2008 Bonds, the Authority has pledged to the Trustee the proceeds derived from that certain Funding Agreement, dated as of April 1, 2008 among the Authority, the Board and the City of Leeds.

Based upon and subject to the foregoing, we are of the following opinion:

(1) The Authority is a public corporation organized and existing under the constitution and laws of the State of Alabama and has all requisite power and authority under the laws of the State of Alabama, including particularly the provisions of Code of Alabama 1975, Title 16, Chapter 18, (i) to sell, issue and deliver the Series 2008 Bonds, (ii) to use the proceeds thereof to acquire, construct and equip the Bond-Financed Facilities, (iii) to own, lease and dispose of the Bond-Financed Facilities, and (iv) to enter into and perform its obligations under the Lease and the Indenture.

(2) The Lease has been duly authorized, executed and delivered by the Authority and by the Board and constitutes a valid and binding agreement of the Authority and of the Board which is legally enforceable in accordance with its terms, except that (i) the enforceability of any of the agreements contained in the Lease may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' rights generally, and (ii) any court before which any enforcement proceeding may be brought will have discretion, in accordance with general equitable principles, to deny or limit the remedy of specific performance or other equitable relief with respect to contractual obligations other than for the payment of money.

(3) The Indenture has been duly authorized, executed and delivered by the Authority and constitutes a valid and binding agreement of the Authority which is legally enforceable in accordance with its terms, except that (i) the enforceability of any of the agreements contained in the Indenture may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' rights generally, and (ii) any court before which any enforcement proceeding may be brought will have discretion, in accordance with general equitable principles, to deny or limit the remedy of specific performance or other equitable relief with respect to contractual obligations other than for the payment of money.

(4) The Series 2008 Bonds have been duly authorized, executed, issued and delivered by the Authority, have been duly authenticated by the Trustee and are legal, valid and binding special obligations of the Authority, entitled to the benefits and security of the Lease and the Indenture, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

(5) Under the Indenture the payment of the principal of and the interest and premium (if any) on the Series 2008 Bonds is secured (i) by the statutory mortgage contained in the Indenture covering the Bond-Financed Facilities, (ii) by a valid pledge and assignment of the rent which is required by the Lease to be paid to the Trustee in respect of the Series 2008 Bonds, (iii) by a valid pledge and assignment of all other revenues to be derived by the Authority from the Bond-Financed Facilities, including without limitation, the Pledged Tax Proceeds" and the "County Grant Proceeds" as defined in and derived from the Funding Agreement and the Lease Agreement), and (iv) by a valid assignment to the Trustee of all right, title and interest of the Authority in and to the Lease and the Funding Agreement (except certain expense payment, indemnification and other rights retained by the Authority).

(6) The Indenture creates a valid lien upon the interest of the Authority in the real property subject to the lien thereof, subject to (i) "Permitted Encumbrances" (as defined in the Indenture and herein called "Permitted Encumbrances"), (ii) any liens (e.g., liens for taxes) that under the laws of the State of Alabama or of the United States of America are accorded preference over prior contractual liens and (iii) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally; provided,

however, that the mortgage covering the Bond-Financed Facilities contained in the Indenture shall not be subject to foreclosure.

(7) The Indenture creates a valid lien upon the interest of the Authority in any property subject to the lien thereof which does not constitute real property under the laws of the State of Alabama, so long as such property is located in the Bond-Financed Facilities (as defined in the Indenture) and subject to (i) Permitted Encumbrances, (ii) any liens (e.g., liens for taxes) that under the laws of the State of Alabama or of the United States of America are accorded preference over prior contractual liens and (iii) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally; provided, however, that the mortgage covering the Bond-Financed Facilities contained in the Indenture shall not be subject to foreclosure.

(8) Neither the registration of any security under the Securities Act of 1933, as amended, nor the qualification of any trust indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offering, sale and issuance of any of the Series 2008 Bonds.

(9) The Series 2008 Bonds do not constitute an indebtedness of the Authority, the Board or of the City of Leeds, Alabama within the meaning of any constitutional provision or statutory limitation of the State of Alabama, or a charge against the general credit of the Authority, nor shall the Authority be obligated to pay the principal of or the interest on the Series 2008 Bonds except from (i) the revenues to be derived by the Authority from the Bond-Financed Facilities and from the Funding Agreement or (ii) any other moneys which may be received from or in connection with the Bond-Financed Facilities or which may be made available to the Trustee under the Indenture or the Lease.

(10) Under existing statutes the interest income on the Series 2008 Bonds is exempt from income taxation by the State of Alabama.

(11) Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2008 Bonds (including any original issue discount properly allocable to a holder thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings) for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) of the next preceding sentence is subject to the condition that the Authority and the Board must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2008 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2008 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2008 Bonds. The Authority and the Board have covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008 Bonds.

We have not examined the title of the Authority to any property, whether real, personal or mixed, constituting part of the Bond-Financed Facilities, and we therefore express no opinion thereon.

We have been employed solely for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2008 Bonds have been authorized to be issued and rendering an opinion in conventional form relating solely to the validity and legality of the Series 2008 Bonds, to the legal security for their payment, to the exemption of the interest thereon from income taxation by the State of Alabama, to the exclusion of the interest on the Series 2008 Bonds from gross income for federal income tax purposes and to certain related matters.

Very truly yours,

Waldrep Stewart & Kendrick, LLC

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Appendix B

Summary of the Indenture and Lease Agreement

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APPENDIX B
SUMMARY OF THE INDENTURE AND THE LEASE AGREEMENT

The following is a summary of certain provisions of the Indenture and the Lease Agreement. This summary does not purport to be a complete description and contains only a summary of the provisions of the Indenture and the Lease Agreement. Certain provisions of the Indenture and the Lease Agreement summarized elsewhere in this Official Statement are not repeated here.

Definitions of Certain Terms

Certain capitalized terms used frequently in this Official Statement are defined below. In addition, certain capitalized terms used in this Official Statement and not defined below are defined in "GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT".

"**Acquisition Costs**", when used with respect to the Series 2008 Bonds, shall mean costs of acquiring, constructing and installing the Bond-Financed Facilities, including without limitation (a) fees for issuance or continuation of the Financial Guaranty Insurance Policy, and (b) any rebate due to the United States Treasury with respect to the Series 2008 Bonds pursuant to Section 148(f) of the Internal Revenue Code.

"**Act of Bankruptcy**" shall mean the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

"**Additional Bonds**" shall mean a series of Bonds issued pursuant to the additional Bonds provisions of the Indenture and the related Supplemental Indenture.

"**Affiliate**" of any specified person shall mean any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Bond**" shall mean any Bond issued pursuant to the Indenture, including Series 2008 Bonds and any Additional Bonds.

"**Bond Documents**" shall mean the Bonds, the Indenture, the Lease Agreement, and any guaranty agreement entered into by the Board in connection with the issuance of Additional Bonds.

"**Bond-Financed Facilities**" shall mean the facilities being financed by the Series 2008 Bonds, more particularly described under "THE PLAN OF FINANCING".

"**Bondholder**" when used with respect to any Bond shall mean the person in whose name such Bond is registered in the Bond Register.

"**Bond Insurer Default**" shall mean any one or more of the following events:

(1) the Bond Insurer shall fail to pay a claim properly made under the terms of the Financial Guaranty Insurance Policy; or

(2) the Bond Insurer shall declare that it is not obligated to honor future claims on the Financial Guaranty Insurance Policy; or

(3) an Act of Bankruptcy shall occur with respect to the Bond Insurer, or the Bond Insurer or a receiver (or other similar person with authority to control the disposition of the Bond Insurer's assets) shall declare that the Bond Insurer will not be able to pay in full, on a timely basis, future claims on the Financial Guaranty Insurance Policy.

A Bond Insurer Default shall "exist" if a Bond Insurer Default shall have occurred and be continuing.

"**Costs of Issuance**" shall mean the expenses incurred in connection with the issuance of the Bonds, including legal, consulting, accounting and underwriting fees and expenses.

"**Debt Service**" shall mean the principal, premium (if any) and interest payable on the Bonds.

"**Favorable Tax Opinion**" shall mean an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bonds made or to be made in connection with such action, will not cause interest on the Series 2007-A Bonds to become includible in gross income of the Holders for purposes of federal income taxation.

"**Federal Securities**" shall mean noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America, excluding unit investment trusts and mutual funds.

"**Financing Participants**" shall mean the Authority, the Board, the Trustee and the Bond Insurer.

"**Holder**" when used with respect to any Bond shall mean the person in whose name such Bond is registered in the Bond register.

"**Indenture Default**" shall have the meaning stated in the Indenture. An Indenture Default shall "exist" if an Indenture Default shall have occurred and be continuing.

"**Indenture Funds**" shall mean any fund or account established pursuant to the Indenture.

"**Indenture Indebtedness**" shall mean all indebtedness of the Authority at the time secured by the Indenture, including without limitation (a) all Debt Service on the Bonds and (b) all reasonable fees, charges and disbursements of the Trustee for services performed and disbursements made under the Indenture.

"**Lease Default**" shall have the meaning stated in the Lease Agreement. A Lease Default shall "exist" if a Lease Default shall have occurred and be continuing.

"**Lease Payments**" shall mean payments by the Board pursuant to the Lease Agreement.

"**Moody's**" shall mean Moody's Investors Service, Inc.

"**Opinion of Counsel**" shall mean an opinion from an attorney or firm of attorneys with experience in the matters to be covered in the opinion. Except as otherwise expressly provided in the Indenture, the attorney or attorneys rendering such opinion may be counsel for one or more of the Financing Participants.

"**Outstanding**" when used with respect to Bonds shall mean, as of the date of determination, all Bonds authenticated and delivered under the Indenture, except:

(1) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

"**Qualified Investments**" shall mean:

(1) Federal Securities.

(2) An interest in any trust or fund that invests solely in Federal Securities or repurchase agreements with respect to Federal Securities.

(3) investment agreements approved in writing by the Bond Insurer.

(4) A certificate of deposit issued by, or other interest-bearing deposit with, any bank organized under the laws of the United States of America or any state thereof (including without limitation the Trustee), provided that (1) long-term deposits with such bank are rated by Moody's or S & P in one of the three highest rating categories, or (2) such deposit is collaterally secured by the issuing bank by pledging Federal Securities having a market value (exclusive of accrued interest) not less than the face amount of such certificate less the amount of such deposit insured by the Federal Deposit Insurance Corporation.

(5) A repurchase agreement with respect to Federal Securities, provided that the Federal Securities subject to such repurchase agreement are held by or under the control of the Trustee pursuant to a perfected security interest free and clear of third-party liens.

(6) Any other investment permitted by law.

"**Rating Agency**" shall mean Moody's, S & P and any other nationally recognized securities rating agency.

"**S & P**" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies.

"**Supplemental Indenture**" shall mean an instrument supplementing, modifying or amending the Indenture.

The Indenture

Pledge of Trust Estate

To secure the payment of Debt Service on the Bonds and all other Indenture Indebtedness and the performance of the covenants in the Indenture, the Authority will pledge and assign to the Trustee, and will grant to the Trustee a security interest in, the following property:

(1) ***Indenture Funds.*** Money and investments from time to time on deposit in, or forming a part of, the Indenture Funds.

(2) ***Bond-Financed Facilities.*** The following Bond-Financed Facilities:

(a) The real property and interests therein described under "THE PLAN OF FINANCING", together with all easements, permits, licenses, rights-of-way, contracts, leases, tenements, hereditaments, appurtenances, rights, privileges and immunities pertaining or applicable to said real property and interests therein.

(b) All buildings and structures now or hereafter located on such real property, including without limitation the buildings and structures to be acquired, constructed, altered or improved as part of the Bond-Financed Facilities financed by the Bonds.

(c) The following personal property and fixtures: (1) all personal property and fixtures to be acquired and installed on such real property as part of the Bond-Financed Facilities financed by the Bonds, (2) all personal property and fixtures acquired by (or in the name of) the Authority and installed on such real property as a substitute or replacement for personal property or fixtures transferred or otherwise disposed of pursuant to the terms of the Lease Agreement, and (3) all personal property and fixtures acquired by (or in the name of) the Authority and installed on such real property with the proceeds of any insurance or condemnation award pursuant to the terms of the Lease Agreement.

(d) All awards or payments, including all interest thereon, together with the right to receive the same, that may be made to the Authority with respect to the Bond-Financed Facilities as a result of the exercise of the right of eminent domain, any damage to or destruction of the Bond-Financed Facilities or any part thereof, or any other injury to or decrease in the value of the Bond-Financed Facilities, and all right, title and interest of the Authority in and to any policies of insurance with respect to any damage to or destruction of the Bond-Financed Facilities.

(3) ***Lease Payments and Lease Agreement.*** All Lease Payments by the Board and all right, title and interest of the Authority in and to the Lease Agreement, subject to certain exceptions.

(4) ***Funding Agreement Payments***. All payments received by or on behalf of the Authority from the City pursuant to the Funding Agreement.

(5) ***Other Property.*** Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of the Indenture as additional security by the Authority or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to the Indenture.

Additional Bonds

Prior to the issuance of any Additional Bonds, the Authority shall deliver to the Trustee the Additional Bonds proposed to be issued, duly executed and accompanied by the following:

(1) ***Proceedings.*** A certified copy of the proceedings taken by the Authority authorizing such Additional Bonds and the Supplemental Indenture providing therefor, which shall include the following: (a) a representation that no Indenture Default exists, (b) the purpose or purposes for which such Additional Bonds are being issued, and (c) the person or persons to whom such Additional Bonds have been sold and the purchase price to be paid therefor.

(2) ***Supplemental Indenture***. A Supplemental Indenture duly executed on behalf of the Authority and containing (to the extent applicable) (a) a description of the Additional Bonds proposed to be issued, including the aggregate principal amount, the series designation, the maturity or maturities of principal of such Additional Bonds, the interest rate or rates (or provisions for the determination thereof), the due dates of interest on such Additional Bonds, the redemption provisions with respect to such Additional Bonds, and the form of such Additional Bonds, (b) a statement of the purpose or purposes for which such Additional Bonds are to be issued, (c) provisions subjecting to the lien of the Indenture all property acquired and to be acquired in connection with any additions, improvements and modifications to the Bond-Financed Facilities, (d) a confirmation of the lien of the Indenture on all property then constituting a part of the trust estate, and (e) any other matters deemed appropriate by the Authority and not inconsistent with the terms of the Indenture.

(3) ***Supplement to Lease Agreement.*** A supplement to the Lease Agreement duly executed on behalf of the Authority and the Board and containing (to the extent applicable) (a) a description of the facilities to be financed by the issuance of such Additional Bonds, (b) provisions subjecting to the demise of the Lease Agreement all property acquired and to be acquired in connection with any additions, improvements and modifications to the Bond-Financed Facilities, (c) a confirmation of the demise pursuant to the Lease Agreement of all property then constituting a part of the Bond-Financed Facilities, (d) an agreement by the Board to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Additional Bonds, and (e) any other matters deemed appropriate by the Authority and the Board and not inconsistent with the terms of the Lease Agreement or the Indenture.

(4) ***Opinion of Bond Counsel.*** An Opinion of Bond Counsel stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that (a) such Additional Bonds are valid and binding obligations of the Authority in accordance with their terms and are entitled to the benefit and security of the Indenture equally and proportionately with all other Bonds Outstanding under the Indenture and (b) the Indenture (as so supplemented) and the Lease Agreement (as so supplemented) constitute valid and binding obligations of the Authority in accordance with their terms.

(5) Opinion of Counsel for the Board. An Opinion of Counsel for the Board stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that the Lease Agreement (as so supplemented) constitutes a valid and binding obligation of the Board in accordance with its terms.

(6) ***Consent of Bond Insurer.*** Consent of the Bond Insurer with respect to the Series 2008 Bonds, provided, however, that no such consent shall be required if the Additional Bonds are to be issued for the purpose of achieving debt service savings

(7) ***Favorable Tax Opinion.*** An opinion of Counsel stating in effect that the proposed action will not cause the interest on the Series 2007-A Bonds to become includable in the gross income of the holders for purposes of federal income taxation.

Any Additional Bonds issued pursuant to and in compliance with the terms of the Indenture shall be entitled to the benefit and protection of the Indenture equally and proportionately with all other Bonds issued thereunder.

Flow of Funds

Debt Service Fund. The Indenture establishes a special trust fund which is designated the “Debt Service Fund”. The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund. On each Bond payment date money in the Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Bonds. The Board is required by the Lease Agreement to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Bonds. Such Lease Payments are to be deposited in the Debt Service Fund. The Indenture creates, as an account of the Debt Service Fund, a special account to be designated the “Capitalized Interest Account.” On each Bond Payment Date money in the Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Bonds; provided, however, that moneys in the Capitalized Interest Account shall be transferred to the Debt Service Fund in the amount of interest coming due on each Bond Payment Date on the Series 2008 Bonds until the amount on deposit in the Capitalized Interest Account is depleted. The Indenture creates, as an account of the Debt Service Fund, a special account to be designated the “County Grant Proceeds Account.” After the full expenditure of all funds on deposit in the Capitalized Interest Account, on each Bond Payment Date money in the County Grant Proceeds Account shall be transferred to the Debt Service Fund in the amount of the principal of and interest coming due on each Bond Payment Date on the Series 2008 Bonds until the amount on deposit in the County Grant Proceeds Account is depleted, unless the Trustee has received a notice from an Authorized Authority Representative that the city has begun to make payments under the Funding Agreement, at which time the Trustee shall transfer any remaining County Grant Proceeds to the Acquisition Fund..

Acquisition Fund. The Indenture establishes with the Trustee a trust fund which is designated the “Lease Revenue Bonds, Series 2008 Acquisition Fund”. A deposit to the Acquisition Fund will be made from proceeds of the Series 2008 Bonds. See “THE PLAN OF FINANCING” AND “SOURCES AND USES OF FUNDS”. Money in the Acquisition Fund shall be paid out by the Trustee from time to time for the purpose of paying Acquisition Costs (including reimbursement of the Board for any such costs paid by it) and Costs of Issuance with respect to the Series 2008 Bonds upon delivery to the Trustee of an appropriate requisition.

Investment of Indenture Funds

Money in the Indenture Funds may be invested or reinvested in Qualified Investments by the Trustee in accordance with the instructions of the Authority to the extent that such investment is, in the opinion of the Trustee, feasible and consistent with the purposes for which such fund was created.

Events of Default

Any one or more of the following will constitute an event of default (an “Indenture Default”) under the Indenture: (1) failure to pay debt service on the Bonds when due; (2) default in the performance, or breach, of any covenant or warranty of the Authority in the Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in the Indenture specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a “notice of default” thereunder, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Bonds, unless, in the case of a default or breach that cannot be cured by the payment of money, the Authority initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or (3) a Lease Default shall occur and be continuing.

Remedies in Event of Indenture Default

If an Indenture Default exists, then and in every such case, the Trustee or the Holders of not less than 25% in principal amount of the Bonds Outstanding may declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by notice to the Authority (and to the Trustee, if given by Bondholders), and upon any such declaration such Debt Service shall become immediately due and payable. At any time after such a declaration of acceleration has been made pursuant to the Indenture, the Holders of a majority in principal amount of the Bonds Outstanding may, by notice to the Authority and the Trustee, rescind and annul such declaration and its consequences if (1) the Authority has deposited with the Trustee a sum sufficient to pay (a) all overdue installments of interest on all Bonds, (b) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds, (c) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and (d) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Indenture Defaults, other than the non-payment of the principal of Bonds which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of the Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

If an Indenture Default exists, anything in the Indenture to the contrary notwithstanding, the maturity of the Series 2008 Bonds may not be accelerated without the consent of the Bond Insurer, and the Bond Insurer shall have the right to provide directions on behalf of Holders of the Series 2008 Bonds (without notice to or consent of such Holders) with respect to (1) the time, method and place of conducting any remedy available to the Trustee and Bondholders, or of exercising any trust or power conferred on the Trustee or Bondholders (including without limitation the right to approve any plan of reorganization of the Authority or the Board under the Federal Bankruptcy Code) and (2) the waiver of any Indenture Default and its consequences. The Trustee shall follow such directions notwithstanding contrary directions from Holders of Series 2008 Bonds.

If an Indenture Default for non-payment of debt service on the Bonds occurs as a result of the Board's exercise of its right not to renew the Lease Agreement, then the Authority shall exclude the Board from the Bond-Financed Facilities and, at the Trustee's direction, re-let the Bond-Financed Facilities for so long as the Trustee shall direct. Any revenues received by the Trustee pursuant to this paragraph shall be applied in the manner prescribed in the Indenture.

Limitation on Suits by Bondholders

No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (1) such Holder has previously given notice to the Trustee of a continuing Indenture Default; (2) the Holders of not less than 25% in principal amount of the Outstanding Bonds shall have made request to the Trustee to institute proceedings in respect of such Indenture Default in its own name as Trustee thereunder; (3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds.

Directions for Pursuit of Remedies

The Holders of a majority in principal amount of the Outstanding Bonds shall have the right, but only with the consent of the Bond Insurer, during the continuance of an Indenture Default, (1) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds or otherwise, and (2) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee thereunder, provided that (a) such direction shall not be in conflict with any rule of law or the Indenture, (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (c) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction.

Amendments of Bond Documents

The Trustee may (with the prior written consent of the Bond Insurer), on behalf of the Bondholders, from time to time enter into, or consent to, an amendment of any Bond Document only as permitted by the Indenture.

An amendment of the Bond Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Bonds:

(1) to correct or amplify the description of any property at any time subject to the lien of any Bond Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Bond Document, or to subject to the lien of any Bond Document, additional property; or

(2) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Bond Document for such succession and assumption are otherwise satisfied); or

(3) to add to the covenants of any Financing Participant for the benefit of Bondholders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Bond Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default;

(4) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Bondholders; or

(5) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders of the Bonds; or

(6) to appoint a separate agent of the Authority or the Trustee to perform any one or more of the following functions: (a) registration of transfers and exchanges of Bonds, or (b) payment of Debt Service on the Bonds; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency.

An amendment of the Bond Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Bond affected and the Bond Insurer:

(1) to change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bond, or the interest thereon is payable,

or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(2) to reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any amendment of the Bond Documents, or the consent of whose Holders is required for any waiver provided for in the Bond Documents; or

(3) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(4) to modify any of the provisions of the Indenture permitting amendments or specifying events of default, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

(5) to permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the trust estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the Holder of any Bond of the security afforded by the lien of the Indenture; or

(6) to eliminate, reduce or delay the obligation of the Board to make Lease Payments at times and in amounts sufficient to pay Debt Service on the Bonds; or

(7) to permit the cancellation of the Financial Guaranty Insurance Policy.

An amendment of the Bond Documents for any purpose not described in the prior two paragraphs may be entered into, or consented to, by the Trustee only with the consent of the Holders of a majority in principal amount of Bonds Outstanding.

Defeasance; Satisfaction of Indenture

The Indenture provides that whenever the entire indebtedness secured by the Indenture shall have been fully paid, the Trustee shall cancel and discharge the lien of the Indenture.

For purposes of the Indenture, any Bond shall be deemed to have been paid if a trust for the payment of all remaining debt service on such Bond shall have been established with the Trustee and all Bonds to be retired with funds from such trust either mature or have been called for redemption , and sufficient funds are being held by the Trustee to pay debt service on the Bonds through and including such maturity or redemption date. Such trust may consist of any combination of cash and/or Federal Securities, and the anticipated income from such Federal Securities may be included in the calculation of the required deposit to such trust. If a trust for payment of the Bonds is established, the Trustee must receive, among other things, (1) a Favorable Tax Opinion and (2) a report satisfactory to the Trustee stating in effect that the expected cash flow from such trust, without reinvestment, will be sufficient to make the required payments of debt service with respect to the Bonds.

Concerning the Trustee

The Indenture provides that the Trustee shall not be liable thereunder except for its willful misconduct or negligence. The Trustee may consult with counsel, who may or may not be counsel to the Trustee, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith. The Trustee is not required to expend its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture without reasonable assurance of repayment or indemnity.

The Trustee may, but is not required to, make advances to effect the performance by the Authority of its covenants and agreements. All sums so expended by the Trustee, together with interest at the rate prescribed in the Indenture, shall be secured by the Indenture and shall be entitled to priority of payment over any of the Bonds.

The Trustee may resign and be discharged from the trusts of the Indenture upon written notice to the Authority and the Bond Insurer. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds by notice delivered to the Trustee and the Authority. If no Indenture Default exists, the Trustee may be removed at any time by the Authority by notice delivered to the Trustee. If the Trustee resigns, is removed or becomes otherwise incapable of serving, a successor may be appointed by the Authority.

The Board and the Lease Agreement

If no Lease Default exists, the Board may, on behalf of the Authority, exercise all rights and options of the Authority with respect to the terms of the Bonds, including without limitation: (1) the exercise of any optional redemption rights, (2) the selection of Bonds for redemption, and (3) the establishment or termination of a book-entry only system of registration and transfer of Bonds. If a Lease Default exists but the Lease Agreement has not been terminated, the Authority will exercise such rights and options with respect to the Bonds only with the consent of the Board. If the Lease Agreement has been terminated, the Authority may exercise all such rights and options with respect to the Bonds without notice to or consent of the Board.

Without relieving the Authority from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it under the Indenture, the Board, on behalf of the Authority, may perform any such covenant or agreement.

If no Lease Default exists, no amendment may be made to the Bond Documents without the prior written consent of the Board and the Bond Insurer. If no Lease Default exists, the Board may (with the prior written consent of the Bond Insurer), on behalf of the Authority, remove the Trustee pursuant to the terms of the Indenture. If no Lease Default exists, the Trustee may not be removed and no successor Trustee may be appointed without the consent of the Board.

Rights of the Bond Insurer

If no Bond Insurer Default exists, the Bond Insurer shall have the following rights with respect to defaults and remedies:

(1) If an Indenture Default exists, without relieving the Authority from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it under the Indenture, the Bond Insurer, on behalf of the Authority, may perform any such agreement or covenant.

(2) The Bond Insurer shall, on behalf of all Holders of Series 2008 Bonds, have the right to control the exercise of available remedies under the Indenture or the granting of any waiver under the Indenture, as described above under "Directions for Pursuit of Remedies"; provided, however, that the Bond Insurer may not prevent the Trustee from making claims on the Financial Guaranty Insurance Policy.

If no Bond Insurer Default exists, (1) no amendment may be made to the Bond Documents without the consent of the Bond Insurer and (2) the Bond Insurer may, on behalf of all Holders of Series 2008 Bonds (and without notice to or consent of such Holders), consent to any amendment of the Bond Documents other than an amendment requiring consent of all affected Holders of Series 2008 Bonds.

If no Bond Insurer Default exists, the Trustee may not be removed and no successor Trustee may be appointed without consent of the Bond Insurer.

The Lease Agreement

Lease Term; Right to Renew

The initial term of the Lease Agreement shall begin on the date of the delivery of the Lease Agreement and, unless renewed and extended in accordance with the terms of the Lease Agreement, shall continue until midnight of September 30, 2008. However, the Board shall have the option to renew the Lease Agreement at the end of any fiscal year of the Board for successive one-year terms, each such renewal term to coincide with the fiscal year of the Board.

Rental Payments

The Lease Agreement requires the Board to make payments at times and in amounts sufficient to pay debt service on the Series 2008 Bonds when due. The Lease Agreement also requires the Board to make certain payments to the Trustee.

Unconditional Obligation

The Lease Agreement provides that the obligations of the Board to make rental payments and to perform and observe its other agreements and covenants under the Lease Agreement are to be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority or the Trustee.

Maintenance of the Facilities

The Board will, at its own expense, maintain the Bond-Financed Facilities in good condition, repair and working order and make all necessary repairs, renewals, replacements and improvements to the Bond-Financed Facilities. The Board will, at its own expense, pay all gas, electric, water, sewer and other utility charges for the operation, use and upkeep of the Bond-Financed Facilities.

Improvements and Alterations

The Board may, at its own expense, make additions, improvements or alterations to the buildings and structures constituting a part of the Bond-Financed Facilities. At the written request of the Board, the Authority will enter into a contract for such additions, improvements, or alterations.

Assignment and Subletting

The Board may not assign its rights under the Lease Agreement or mortgage its leasehold interest in the Bond-Financed Facilities, or sublease the Bond-Financed Facilities or any part thereof, without the prior written consent of the Authority and the Bond Insurer.

Damage to or Destruction of Bond-Financed Facilities

If the Bond-Financed Facilities are damaged or destroyed by fire or other casualty, the Authority shall not be required to repair or replace the Bond-Financed Facilities damaged or destroyed, and the Board may, if it so chooses, repair or replace such Bond-Financed Facilities at its own expense, or the Board may, if it so chooses, repair or replace such Bond-Financed Facilities through the application of insurance proceeds. At the request of the Board, the Authority will enter into contracts or purchase orders for the repair or replacement of the Bond-Financed Facilities, provided that the Board shall pay all costs of such repair or replacement with its own funds. Any property acquired by the Authority in connection with such repair or replacement shall become a part of the Bond-Financed Facilities subject to the Lease Agreement.

Insurance

The Board shall maintain insurance covering risks (including, without limitation, property and casualty, general liability and professional liability) in amounts as customarily maintained by organizations of similar size and conducting similar operations as the Board.

Covenants Regarding Occupancy

The Board agrees in the Lease Agreement that if any space in the Bond-Financed Facilities shall become vacant after acquisition or construction thereof, then neither the Board nor any officer, department or agency of the Board may thereafter enter into any lease or rental agreement for additional space or renew any existing lease or rental agreement for space until after such vacant space in the Bond-Financed Facilities shall have been filled.

The Board further covenants that, so long as the Series 2008 Bonds are outstanding, the Board will not relocate the Board's educational facilities financed from the proceeds of the Series 2008 Bonds to any other facility that is not part of the Bond-Financed Facilities unless the Lease Agreement is expressly amended to provide that such alternative facility is made a part of the Bond-Financed Facilities.

Termination Option

If no Lease Default exists, the Board shall have the option to cancel or terminate the Lease Agreement at any time after the Indenture Indebtedness has been fully paid, including amounts due and payable to the Bond Insurer, by giving the Authority notice in writing of such termination. Such termination shall become effective 10 days after such notice is given.

Purchase Option

If no Lease Default exists, the Board shall have the right to purchase the Bond-Financed Facilities for a Purchase Price of $1.00 after the Indenture Indebtedness has been fully paid. Such option may be exercised prior to the termination of the Lease Agreement, and shall be deemed to have been automatically exercised if the Board does not give notice that it does not intend to exercise such option.

Events of Default

Any one or more of the following shall constitute an event of default (a "Lease Default") under the Lease Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body): (a) default in the payment of any rental payment when such rental payment becomes due and payable; or (b) default in the performance, or breach, of any covenant or warranty of the Board in the Lease Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in the Lease Agreement specifically dealt with), and the continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Board and the Bond Insurer by the Authority or by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" under the Lease Agreement; or (c) the occurrence of an event of default, as therein defined, under the Indenture, and the expiration of the applicable grace period, if any, specified therein.

Remedies Upon Default

If a Lease Default occurs and is continuing, the Authority may exercise any of the following remedies:

(1) declare all installments of rental payments for the remainder of the term of the Lease Agreement to be immediately due and payable in an amount not to exceed the principal amount of all Outstanding Series 2008 Bonds, plus the redemption premium (if any) payable with respect thereto, plus the interest accrued thereon to the date of such declaration;

(b) terminate the Lease Agreement and re-let the Bond-Financed Facilities to any third party at the Authority's sole discretion;

(c) exclude the Board from the Bond-Financed Facilities without terminating the Lease Agreement; and

(d) take whatever legal proceedings may appear necessary or desirable to collect the Basic Rental Payments then due, whether by declaration or otherwise, or to enforce any obligation or covenant or agreement of the Board under the Lease Agreement or by law including specifically, without limitation, the covenants contained in Section 7.3 of the Lease Agreement.

The Authority's sole remedy for settlement of any and all disputes arising under the terms of the Lease Agreement shall be limited to the filing of a claim with the Board of Adjustment of the State of Alabama, as described more particularly in Article 4 of Chapter 9 of Title 41 of the Code of Alabama 1975.

Delegation of Certain Obligations to the Board

Under the Lease Agreement, the Authority delegates to the Board the obligation to acquire, construct, and maintain the Bond-Financed Facilities and the obligation to comply with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code.

Appendix C

Specimen Financial Guaranty Insurance Policy

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ASSURED GUARANTY®

ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:___________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

Appendix D

Annual Financial Report for the Board for the Fiscal Year Ended September 30, 2006

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CITY OF LEEDS
BOARD OF EDUCATION

BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2006

CITY OF LEEDS BOARD OF EDUCATION
LEEDS, ALABAMA

YEAR ENDED SEPTEMBER 30, 2006

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POTTER, BRYANT, & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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J. ROYCE BRYANT, JR., C.P.A.
(1935 - 2004)

RAYMOND E. POTTER, C.P.A.
(1920 - 2001)

INDEPENDENT AUDITORS' REPORT

To the Members of the City of Leeds Board of Education
Leeds, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leeds Board of Education, City of Leeds, Alabama as of and for the year ended September 30, 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leeds Board of Education's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Leeds Board of Education, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated May 17, 2007, on our consideration of the City of Leeds Board of Education internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

(Continued)

The accompanying Management's Discussion and Analysis (MD&A) and the budgetary comparison information on pages 3 through 9, and pages 37 through 39, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leeds Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the basic financial statements of the City of Leeds Board of Education. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

POTTER, BRYANT & MOORE, P.C.
Certified Public Accountants
Potter, Bryant & Moore, P.C.

Birmingham, Alabama
May 17, 2007

Management's Discussion and Analysis
(Required Supplementary Information

Management Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of City of Leeds Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2006. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the City of Leeds Board of Education's financial performance.

The MD&A is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements — the *Statement of Net Assets* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Assets* presents information on all of the Board's assets less liabilities which results in net assets. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net assets help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. Two kinds of funds — governmental funds and fiduciary funds — are presented in the fund financial statements.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

CITY OF LEEDS BOARD OF EDUCATION
Net Assets

	Governmental Activities September 30, 2005	Governmental Activities September 30, 2006
Current and other assets	$ 3,226,773	$3,277,881
Capital assets	$ 3,465,068	$3,268,379
Total assets	$ 6,691,841	$6,546,260
Current and other liabilities	$ 3,492,841	$3,145,099
Long-term liabilities	$ 3,821,121	$3,821,121
Total liabilities	$ 7,313,962	$6,966,220
Net assets:		
Invested in capital assets, net of related debt	($499,124)	($552,742)
Restricted	$ -	$ -
Unrestricted	($122,996)	$ 132,782
Total net assets	($622,120)	($419,960)

The Board's liabilities exceeded assets by $ 419,960 at the close of the fiscal year. The Board's net assets are a deficit of $ 552,742. This deficit means that a greater amount is owed on related debt than the book value of the capital assets. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — are a surplus of $ 132,782 at the end of the year.

The Board's total revenues and expenditures are reflected in the following chart:

CITY OF LEEDS BOARD OF EDUCATION
Changes in Net Assets

	Governmental Activities September 30, 2005	Governmental Activities September 30, 2006
Revenues		
Program revenues:		
Charges for services	$ 788,156	$ 861,000
Operating grants and contributions	$ 6,162,880	$ 6,970,319
Capital grants and contributions	$ 326,051	$ 312,447
General revenues:		
Property taxes	$ 2,384,327	$ 2,637,224
Other taxes	$ 1,746	$ 1,779
Federal and state aid not restricted to specific purposes	$ 540	$ 55,181
Other general revenues	$ 269,572	$ 138,901
Total revenues	$ 9,933,272	$10,976,851
Expenses		
Instructional services	$ 5,838,439	$ 5,732,837
Instructional support services	$ 1,477,897	$ 1,427,880
Operation & maintenance services	$ 806,217	$ 1,022,423
Student transportation services	$ 549,835	$ 609,093
Food services	$ 789,454	$ 760,194
General administrative services	$ 535,893	$ 941,843
Debt service	$ 209,320	$ 204,294
Other expenses	$ 98,752	$ 76,126
Total expenses	$10,305,807	$10,774,690
Change in Net Assets	($ 372,535)	$ 202,160
Net assets, beginning	($ 249,585)	($ 622,120)
Net assets, ending	($ 622,120)	($ 419,960)

Program revenues, specifically operating grants and contributions, are the largest component of total revenues (74.2%).

- Operating grants and contributions contribute 85.6% of program revenues and 63.5% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide $2,833,085 for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (53%).

- In addition to teacher salaries and benefits, instructional services includes teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and Maintenance services includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Unallocated depreciation is used to report depreciation expense only for those assets that are used by multiple functions.
- In addition to bus driver salaries and benefits, student transportation services includes mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services includes salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? At the end of the fiscal year, the Board's governmental funds reported combined ending deficit fund balances of ($ 419,960).

General Fund - The general fund is the primary operating fund of the Board. The general fund has a deficit balance of ($ 285,146)

- property tax revenues for general purposes for fiscal year 2006 totaled $2,569,457.

Capital Projects-State Fund - The Capital Projects-State Fund is used to account for state financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities.

General Fund Budgetary Highlights

Capital Assets and Debt Administration

Capital Assets - At September 30, 2006, the Board had approximately $ 3,268,379 invested in capital assets including land, buildings, equipment costing $5000 or more, vehicles, buildings and equipment under capital lease, and construction in progress. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. (Comparative year data was available to present the prior year's balance of capital assets, net of accumulated depreciation.)

Capital Assets (net of depreciation)

	Governmental Activities	
	September 30	
	2006	2005
Land and land improvements	$ 223,416	$ 245,414
Construction in progress	0	132,284
Buildings & Improvements	2,457,629	2,405,650
Vehicles	521,034	623,035
Equipment	66,300	58,685
	$ 3,268,379	$ 3,465,068

Net capital assets decreased by $ 196,689 for the 2006 fiscal year.

Long-Term Debt - At year-end, the Board had $3,821,121 in warrants, notes, capital lease contracts payable, and other long-term debt outstanding. This is an decrease of $143,072 in debt from last year.

- ✓ Leeds City School System was created on June 23, 2003. The city has received community support both financially and in services provided. This support has allowed the school system to provide more educational opportunities and activities for its students. Since the inception of Leeds City Schools, enrollment has increased from 1,266 to 1,320 in the 2004-2005 school year and to 1,338 in the 2005-2006 and to 1369 in the 2006-2007 school year. The continued increase in student population improves State funding and is a positive indicator for the future.

Estimated Capital Needs - As of September 30, 2006, the Board's Five-Year Capital Plan, based upon critical needs and a State facility assessment, included estimated capital needs throughout the system, which will be funded by the Jefferson County Education Sales Tax of $13,623,912 and other financing options including a bond issue.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer costs increased from $583 in fiscal year 2005 to $668 per employee per month in fiscal year. Also, the employer contribution rate to the Teachers Retirement System (TRS) increased from 7.03 percent for fiscal year 2005 to 8.17 percent for fiscal year 2006. (The State Department of Education has been instructed to use the employer contribution rates of 11.06 percent for TRS and $775 per employee per month for PEEHIP in preparing the fiscal year 2008 appropriations budget.) The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Billy J. Pack, Superintendent, P.O. Box 1083, or by calling (205) 699-5437 during regular office hours, Monday through Friday, from 8:00 a.m. to 4:30 p.m., central time.

BASIC FINANCIAL STATEMENTS

CITY OF LEEDS BOARD OF EDUCATION

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 908,583.36
Ad Valorem Property Taxes Receivable	2,173,000.00
Receivables	126,829.86
Inventories	21,274.99
Other Assets	48,192.99
Capital Assets:	
Nondepreciable	57,415.00
Depreciable, Net	3,210,964.03
Total Assets	6,546,260.23
LIABILITIES	
Accounts Payable	54,411.44
Deferred Revenue	2,339,192.92
Salaries and Benefits Payable	725,453.54
Accrued Interest Payable	26,041.44
Long-Term Liabilities:	
Current Portion of Long-Term Obligations	214,900.50
Noncurrent Portion of Long-Term Obligations	3,606,220.46
Total Liabilities	6,966,220.30
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(552,741.93)
Unrestricted	132,781.86
Total Net Assets	$ (419,960.07)

The notes to the financial statements are an integral part of this statement.

CITY OF LEEDS BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Total Governmental Activities
Instructional Services	$ 5,732,837.20	$ 255,557.03	$ 4,881,346.48	$ 158,866.11	$ (437,067.58)
Instructional Support Services	1,427,879.86	16,540.31	1,059,092.34	0.00	(352,247.21)
Operation & Maintenance Services	1,022,423.05	14,240.16	290,765.81	61,974.83	(655,442.25)
Student Transportation Services	609,092.63	396.31	449,968.00	81,195.00	(77,533.32)
Food Services	760,193.59	557,236.81	35,404.80	0.00	(167,551.98)
General Administrative Services	941,842.69	0.00	238,076.35	10,411.06	(693,355.28)
Interest and Fiscal Charges	204,294.49	0.00	0.00	0.00	(204,294.49)
Other Expenses	76,126.30	17,029.21	15,664.87	0.00	(43,432.22)
Totals	$ 10,774,689.81	$ 860,999.83	$ 6,970,318.65	$ 312,447.00	(2,630,924.33)

General Revenues	
Taxes:	
Property Taxes for General Purposes	2,569,457.79
Property Taxes for Specific Purposes	67,766.00
Other Taxes	1,779.08
Grants and Contributions not Restricted for Specific Programs	55,181.04
Investment Earnings	31,744.99
Miscellaneous	107,155.84
Total General Revenues	2,833,084.74
Changes in Net Assets	202,160.41
Net Assets - Beginning of Year	(622,120.48)
Net Assets - End of Year	$ (419,960.07)

The notes to the financial statements are an integral part of this statement.

CITY OF LEEDS BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 453,106.04	$ 455,477.32	$ 908,583.36
Ad Valorem Property Taxes Receivable	2,173,000.00	0.00	2,173,000.00
Receivables	35,640.49	91,189.37	126,829.86
Due from Other Funds	787.13	0.00	787.13
Inventories	0.00	21,274.99	21,274.99
Other Assets	18,192.99	30,000.00	48,192.99
Total Assets	$ 2,680,726.65	$ 597,941.68	$ 3,278,668.33
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 3,933.18	$ 50,478.26	$ 54,411.44
Due to Other Funds	0.00	787.13	787.13
Deferred Revenues	2,315,587.53	23,605.39	2,339,192.92
Salaries and Benefits Payable	646,352.16	79,101.38	725,453.54
Total Liabilities	2,965,872.87	153,972.16	3,119,845.03
Fund Balances			
Reserved For:			
Inventories	0.00	21,274.99	21,274.99
Unreserved:			
Underdesignated	(285,146.22)	0.00	(285,146.22)
Unreserved, Reported in Non-Major:			
Special Revenue Funds	0.00	227,415.77	227,415.77
Debt Service Funds	0.00	47,794.82	47,794.82
Capital Projects Funds	0.00	147,483.94	147,483.94
Total Fund Balances	(285,146.22)	443,969.52	158,823.30
Total Liabilities and Fund Balances	$ 2,680,726.65	$ 597,941.68	$ 3,278,668.33

The notes to the financial statements are an integral part of this statement.

CITY OF LEEDS BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total Fund Balances - Governmental Funds		$ 158,823.30
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	$ 6,301,762.48	
Accumulated Depreciation	(3,033,383.45)	
Total Capital Assets		3,268,379.03
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Current Portion of Long-Term Debt	214,900.50	
Non-Current Portion of Long-Term Debt	3,606,220.46	
Total Long-Term Liabilities		(3,821,120.96)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable	26,041.44	
		(26,041.44)
Total Net Assets - Governmental Activities		$ (419,960.07)

The notes to the financial statements are an integral part of this statement.

CITY OF LEEDS BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
State Sources	$ 6,069,140.00	$ 312,447.00	$ 6,381,587.00
Federal Sources	360.00	1,225,842.77	1,226,202.77
Local Sources	2,673,209.53	675,120.05	3,348,329.58
Other Sources	675.91	19,689.55	20,365.46
Total Revenues	8,743,385.44	2,233,099.37	10,976,484.81
Expenditures			
Instructional Services	4,728,120.38	925,927.31	5,654,047.69
Instructional Support Services	1,282,566.17	139,484.96	1,422,051.13
Operation & Maintenance Services	864,626.68	143,473.04	1,008,099.72
Student Transportation Services	510,250.83	365.96	510,616.79
Food Services	0.00	851,100.77	851,100.77
General Administrative Services	877,223.27	61,508.02	938,731.29
Other	56,937.36	19,188.94	76,126.30
Capital Outlay	0.00	3,593.41	3,593.41
Debt Service:			
Principal Retirement	0.00	143,071.81	143,071.81
Interest and Fiscal Charges	0.00	205,068.48	205,068.48
Other Expenditures	1,675.00	0.00	1,675.00
Total Expenditures	8,321,399.69	2,492,782.70	10,814,182.39
Excess (Deficiency) of Revenues over Expenditures	421,985.75	(259,683.33)	162,302.42
Other Financing Sources (Uses)			
Indirect Cost	89,836.06	0.00	89,836.06
Transfers In	54,695.58	351,817.73	406,513.31
Other Financing Sources	325.41	40.00	365.41
Sale of Capital Assets	825.00	0.00	825.00
Transfers Out	(351,817.73)	(54,695.58)	(406,513.31)
Total Other Financing Sources (Uses)	(206,135.68)	297,162.15	91,026.47
Net Changes in Fund Balances	215,850.07	37,478.82	253,328.89
Fund Balances - Beginning of Year	(500,996.29)	406,490.70	(94,505.59)
Fund Balances - End of Year	$ (285,146.22)	$ 443,969.52	$ 158,823.30

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006

Total Net Changes in Fund Balances - Governmental Funds		$ 253,328.89
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.		
Capital Outlays	$ 27,630.41	
Depreciation Expense	(222,342.67)	
Net Capital Outlays		(194,712.26)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.		143,071.81
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in in net assets differs from the change in fund balances this amount.		
Proceeds from Sale of Capital Assets	(825.00)	
Loss on Disposition of Capital Assets	(1,152.02)	(1,977.02)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Interest Payable, Current Year Increase (Decrease)	(2,448.99)	2,448.99
Total Changes in Net Assets of Governmental Activities		$ 202,160.41

The notes to the financial statements are an integral part of this statement.

CITY OF LEEDS BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2006

INDEX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Leeds Board of Education (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the GASB approved Statement Number 34, **Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments** (hereinafter referred to as the "Statement"). This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting.
- Reporting Infrastructure assets (roads, bridges, etc.).
- Recording of depreciation expense on all capital assets.
- A change in the fund financial statements to focus on major funds.
- Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund.

These and other changes are reflected in the accompanying government-wide financial statements (including the notes to the financial statements). The City of Leeds Board of Education has implemented the provisions of the Statement in the current fiscal year.

A. Reporting Entity

Statement No. 14 of the Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units that should be included as part of the financial reporting entity of the Board.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

A. Reporting Entity - (Continued)

The Board is a legally separate agency of the State of Alabama (the State).

The financial statements of the Board include local school activity funds and other funds under the control of school principals.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

General Fund - This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF),

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

The Board reports the following governmental fund types in the "Other Governmental Funds" column:

Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Federal Programs, Child Nutrition Program, Nonpublic Local School Activity Funds, Community Education Funds, and Other State and Local Funds.

Debt Service Funds account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Board's programs. Permanent Funds consist of a fund reserved for teachers' continuing education.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the Board's programs. The Board did not report any fiduciary funds.

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Presentation, Basis of Accounting - (Continued)

Governmental Fund Financial Statements. Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables

Receivables are reported as *Receivables* and *Due from other governments* in the government-wide financial statements and as *Receivables, Due from other funds,* and *Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, and Net Assets - (Continued)

Property Tax Calendar

The Jefferson County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period. Prepaid items on the statement of net assets are included in *Other Assets*.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net assets. Donated assets are recorded at their estimated fair value at the date of donation. Estimated values on certain assets acquired prior to October 1, 2006, were provided by a professional property appraisal firm. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The Board has no general infrastructure assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, and Net Assets - (Continued)

Depreciation of capital assets is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

Asset Class	Capitalization Threshold	Estimated Useful Life
Land Improvements - Exhaustible	$ 50,000	20 years
Buildings	$ 50,000	20 - 50 years
Building Improvements	$ 50,000	7 - 30 years
Equipment	$ 5,000	5 - 20 years
Equipment Under Capital Lease	$ 5,000	5 - 20 years
Vehicles	$ 5,000	8 - 10 years

(The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is $1 or more. However, these capital assets are not depreciated.)

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net assets. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related debt issuance costs, premiums, and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as a liability on the statement of net assets.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as an other financing sources. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, and Net Assets - (Continued)

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires that accrual of a liability as the benefits are earned by the employees, if both of these conditions are met:

a. The employees' right to receive compensation is attributable to services already rendered.

b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination no liability is recorded on the financial statements.

Professional and support personnel are provided 2 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Certain employees are allowed up to 2 weeks of vacation per year with pay. (Twelve month employees are allowed vacation pay.) Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statement.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

C. Assets, Liabilities, and Net Assets - (Continued)

Net Assets/Fund Equity

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

- *Invested in Capital Assets, Net of Related Debt* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* - Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- *Unrestricted* - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS:

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. GASB requires the following additional disclosures if aggregated information in the summary reconciliations obscures the nature of the individual elements of a particular reconciling item.

A. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *Total net change in fund balances--governmental funds* and *Change in net assets of governmental activities* as reported in government-wide statement of activities. One element of that reconciliation explains, "Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund."

(Continued)

NOTE 2 - RECONCILIATION OF FINANCIAL STATEMENTS - (CONTINUED):

The details of this $(2,449) difference are as follows:

Increase (Decrease) in Accrued Interest Payable	$ (2,449)

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgets

Annual budgets are adopted for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2005-2006 fiscal year was August 15, 2005. The Board approved its original 2005-2006 annual budget on August 11, 2005, and submitted the budget on August 11, 2005

The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent with the approval of the board has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The superintendent may approve amendments to program budgets without board approval.

B. Excess of Expenditures Over Appropriations

The Child Nutrition Fund expenditures exceeded the appropriation by $37,065. The federal program coordinator will monitor program expenditures more carefully in the future.

(Continued)

NOTE 4 - DEFERRED REVENUES:

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Ad Valorem Property Taxes Receivable	$ 2,173,000	$ -0-	$ 2,173,000
Motor Vehicle Ad Valorem Taxes	-0-	142,588	142,588
Grant Draw Downs Prior to Meeting All Eligibility Requirements	-0-	23,605	23,605
Totals	$ 2,173,000	$ 166,193	$ 2,339,193

NOTE 5 - DEPOSITS AND INVESTMENTS:

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

(Continued)

NOTE 6 - RECEIVABLES AND PAYABLES:

Receivables and payables (Accounts payable and accrued liabilities) balances reported on the statement of net assets and the balance sheet are aggregations of different components. Details of these balances are as follows:

STATEMENT OF NET ASSETS

Receivables:	
Accounts Reveivable	$ 1,879
Due from Other Governments	2,297,951
Total Receivables	$ 2,299,830
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 54,411
Salaries and Employee Benefits Payable	626,966
Payroll Withholdings and Deductions Payable	98,488
Interest Payable	26,041
Total Accounts Payable and Accrued Liabilities	$ 805,906

BALANCE SHEET

Receivables:	
Accounts Receivable	$ 1,879
Interfund Receivable	787
Due from Other Governments	2,297,951
Total Receivables	$ 2,300,617
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 54,411
Interfund Payable	787
Salaries and Employee Benefits Payable	626,966
Payroll Withholdings And Deductions Payable	98,488
Total Accounts Payable and Accrued Liabilities	$ 780,652

(Continued)

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 57,415	$	$	$ 57,415
Construction in Progress	132,285	-0-	132,285	-0-
Total Capital Assets Not Being Depreciated	189,700	-0-	132,285	57,415
Capital Assets Being Depreciated:				
Buildings	3,650,219			3,650,219
Building Improvements	187,228	135,878		323,106
Land Improvements - Exhaustible	939,147			939,147
Vehicles	1,079,346			1,079,346
Equipment	245,906	24,037	17,414	252,529
Total Capital Assets Being Depreciated	6,101,846	159,915	17,414	6,244,347
Less Accumulated Depreciation For:				
Buildings	1,427,116	71,141		1,498,257
Building Improvements	4,681	12,758		17,439
Land Improvements - Exhaustible	751,148	21,999		773,147
Vehicles	456,311	102,000		558,311
Equipment	187,221	14,445	15,437	186,229
Total Accumulated Depreciation	2,826,477	222,343	15,437	3,033,383
Total Capital Assets Being Depreciated, Net	3,275,369	(62,428)	1,977	3,210,964
Total Governmental Activities Capital Assets, Net	$ 3,465,069	$ (62,428)	$ 134,262	$ 3,268,379

Depreciation Expense Was Charged to Governmental Functions as Follows:

Instructional Services	$ 91,159
Instructional Support Services	5,829
Operation and Maintenance Services	14,323
Student Transportation Services	98,476
Food Services	10,597
General Administrative Purposes	1,959
Total Governmental Activities Depreciation Expense	$ 222,343

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are: (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419 of the Legislature of 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the Code of Alabama 1975, §§ 16-25-1 through 16-25-170, as amended, and §§ 36-27B-1 through 36-27B-5, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (CONTINUED):

B. Funding Policy

Employees of the Board are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

	Fiscal Year Ended September 30,		
	2006	2005	2004
Total Percentage of Covered Payroll	13.17%	12.03%	11.56%
Contributions:			
Percentage Contributed by the Board	8.17%	7.03%	6.56%
Percentage Contributed by Employees	5.00%	5.00%	5.00%
Amount Contributed by the Board	$ 488,277	$ 277,871	$ 322,725
Amount Contributed by the Employees	299,163	390,680	245,979
Total Contributions	$ 787,440	$ 668,551	$ 568,704

(Continued)

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

NOTE 9 - LONG-TERM OBLIGATIONS:

A. Long-Term Obligation Activity

Long-term liability obligations for the year ended September 30, 2006, are as follows:

	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Amounts Due Within One Year
Jefferson County Board	$ 1,653,346	$ -0-	$ 78,103	$ 1,575,243	$ 82,057
City of Leeds	1,720,000	-0-	-0-	1,720,000	65,000
Leveraged PSCA Funds	369,273	-0-	13,177	356,096	13,721
Totals Governmental Activities	3,742,619	-0-	91,280	3,651,339	160,778
Other Liabilities					
Capital Leases - Bus Lease	221,574	-0-	51,792	169,782	54,122
Total Other Liabilities	221,574	-0-	51,792	169,782	54,122
Totals	$ 3,964,193	$ -0-	$ 143,072	$ 3,821,121	$ 214,900

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2006, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	$ 160,779	$ 189,567	$ 350,346
2008	170,499	182,313	352,812
2009	175,454	174,424	349,878
2010	185,653	165,927	351,580
2011	196,110	156,694	352,804
2012-2016	1,122,356	620,522	1,742,878
2017-2021	1,261,799	318,825	1,580,624
2022-2024	378,689	23,871	402,560
Totals	$ 3,651,339	$ 1,832,143	$ 5,483,482

(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (CONTINUED):

D. Lease Obligations

Operating Leases

The Board is committed under various leases for office facilities and equipment. These leases are considered for accounting purposes to be operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected as part of the Board's capital assets. The Board has no noncancelable operating leases. Lease expenditures for the year ended September 30, 2006 amounted to $12,119.

Capital Leases

The Board has entered into a lease agreement as lessee for financing the acquisition of buses. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease terms) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

Obligations of government activities under capital leases at September 30, 2006 are as follows:

Fiscal Year Ending September 30,	General Long-Term Debt
2007	$ 61,762
2008	61,762
2009	61,763
Total Minimum Lease Payments	185,287
Less: Amount Representing Interest Costs	15,505
Present Value of Future Minimum Lease Payments	$ 169,782

(Continued)

NOTE 10 - INTERFUND BALANCES AND ACTIVITY:

Interfund transfers for the fiscal year ended September 30, 2006 consist of the following:

Transfers Out	Transfers In: General Fund	Transfers In: Other Governmental Funds	Transfers In: Total
General Fund	$ -0-	$ 351,818	$ 351,818
Other Governmental Funds	54,695	-0-	54,695
Totals	$ 54,695	$ 351,818	$ 406,513

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the general fund to the debt service funds to service current-year debt requirements.

NOTE 11 - RISK MANAGEMENT:

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to $3.5 million per occurrence and purchases commercial insurance for claims in excess of $3.5 million. Errors and omissions insurance is purchased from the Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and a fleet policy. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

(Continued)

NOTE 11 - RISK MANAGEMENT - (CONTINUED):

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

NOTE 12 - CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the general fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

The Board is a defendant in a case pending since 1972 requiring the Board to operate pursuant to the jurisdiction of the United States District Court. In the opinion of the Board's attorney, the resolution of this matter will not have a material effect on the financial condition of the Board.

NOTE 13 - COMMISSIONS, MAP AND APPRAISAL COSTS:

Commissions, county commission expense, current use interest (per court order), homestead exemptions and various other costs of the Board were deducted from current years taxes by the taxing authorities before they were remitted to the Board. The costs are excluded from the revenues in the financial statements as prescribed by the State Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEEDS BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Revenues					
State Sources	$ 6,000,472.00	$ 6,069,140.00	$ 6,069,140.00	$ 0.00	$ 6,069,140.00
Federal Sources	0.00	0.00	360.00	0.00	360.00
Local Sources	2,455,140.00	2,625,321.00	2,683,539.42	(10,329.89)	2,673,209.53
Other Sources	0.00	0.00	675.91	0.00	675.91
Total Revenues	8,455,612.00	8,694,461.00	8,753,715.33	(10,329.89)	8,743,385.44
Expenditures					
Instructional Services	5,160,609.00	4,983,433.00	4,974,573.24	(246,452.86)	4,728,120.38
Instructional Support Services	1,133,709.00	1,231,871.00	1,333,142.17	(50,576.00)	1,282,566.17
Operation & Maintenance Services	739,373.00	666,593.00	863,879.56	747.12	864,626.68
Student Transportation Services	449,768.00	489,768.00	528,602.26	(18,351.43)	510,250.83
General Administrative Services	780,137.00	833,860.00	877,223.27	0.00	877,223.27
Other Expenditures	13,485.00	13,485.00	56,937.36	0.00	56,937.36
Debt Service:					
Principal Retirement	0.00	37,917.00	0.00	0.00	0.00
Interest and Fiscal Charges	0.00	98,520.00	0.00	0.00	0.00
Debt Issuance Costs/Other Debt Service	0.00	0.00	1,675.00	0.00	1,675.00
Total Expenditures	8,277,081.00	8,355,447.00	8,636,032.86	(314,633.17)	8,321,399.69
Excess (Deficiency) of Revenues over Expenditures	178,531.00	339,014.00	117,682.47	304,303.28	421,985.75

(Continued)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (CONTINUED)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Other Financing Sources (Uses)					
Indirect Cost	$ 90,000.00	$ 90,000.00	$ 89,836.06	$ 0.00	$ 89,836.06
Transfers In	0.00	0.00	54,695.58	0.00	54,695.58
Other Financing Sources	0.00	0.00	325.41	0.00	325.41
Sale of Capital Assets	0.00	0.00	825.00	0.00	825.00
Transfers Out	(249,569.00)	(150,000.00)	(351,817.73)	0.00	(351,817.73)
Total Other Financing Sources (Uses)	(159,569.00)	(60,000.00)	(206,135.68)	0.00	(206,135.68)
Net Changes in Fund Balances	18,962.00	279,014.00	(88,453.21)	304,303.28	215,850.07
Fund Balances - Beginning Of Year	0.00	588,936.00	588,936.70	(1,089,932.99)	(500,996.29)
Fund Balances - End of Year	$ 18,962.00	$ 867,950.00	$ 500,483.49	$ (785,629.71)	$ (285,146.22)

Explanation of differences:

The School System budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis. $ 304,303.28

CITY OF LEEDS BOARD OF EDUCATION

NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2006

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/Inflows of Resources	
Actual amounts (budgetary basis) available for appropriation shown as Total Revenues on the budgetary comparison schedule	$ 8,753,715.33
Differences - budget to GAAP:	
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	(10,329.89)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 8,743,385.44
Uses/Outflows of Resources	
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	$ 8,636,032.86
Differences - budget to GAAP:	
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.	(314,633.17)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 8,321,399.69

SUPPLEMENTARY INFORMATION

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

	Federal CFDA Number	Pass-through Grantor's Number	Revenue Recognized	Federal Expenditures
U.S. Department of Education				
Passed Through State Department of Education:				
Special Education Cluster:				
Special Education - Grants to States - FY 06	84.027	CLB137	$ 321,728.27	$ 321,728.27
Special Education - Preschool Grants - FY 06	84.173	CLB137	6,244.37	6,244.37
Subtotal Special Education Cluster			327,972.64	327,972.64
Vocational Education Basic Grants to States - FY 06	84.048	CLB137	22,963.00	22,963.00
Title 1 - Grants to Local Education Agencies - FY 05	84.010	CLB137	26,969.05	26,969.05
Title 1 – Grants to Local Education Agencies - FY 06	84.010	CLB137	332,534.16	332,534.16
Title 1 Grants to Local Education Agencies - School Improvement - FY 06	84.010	CLB137	22,827.00	22,827.00
Safe and Drug-Free Schools and Communities State Grants - FY 06	84.186	CLB137	8,096.00	8,096.00
Enhancing Education - FY 06	84.318	CLB137	3,642.00	3,642.00
Improving Teacher Quality - FY 06	84.367	CLB137	101,270.00	101,270.00
Emergency Impact Aid	84.938	CLB137	19,500.00	19,500.00
Total U.S. Department of Education			865,773.85	865,773.85
U.S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	CLB137	77,040.40	77,040.40
National School Lunch Program	10.555	CLB137	247,623.72	247,623.72
Subtotal Child Nutrition Cluster			324,664.12	324,664.12
Food Distribution - FY 06 (N)	10.550	CLB137	35,404.80	35,404.80
Total U.S. Department of Agriculture			360,068.92	360,068.92

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED):

	Federal CFDA Number	Pass-through Grantor's Number	Revenue Recognized	Federal Expenditures
Social Security Administration				
Passed Through State Department of Education:				
Social Security Disability Insurance	96.001	CLB137	$ 360.00	$ 360.00
Total Social Security Administration			360.00	360.00
Total Federal Awards			$ 1,226,202.77	$ 1,226,202.77

(N) - Noncash Assistance

The accompanying notes are an integral part of this schedule.

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Federal Awards - according to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, Federal awards consist of Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

Federal Financial Assistance - pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-154) and OMB Circular A-133, Federal financial assistance is defined as assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. Accordingly, noncash Federal assistance, including food stamps, food commodities and donated amounts of Federal surplus property, is included in Federal financial assistance.

Major Programs - a risk-based approach to determine which Federal programs are major programs is required. Federal programs are classified as either Type A or Type B programs. Type A programs are defined as Federal awards expended during the audit period of $300,000 or more. Type B programs consist of any remaining Federal awards with expenditures between $100,000 and $300,000. Type A programs and Type B programs are then classified as either high risk or low risk programs. Major programs for the audit period are all Type A high risk programs and one half of Type B high risk programs (limited by the number of Type A low risk programs) plus any of the remaining programs necessary to reach the percentage of coverage rule (e.g. aggregate Federal awards expended of at least 50% (25% for a low-risk auditee) of total Federal awards expended).

(Continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

B. Basis of Accounting

The information presented in the Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. Under this basis expenditures are recognized when incurred and revenues are recognized when they become susceptible to accrual, that is when they become both "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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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

To the Members of the City of Leeds Board of Education
Leeds, Alabama

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Leeds Board of Education as of and for the year ended September 30, 2006, which collectively comprise the City of Leeds Board of Education's basic financial statements and have issued our report thereon date May 17, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Leeds Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to management of City of Leeds Board of Education in separate letter dated May 17, 2007.

(Continued)

Compliance

As part of obtaining reasonable assurance about whether City of Leeds Board of Education's financial statements are free of 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, federal awarding agencies, the City of Leeds Board of Education, the State Department of Education and other government agencies and is not intended to be and should not be used by anyone other than these specified parties.

POTTER, BRYANT & MOORE, P.C.
Certified Public Accountants
Potter, Bryant & Moore, P.C.

Birmingham, Alabama
May 17, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the City of Leeds Board of Education
City of Leeds, Alabama

Compliance

We have audited the compliance of City of Leeds Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. City of Leeds Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Leeds Board of Education's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and OMB Circular A-133 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination on City of Leeds Board of Education's compliance with those requirements.

In our opinion, City of Leeds Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

(Continued)

Internal Control Over Compliance

The management of City of Leeds Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Leeds Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, the City of Leeds Board of Education, the State Department of Education and other government agencies, and is not intended to be and should not be used by anyone other than these specified parties.

POTTER, BRYANT & MOORE, P.C.
Certified Public Accountants
Potter, Bryant & Moore, P.C.

Birmingham, Alabama
May 17, 2007

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2006

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes __x__ no
Reportable condition(s) identified not considered to be material weaknesses?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	____ yes __x__ no
Reportable condition(s) identified not considered to be material weakness(es)?	____ yes __x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes __x__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes __x__ no

Section II - Financial Statement Findings

There were no matters to be reported.

Section III - Federal Award Findings and Questioned Costs

There were no matters to be reported.

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Members of the City of Leeds Board of Education
City of Leeds, Alabama

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The additional information contained on pages 48 through 53 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

POTTER, BRYANT & MOORE, P.C.
Certified Public Accountants
Potter, Bryant & Moore, P.C.

Birmingham, Alabama
May 17, 2007

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF DEBT SERVICE
JEFFERSON COUNTY SCHOOL WARRANTS
SEPTEMBER 30, 2006

Year	Due February 28, Principal	Due February 28, Interest	Due August 31, Principal	Due August 31, Interest	Total Debt Service
2007	$ 40,521.90	$ 39,381.08	$ 41,534.95	$ 38,368.03	$ 159,805.96
2008	42,573.32	37,329.66	43,637.65	36,265.33	159,805.96
2009	44,728.59	35,174.39	45,846.81	34,056.17	159,805.96
2010	46,992.98	32,910.00	48,167.80	31,735.18	159,805.96
2011	49,372.00	30,530.98	50,606.30	29,296.68	159,805.96
2012	51,871.46	28,031.52	53,168.24	26,734.74	159,805.96
2013	54,497.45	25,405.53	55,859.88	24,043.10	159,805.96
2014	57,256.38	22,646.60	58,687.79	21,215.19	159,805.96
2015	60,154.99	19,747.99	61,658.86	18,244.12	159,805.96
2016	63,200.33	16,702.65	64,780.34	15,122.64	159,805.96
2017	66,399.85	13,503.13	68,059.84	11,843.14	159,805.96
2018	69,761.34	10,141.64	71,505.37	8,397.61	159,805.96
2019	73,293.01	6,609.97	75,125.33	4,777.65	159,805.96
2020	77,003.47	2,899.51	38,977.05	974.44	119,854.47
Totals	$ 797,627.07	$ 321,014.65	$ 777,616.21	$ 301,074.02	$ 2,197,331.95

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF DEBT SERVICE
CITY OF LEEDS SCHOOL WARRANTS
SEPTEMBER 30, 2006

	Due March 1,			Due	
Year	Principal	Interest	Total	September 1, Interest	Total Debt Service
2007	$ 65,000.00	$ 49,259.50	$ 114,259.50	$ 48,138.25	$ 162,397.75
2008	70,000.00	48,138.25	118,138.25	46,738.25	164,876.50
2009	70,000.00	46,738.25	116,738.25	45,215.75	161,954.00
2010	75,000.00	45,215.75	120,215.75	43,453.25	163,669.00
2011	80,000.00	43,453.25	123,453.25	41,453.25	164,906.50
2012	80,000.00	41,453.25	121,453.25	39,361.25	160,814.50
2013	85,000.00	39,361.25	124,361.25	37,045.00	161,406.25
2014	90,000.00	37,045.00	127,045.00	34,255.00	161,300.00
2015	95,000.00	34,255.00	129,255.00	31,310.00	160,565.00
2016	100,000.00	31,310.00	131,310.00	28,210.00	159,520.00
2017	110,000.00	28,210.00	138,210.00	24,800.00	163,010.00
2018	115,000.00	24,800.00	139,800.00	21,235.00	161,035.00
2019	120,000.00	21,235.00	141,235.00	17,515.00	158,750.00
2020	130,000.00	17,515.00	147,515.00	13,485.00	161,000.00
2021	135,000.00	13,485.00	148,485.00	9,300.00	157,785.00
2022	145,000.00	9,300.00	154,300.00	4,805.00	159,105.00
2023	155,000.00	4,805.00	159,805.00	0.00	159,805.00
Totals	$1,720,000.00	$ 535,579.50	$2,255,579.50	$ 486,320.00	$ 2,741,899.50

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF LEVERAGED PSCA FUNDS
SEPTEMBER 30, 2006

Year	Due December 1, Principal	Due December 1, Interest	Due December 1, Total	Due June 1, Interest	Total Debt Service
2007	$ 13,721.58	$ 7,351.77	$ 21,073.35	$ 7,068.48	$ 28,141.83
2008	14,288.16	7,068.48	21,356.64	6,773.49	28,130.13
2009	14,878.13	6,773.49	21,651.62	6,466.33	28,117.95
2010	15,492.47	6,466.33	21,958.80	6,146.48	28,105.28
2011	16,132.17	6,146.48	22,278.65	5,813.42	28,092.07
2012	16,798.28	5,813.42	22,611.70	5,466.61	28,078.31
2013	17,491.90	5,466.61	22,958.51	5,105.48	28,063.99
2014	18,214.16	5,105.48	23,319.64	4,729.44	28,049.08
2015	18,966.24	4,729.44	23,695.68	4,337.87	28,033.55
2016	19,749.37	4,337.87	24,087.24	3,930.14	28,017.38
2017	20,564.84	3,930.14	24,494.98	3,505.57	28,000.55
2018	21,413.98	3,505.57	24,919.55	3,063.46	27,983.01
2019	22,298.19	3,063.46	25,361.65	2,603.11	27,964.76
2020	23,218.90	2,603.11	25,822.01	2,123.74	27,945.75
2021	24,177.64	2,123.74	26,301.38	1,624.58	27,925.96
2022	25,175.95	1,624.58	26,800.53	1,104.81	27,905.34
2023	26,215.49	1,104.81	27,320.30	563.58	27,883.88
2024	27,297.96	563.58	27,861.54	0.00	27,861.54
Totals	$ 356,095.41	$ 77,778.36	$ 433,873.77	$ 70,426.59	$ 504,300.36

Coverage for Warrants:

Payments for the leveraged PSCA funds are made through the reduction of subsequent years PSCA allotments. The annual reductions to be in the amounts reported above.

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2006

State of Alabama, Department of Finance
Policy - #LDS-0741
Coverage - Property Coverage
Period - 10/01/05 to 09/30/06
Amount of Coverage - Buildings - $19,846,485
- Contents - $ 4,436,803

Premium - $12,788

Alabama Risk Management For Schools
Coverage - General Liability/Errors and Omissions
Period - 09/01/06 to 09/01/07

Limits of Liability	- Errors and Omissions	- $1,000,000	Per Claim
	- Errors and Omissions	- $2,000,000	Annual Aggregate
	- General Liability	- $1,000,000	Per Claim
	- General Liability	- $2,000,000	Annual Aggregate
	- Deductible	- $5,000	Per Claim

Premium - $4,419

Auto Owner's
Coverage - Fleet - 20 Buses, 3 Vehicles, 1 Tractor
Period - 04/14/06 to 04/14/07

Limits of Liability	- Combined Liability	- $1,000,000	Occurrence
	- Medical Payment	- $5,000	
	- Deductible	- $1,000	

Premium - $22,130

Old Republic Surety Company
Policy - #OCB 550130
Coverage - Public Employee Dishonesty, Forgery or Alteration Coverage
Period - 02/10/06 to 02/10/07

Limits of Liability	- Liability Limits	- $25,000
	- Deductible	- $500

Premium - $309

CITY OF LEEDS BOARD OF EDUCATION

SCHEDULE OF FIDELITY BONDS
SEPTEMBER 30, 2006

Diamond State Insurance Company
Policy - EDU B173165
Coverage - Educators Legal Liability Insurance/Directors and Officers
Period - 04/14/06 to 04/14/07
Limits of Liability - $1,000,000 - Each Claim
$1,000,000 - Annual Aggregate
$10,000 - Deductible Each Claim

Premium - $6,890

Safeco Insurance Company of America
Policy - #6340794-0000
Position - City Superintendent of Education
- Dr. Billy J. Pack
Period – 03/28/06 to 03/28/07
Amount of Coverage - $100,000

Premium - $350

Safeco Insurance Company of America
Policy - #6396716-0000
Position - Custodian of School Funds
- Luther H. Higdon
Period – 12/07/05 to 12/07/06
Amount of Coverage - $100,000

Premium - $375

CITY OF LEEDS BOARD OF EDUCATION

ANALYSIS OF EXPENDITURES
GENERAL FUND AND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2006

	Amount	Total	Percentage
Personal Services			
Instructional Services	$ 3,916,317.97		36.60%
Instructional Support Services	911,227.72		8.51%
Operation and Maintenance	219,167.08		2.05%
Auxiliary Services	497,423.71		4.65%
General Administrative Services	528,555.69		4.94%
Other Expenditures	35,953.50		0.34%
Total Personal Services		$ 6,108,645.67	57.09%
Employee Benefits			
Employee Benefits		2,317,378.91	21.66%
Other Expenditures			
Instructional Services	508,776.63		4.75%
Instructional Support Services	259,628.45		2.43%
Operation and Maintenance	549,855.28		5.14%
Auxiliary Services	557,083.93		5.20%
General Administrative Services	230,926.83		2.16%
Debt Service	138,110.73		1.29%
Other Expenditures	30,084.19		0.28%
Total Other Expenditures		2,274,466.04	21.25%
Total Expenditures		$10,700,490.62	100.00%

Appendix E

Annual Financial Report for the City for the Fiscal Year Ended September 30, 2007

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CITY OF LEEDS

LEEDS, ALABAMA

Financial Statements

September 30, 2007

BARFIELD
MURPHY
SHANK &
SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEEDS
LEEDS, ALABAMA

MAYOR

James O. Whitfield

CITY COUNCIL

Kenneth Washington - District 1
Open - District 2
Carol Phillips - District 3
Bryce Thornton - District 4
Cary Kennedy - District 5

ACTING CITY CLERK

Kevin Fouts

CITY ATTORNEYS

Waldrep, Stewart, & Kendrick, LLC

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BARFIELD MURPHY SHANK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

BARFIELD
MURPHY
SHANK &
SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

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John P. Shank, CPA
Steven N. Smith, CPA
Dianne L. Hart, CPA
Myra S. Roberts, CPA
A. Jackson Knight, CPA
David R. King
Derrel G. Curry, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the City Council
City of Leeds, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leeds, Alabama (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City as of September 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented management's discussion and analysis that accounting principles generally accepted in the United States have determined are necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents under the heading "Supplementary Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barfield, Murphy, Shank & Smith, P.C.

Birmingham, Alabama
February 8, 2008

BARFIELD MURPHY SHANK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEEDS
Statement of Net Assets
September 30, 2007

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 4,382,628
Accounts receivable	785,930
Cash and cash equivalents - restricted	7,904,925
	13,073,483
Non-current assets	
Cash and cash equivalents - restricted	18,105,169
Note receivable	6,194,831
Deferred charges - issuance costs	378,543
Capital assets	
Depreciable assets, net	5,059,980
Non-depreciable assets	7,965,020
	37,703,543
Total assets	50,777,026
Liabilities	
Current liabilities	
Accounts payable	195,800
Accrued expenses	113,905
Lines of credit	49,317
Current portion of bonds payable	540,000
Current portion of capital leases and other long-term debt	38,961
	937,983
Non-current liabilities	
Bonds payable, less current portion	44,385,000
Capital leases and other long-term debt, less current portion	270,882
Compensated absences	424,639
	45,080,521
Total liabilities	46,018,504
Net assets (deficit)	
Invested in capital assets, net of related debt	(5,476,300)
Restricted for:	
Highways and streets	117,023
Debt service	5,449,953
Unrestricted	4,667,846
Total net assets	$ 4,758,522

See notes to financial statements.

CITY OF LEEDS
Statement of Activities
Year ended September 30, 2007

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
Primary government				
Governmental activities				
General government	$ 1,661,789	$ -	$ 159,161	$ (1,502,628)
Streets and infrastructure	789,977	159,050	-	(630,927)
Inspections and permits	74,163	300,045	-	225,882
Sanitation and sewer	21,486	100	-	(21,386)
Public safety	4,004,464	191,157	-	(3,813,307)
Library	321,256	28,802	-	(292,454)
Parks and recreation	206,711	88,332	11,959	(106,420)
Interest and fees	1,057,921	-	-	(1,057,921)
Total governmental activities	8,137,767	767,486	171,120	(7,199,161)
Total primary government	$ 8,137,767	$ 767,486	$ 171,120	(7,199,161)
General revenues and other items				
General sales and lodging taxes				6,868,899
Property taxes				895,036
Other taxes				1,417,603
Licenses				691,251
Intergovernmental revenues not restricted to specific programs				921,275
Rental income				58,449
Interest				410,246
Gain on sale of capital assets				438,183
Miscellaneous				68,197
Total general revenues and other items				11,769,139
Change in net assets				4,569,978
Net assets - beginning of year				188,544
Net assets - end of year				$ 4,758,522

See notes to financial statements.

CITY OF LEEDS
Balance Sheet
Governmental Funds
September 30, 2007

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current assets				
Cash and cash equivalents	$ 4,326,610	$ -	$ 56,018	$ 4,382,628
Accounts receivable	768,701	-	17,229	785,930
Cash and cash equivalents - restricted	2,253,670	5,509,351	141,904	7,904,925
	7,348,981	5,509,351	215,151	13,073,483
Non-current assets				
Cash and cash equivalents - restricted	18,105,169	-	-	18,105,169
Note receivable	6,194,831	-	-	6,194,831
	24,300,000	-	-	24,300,000
	$ 31,648,981	$ 5,509,351	$ 215,151	$ 37,373,483
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	$ 153,690	$ -	$ 42,110	$ 195,800
Accrued expenses	54,507	-	-	54,507
Lines of credit	49,317	-	-	49,317
Total liabilities	257,514	-	42,110	299,624
Fund balances				
Fund balances - unreserved	4,837,797	-	56,018	4,893,815
Fund balances - reserved for debt service	-	5,509,351	-	5,509,351
Fund balances - reserved for Bass Pro development	26,553,670	-	-	26,553,670
Fund balances - reserved for street repairs and improvements	-	-	117,023	117,023
Total fund balances	31,391,467	5,509,351	173,041	37,073,859
	$ 31,648,981	$ 5,509,351	$ 215,151	$ 37,373,483

See notes to financial statements.

BARFIELD MURPHY SHANK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEEDS
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2007

Total fund balances - governmental funds		$ 37,073,859
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	18,311,973	
Less accumulated depreciation	(5,286,973)	13,025,000
Deferred amounts related to bond issuance cost on long-term liabilities are not report in the governmental funds.		378,543
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds (see Note 2).		(45,659,482)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(59,398)
Total net assets - governmental activities		$ 4,758,522

See notes to financial statements.

CITY OF LEEDS
Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types
Year ended September 30, 2007

	General	Debt Service Fund	Other Governmental Funds	Total
Revenues				
Taxes	$ 9,045,097	$ -	$ 178,550	$ 9,223,647
Intergovernmental	1,092,395	-	-	1,092,395
Licenses and permits	991,296	-	-	991,296
Charges for services	280,740	-	-	280,740
Fines and forfeits	186,706	-	-	186,706
Rental income	23,449	-	35,000	58,449
Interest	376,664	12,805	20,777	410,246
Miscellaneous	68,197	-	-	68,197
	12,064,544	12,805	234,327	12,311,676
Expenditures, current				
General government	1,653,579	-	39,086	1,692,665
Streets and infrastructure	521,055	-	147,976	669,031
Inspections and permits	74,163	-	-	74,163
Sanitation and sewer	21,486	-	-	21,486
Public safety	3,862,820	-	-	3,862,820
Library	321,256	-	-	321,256
Parks and recreation	187,766	-	-	187,766
	6,642,125	-	187,062	6,829,187
Capital outlay	813,867	-	34,390	848,257
Debt service				
Principal retirement	-	726,232	-	726,232
Interest and bond fees	403,884	825,265	289,076	1,518,225
	403,884	1,551,497	289,076	2,244,457
Other financing sources (uses)				
Loan proceeds	32,795,000	-	-	32,795,000
Proceeds from sale of general capital assets	4,938,183	-	-	4,938,183
Transfers in (out)	(10,847,807)	6,737,227	4,110,580	-
	26,885,376	6,737,227	4,110,580	37,733,183
Net changes in fund balances	31,090,044	5,198,535	3,834,379	40,122,958
Fund balances (deficit) - beginning of year	301,423	310,816	(3,661,338)	(3,049,099)
Fund balances - end of year	$ 31,391,467	$ 5,509,351	$ 173,041	$ 37,073,859

See notes to financial statements.

CITY OF LEEDS
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year ended September 30, 2007

Net changes in fund balances - governmental funds	$ 40,122,958
Amounts reported for governmental activities in the statement of activites are different due to the following:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period (see Note 2).	535,917
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(42,114)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which repayment of the principal of long-term debt exceeded the issuance of long-term debt.	(32,068,768)
Governmental funds report proceeds from the sale of capital assets as other financing sources. However, the statement of activities reports a gain or loss on the sale of capital assets (see Note 2).	(4,500,000)
Some expenses reported in the governmental funds are deferred on the statement of net assets. These include bond issuance costs.	378,543
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (see Note 2).	143,442
Change in net assets - governmental activities	$ 4,569,978

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leeds (City) was incorporated in 1887 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government as provided by Act No. 425 of the 1955 Alabama Legislature (The Mayor-Council Act).

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. The more significant of these accounting policies are described below.

Financial Reporting Entity

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units is combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. There were no discretely presented component units.

Blended Component Units - There are two component units of the City of Leeds: the Leeds Commercial Development Authority (CDA) and the Leeds Public Building Authority (PBA). The financial information of the CDA has been blended with that of the City, because the CDA provides services entirely for the primary government. The PBA also provides services entirely for the primary government; however, there was no activity for the year ended September 30, 2007.

Leeds Commercial Development Authority

The Leeds Commercial Development Authority was formed for the purpose of promoting commercial development in the City. The members of the CDA are appointed by the Leeds City Council. The CDA is presented as a governmental fund. Separate financial statements are not issued by the CDA.

Leeds Public Building Authority

The Leeds Public Building Authority was formed for the purpose of managing the general capital assets and related debt of the City. The members of the PBA are appointed by the Leeds City Council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basic Financial Statements - GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements categorize primary activities as either governmental or business type. The City does not have any business type activities and all their activities are classified as governmental.

In the government-wide Statement of Net Assets, the governmental-type activities column is presented using the full accrual accounting basis and economic resource measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The operating grants include operating-specific and discretionary grants. The net costs are normally covered by general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City does not employ an indirect cost allocation system.

The government-wide statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements focus on the major funds in governmental categories. Non-major funds (by category or fund type) are summarized into a single column called Other Governmental Funds.

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

Basis of Presentation - Fund-Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City uses the following major funds:

Governmental Funds

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

Debt Service Fund - To account for the accumulation of resources for and the payment of interest and principal on general long-term debt. Debt service revenues are generally transfers from other governmental funds.

Interfund balances and transfers have been eliminated from the government-wide financial statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Revenues are considered available to finance expenditures of the current period if collected within 60 days after the end of the period. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term investments with a maturity date of less than three months. Of the bank balance of $30,583,696 at year end, $469,833 was covered by federal depository insurance. The remaining balance of $30,113,863 was collateralized with securities held by the Alabama State Treasury Security for Alabama Funds Enhancement (SAFE) program. Each of the banks holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: buildings, 25 - 60 years; streets and improvements, 15 - 60 years; furnishings and equipment, 10 - 15 years.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An unlimited amount of sick time may be carried forward, but the maximum that may be paid out upon retirement or termination is one-half of sixty days' pay. A maximum of 320 vacation hours may be carried forward each year (420 hours for the fire and police departments). Compensated absences are not recorded as a liability in the governmental funds because expenditures related to compensated absences are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the debt.

In the fund-level financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are legally restricted by outside parties for a specific purpose.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND-LEVEL FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between "Total fund balances - governmental funds" and "Total net assets - governmental activities" as reported in the government-wide statement of net assets. One element of that reconciliation explains "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds." The detail of this $(45,659,482) difference is as follows:

Bonds payable	$	(44,925,000)
Capital leases and notes payable		(309,843)
Compensated absences		(424,639)
	$	(45,659,482)

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND-LEVEL FINANCIAL STATEMENTS - Continued

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between "Net changes in fund balances - governmental funds" and "Change in net assets - governmental activities" as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this $535,917 difference is as follows:

Capital outlay	$	848,257
Depreciation expense		(312,340)
	$	535,917

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The detail of this $143,442 difference is as follows:

Decrease in compensated absences accrual	$	61,681
Decrease in accrued interest		81,761
	$	143,442

Another element of that reconciliation states "governmental funds report proceeds from the sale of capital assets as other financing sources. However, the statement of activities reports a gain or loss on the sale of capital assets." The detail of this $(4,500,000) difference is as follows:

Proceeds from sale of capital assets	$	(4,938,183)
Gain on sale of capital assets		438,183
	$	(4,500,000)

NOTE 3 - PROPERTY TAX CALENDAR

Property taxes are collected and remitted to the City by the Jefferson, St. Clair and Shelby County governments. Taxes are levied annually on October 1 and are due October 1 of the following year. Major tax payments are received October through January, and are recognized as revenue in the year received.

NOTE 4 - TRUSTEED FUND ASSETS

In accordance with the provisions of the General Obligation Warrant issues, the City is required to make monthly installments to escrow accounts for semi-annual interest and principal maturities. The escrow accounts are comprised of United States Treasury notes. Additionally, the monies received from the issuance of the 2006 General Obligations Warrants are held in escrow accounts. As of September 30, 2007, $24,900,080 had been accumulated in the escrow accounts for these purposes.

At September 30, 2007, the City had the following investments and maturities:

Security	Amount	Maturity
RMK Select Treasury Money Market Fund - Class A	$ 40	Less than 1 year
Trust Money Market Deposit Fund	351,430	Less than 1 year
Federal Treasury Obligations	24,548,610	Less than 1 year
	$ 24,900,080	

As a means of limiting its exposure to interest rate risk, the City limits its investments to those authorized by State statutes and restricts the maximum investment term to less than one year from the purchase date.

NOTE 5 - NOTE RECEIVABLE

On May 1, 2007, the City issued series 2006-A General Obligations Warrants in the amount of $24,300,000 to provide financing for the benefit of Bass Pro Alabama Development Company, LLC (the Company) pursuant to a Trust Indenture dated February 1, 2006 between the City and Regions Bank (the Trustee). This is a 21 year loan to be repaid by the Company to the City from future tax revenue with a variable interest rate on the loan and is secured by a letter of credit. The interest rate ranged from 5.35% to 5.60% during the year ended September 30, 2007. At September 30, 2007, $6,194,831 had been disbursed to the borrower. Pursuant to the loan agreement, the remaining $18,105,169 is held in trust accounts with the Trustee and is to be disbursed as needed by the Company.

NOTE 5 - NOTE RECEIVABLE - Continued

The note receivable will total $24,300,000 when all of the funds are expended. The following is a detail of the note receivable and unspent cash at September 30, 2007:

Unspent restricted cash held in trust accounts with Trustee	$	18,105,169
Note receivable		6,194,831
	$	24,300,000

The note receivable is to be repaid beginning in 2010 and the future payments are due as follows:

2010	$	645,000
2011		690,000
2012		740,000
2013		795,000
2014		850,000
2015		905,000
2016		970,000
2017		1,040,000
2018		1,115,000
2019		1,190,000
2020		1,275,000
2021		1,365,000
2022		1,465,000
2023		1,565,000
2024		1,675,000
2025		1,795,000
2026		1,920,000
2027		2,060,000
2028		2,240,000
	$	24,300,000

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Additions	Disposals	Balance September 30, 2007
Governmental activities				
Depreciable assets				
Buildings	$ 2,400,392	$ 41,217	$ -	$ 2,441,609
Streets and infrastructure	5,043,304	204,736	-	5,248,040
Furnishings and equipment	2,534,689	122,615	-	2,657,304
	9,978,385	368,568	-	10,346,953
Less accumulated depreciation				
Buildings	637,660	58,130	-	695,790
Streets and infrastructure	2,773,034	161,008	-	2,934,042
Furnishings and equipment	1,563,939	93,202	-	1,657,141
	4,974,633	312,340	-	5,286,973
	5,003,752	56,228	-	5,059,980
Non-depreciable assets				
Land	11,343,659	369,000	4,500,000	7,212,659
Construction in progress	641,672	110,689	-	752,361
	11,985,331	479,689	4,500,000	7,965,020
	$ 16,989,083	$ 535,917	$ 4,500,000	$ 13,025,000

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 30,805
Streets and infrastructure	120,946
Public safety	141,644
Parks and recreation	18,945
	$ 312,340

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NOTE 7 - DEFINED BENEFIT PENSION PLAN

The City of Leeds is a participant in The Employees' Retirement System of Alabama (the System). All full-time employees of the City, who elected when the City initially joined, participate in the System that is an agent multiple-employer public employee retirement system. The System acts as a common investment and administrative agent for the various state agencies and departments.

Contributions into the retirement program for the employee and the City are based upon the employee's compensation, which is determined by the City Council. The payroll for all employees covered by the System for the fiscal year ended September 30, 2006 (the date of the most recent actuarial valuation) was $2,446,154. While all new full-time employees (except those who are sixty years of age or older at the time of initial employment) are automatically enrolled as active members of the System, temporary and part-time employees are also eligible to participate if they work thirty hours or more per week.

The City assumes pension or retirement liability only for those employees required by state statute to participate in the System. Regular covered employees are required to contribute five percent of their salary to the plan, while the contribution rate for certified full-time firefighters and law enforcement officers is six percent of employee compensation. The City is required to contribute the remaining amounts necessary to pay benefits when due, as determined by actuarial computations.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Vested employees may retire at or after age sixty or at any age if they have completed twenty-five years of credited service and receive full benefits. Employees have the option of retiring before age sixty and receiving retirement at reduced rates. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System of Alabama acts only in an administrative capacity. It does not undertake to fund the retirement plan; neither is the System liable for contributions to the plan. The System is not obligated to pay benefits for which reserves have not been previously contributed by the City and its employees. Contribution provisions to the System are irrevocable to the City and its employees unless the City elects to withdraw from the System by mutual agreement with its employees. The City is also obligated to appropriate funds to the System sufficient to provide reserves to existing retirees and beneficiaries from the City if withdrawal from the System occurs. Investments are not specifically assigned to individual employer organizations; however, each employer is treated individually in determining assets available to pay benefits and pension benefit obligations.

NOTE 7 - DEFINED BENEFIT PENSION PLAN - Continued

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission of the Employees' Retirement System of Alabama the authority to accept or reject various Cost-Of-Living-Adjustments (COLA's) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to: The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36104-0001.

The actuarial accrued liability exceeded actuarial value of assets by $2,477,980 at September 30, 2006, the date of the most recent actuarial valuation. The significant assumptions used in the valuation are as follows:

1. The valuation was prepared using the entry age normal actuarial cost method.

2. An eight percent interest rate was used for determining a return of the investment of present and future assets of the System.

3. Since the previous valuation, there have been no changes in the actuarial-cost method and there have been no amendments to the System affecting the valuation.

4. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized within a fourteen-year period using the level percent open method.

The System's funding policy provides for actuarially determined contribution requirements based on the projected benefit basis. The significant actuarial assumptions used for this purpose are not the same as those used to compute the pension benefit obligations. The employer contribution required to support the benefit is determined by using a level-funding approach, and consists of a normal contribution and an accrued-liability contribution.

The "entry-age-normal" method is used to compute the normal contribution (or cost). The method provides for a uniform or constant percentage rate to be applied to compensation of members which, when averaged over anticipated covered service and included with the members' contributions, will meet the cost of all benefits payable.

NOTE 7 - DEFINED BENEFIT PENSION PLAN - Continued

The unfunded accrued liability contribution (or cost) is determined by subtracting the present value of prospective employer normal contributions and member contributions together with the current assets held from the present value of expected benefits to be paid from the System. The unfunded accrued liability is being amortized over a rolling thirty-year period. The significant assumptions used by the System to support the funding policy are as follows:

- A rate of return of eight percent per annum compounded annually on the investment of present and future assets.
- Projected salary increases, based on age, ranging from 4.61% to 7.75%.
- Probabilities of a member's death, disability, withdrawal, and service retirements based on age and sex.

The contribution based on the System's funding policy for the year 2007 was made in accordance with an actuarial valuation performed as of September 30, 2006. Based on the System's confirmation, the contribution consisted of: a) employees' contributions of five percent (or six percent, if applicable) of covered payroll; b) normal cost of 4.50% of covered payroll; c) administrative and other costs of 7.36% of covered payroll. In aggregate, the City contributed 11.86% of covered payroll.

Trend information for the retirement plan was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2004	$ 308,554	100%	$ -
9/30/2005	361,065	100%	-
9/30/2006	272,024	100%	-

The following schedule represents the retirement plan's funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liab.(AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/2004	$ 8,526,654	$ 10,458,150	$ 1,931,496	81.5%	$ 3,619,284	53.4%
9/30/2005	9,073,131	11,382,810	2,309,679	79.7%	3,612,726	63.9%
9/30/2006	9,205,185	11,683,165	2,477,980	78.8%	2,446,154	101.3%

NOTE 8 - LINES OF CREDIT

At September 30, 2007, lines of credit consisted of the following:

Non-interest bearing note payable - St. Clair County Commission, principal due at maturity, due October 2007, unsecured	$	49,317

This note payable was retired in January 2008.

A summary of changes in lines of credit for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
Lines of credit - banks	$ 5,418,427	$ -	$ 5,418,427	$ -
Loan - St. Clair Co. Commission	49,317	-	-	49,317
	$ 5,467,744	$ -	$ 5,418,427	$ 49,317

NOTE 9 - BONDS PAYABLE

At September 30, 2007, the general obligation warrant issues were as follows:

7.38% to 8.20% General Obligation Warrants Series 2000A, dated November 1, 2000, maturing December 1, 2020	$	2,265,000
4.50% to 5.35% General Obligation Warrants Series 2000B, dated December 1, 2000, maturing December 1, 2020		2,030,000
3.40% to 5.75% General Obligation Warrants Series 2002A, dated September 30, 2002, maturing August 1, 2022		4,875,000
2.00% to 4.85% General Obligation Warrants Series 2002B, dated October 1, 2002, maturing February 1, 2023		2,960,000
5.35 to 5.60% General Obligation Warrants Series 2006A, dated May 1, 2007, maturing June 1, 2028		24,300,000
5.35 to 5.60% General Obligation Warrants Series 2006B, dated May 1, 2007, maturing June 1, 2028		2,055,000
5.35 to 5.60% General Obligation Warrants Series 2006C, dated May 1, 2007, maturing June 1, 2028		6,440,000
		44,925,000
Less current portion		540,000
	$	44,385,000

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NOTE 9 - BONDS PAYABLE - Continued

A summary of changes in bonds payable for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
General Obligation Warrants, Series 2000A	$ 2,350,000	$ -	$ 85,000	$ 2,265,000
General Obligation Warrants, Series 2000B	2,130,000	-	100,000	2,030,000
General Obligation Warrants, Series 2002A	5,075,000	-	200,000	4,875,000
General Obligation Warrants, Series 2002B	3,090,000	-	130,000	2,960,000
General Obligation Warrants, Series 2006A	-	24,300,000	-	24,300,000
General Obligation Warrants, Series 2006B	-	2,055,000	-	2,055,000
General Obligation Warrants, Series 2006C	-	6,440,000	-	6,440,000
	$ 12,645,000	$ 32,795,000	$ 515,000	$ 44,925,000

Principal and interest requirements of the general obligation warrants for the years ending September 30 are as follows:

	Principal	Interest
2008	$ 540,000	$ 1,968,548
2009	580,000	2,403,877
2010	1,450,000	2,374,709
2011	1,545,000	2,295,560
2012	1,645,000	2,213,843
2013-2017	10,060,000	9,555,832
2018-2022	13,460,000	6,334,534
2023-2028	15,645,000	3,049,295
	$ 44,925,000	$ 30,196,198

NOTE 10 - CAPITAL LEASES

The City has leased public safety equipment under the provisions of a long-term lease agreement. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized. The lease expires June 15, 2014. The leased property under the capital lease as of September 30, 2007 had a cost of $430,177. Amortization of the lease is included in depreciation expense. Accumulated amortization on the lease totaled $88,425 at September 30, 2007.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments as of September 30, 2007 were as follows:

2008	$ 52,056
2009	52,056
2010	52,056
2011	52,056
2012	52,056
Thereafter	104,107
	364,387
Less amount representing interest	54,544
	309,843
Less current portion	38,961
	$ 270,882

A summary of changes in capital leases for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	**Additions**	**Retirements**	**Balance September 30, 2007**
Bank - firetruck	$ 347,224	$ -	$ 37,381	$ 309,843

NOTE 11 - OTHER LONG-TERM DEBT

A summary of changes in other long-term debt for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
Leeds Water Works Board	$ 173,851	$ -	$ 173,851	$ -

NOTE 12 - COMMITMENTS

The City leases certain office equipment under non-cancelable operating lease agreements. Rent expense paid under all operating leases during the year ended December 31, 2007 totaled $25,882. Future minimum lease payments under leases with initial or remaining non-cancelable lease terms in excess of one year for the years ending September 30 are as follows:

2008	$ 26,890
2009	13,614
2010	2,178
2011	1,815
	$ 44,497

In addition, the City has guaranteed the payment of Series 2003 Taxable General Obligation Warrants for the City of Leeds Board of Education. At September 30, 2007, the principal outstanding on the warrants was $1,614,167. The warrants mature at various times through March 2023 and have interest rates ranging from 3.45% to 6.20%.

NOTE 13 - CONTINGENCIES

Legal contingencies:

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. It is reasonably possible or probable that the following claims may result in monetary loss to the City:

Alltel Supply, Inc. - The Company has made a demand against the City for a sales tax refund for years 1998 and 1999 in the amount of $54,530 and $40,887, respectively. The City disputes that it has been overpaid and defends its right to retain the taxes received. It is reasonably possible, but not probable, that the City will be required to repay these amounts; therefore, this amount has not been accrued as a liability in the accompanying financial statements.

Other contingencies:

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant.

NOTE 14 - COOPERATIVE DISTRICT AGREEMENT

During the year ended September 30, 2007, the City entered into a revenue sharing and debt guarantee agreement with the City of Moody and St. Clair County. The agreement requires that tax revenue received from Bass Pro Shops, Inc. be shared among the parties in exchange for sharing in the guarantee of the Series 2006A General Obligation Warrants issued by the City of Leeds. The revenue sharing and debt guarantee are divided 50% to the City of Leeds, 25% to the City of Moody, and 25% to St. Clair County. The tax revenue received from Bass Pro Shops, Inc. is to be used to service the debt until all principal and interest payments have been made, after which, the tax revenues will be shared according to the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEEDS
Budgetary Comparison Schedule - General Fund
Year ended September 30, 2007

	General Fund			
	Budgeted		Actual	
	Original	Final	(Budgetary Basis)	Variance
Revenues				
Taxes	$ 7,864,597	$ 7,864,597	$ 9,045,097	$ 1,180,500
Intergovernmental	836,496	836,496	1,092,395	255,899
Licenses and permits	555,774	555,774	991,296	435,522
Charges for services	248,870	248,870	280,740	31,870
Fines and forfeits	190,804	190,804	186,706	(4,098)
Rental income	37,719	37,719	23,449	(14,270)
Interest	1,913	1,913	376,664	374,751
Miscellaneous	17,262	17,262	68,197	50,935
	9,753,435	9,753,435	12,064,544	2,311,109
Expenditures, current				
General government	5,197,944	5,197,944	6,394,289	(1,196,345)
Streets and infrastructure	9,856	9,856	7,621	2,235
Sanitation and sewer	25,339	25,339	21,486	3,853
Public safety	100,361	100,361	109,045	(8,684)
Library	14,342	14,342	37,916	(23,574)
Parks and recreation	54,784	54,784	71,768	(16,984)
	5,402,626	5,402,626	6,642,125	(1,239,499)
Capital outlay	5,368	5,368	813,867	(808,499)
Debt service				
Interest	-	-	403,884	(403,884)
Other financing sources (uses)				
Loan proceeds	-	-	32,795,000	32,795,000
Proceeds from sale of capital assets	-	-	4,938,183	4,938,183
Transfers out	-	-	(10,847,807)	(10,847,807)
	-	-	26,885,376	26,885,376
Net change in fund balances	$ 4,345,441	$ 4,345,441	$ 31,090,044	$26,744,603

See note to required supplementary information

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CITY OF LEEDS
Note to Required Supplementary Information
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts a budget for the general fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Budgets are not prepared or adopted in conformance with GAAP. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported on the budgetary basis and might be different than the actual amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 10.

Revenues are budgeted by source. Expenditures are budgeted by department and class as follow: General Government, Streets and Infrastructure, Inspections and Permits, Sanitation and Sewer, Public Safety, Library, and Parks and Recreation. This constitutes the legal level of control. Unexpended appropriations for annually budgeted funds lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Individual Funds

The budget to actual comparison for the general fund on page 31 reflects several departments exceeding budget, primarily in the areas of general government, public safety, library, parks and recreation, capital outlay, and operating transfers to other funds. The majority of the overage was funded by the substantial increase in sales tax revenue. The capital outlay and operating transfers budget overages were funded primarily by the receipt of capital.

SUPPLEMENTARY INFORMATION

CITY OF LEEDS
Combining Balance Sheet - Other Governmental Funds
September 30, 2007

	Commercial Development Authority	State 4 cent Gas Tax	State 7 cent Gas Tax	Total - Other Governmental Funds
Assets				
Current assets				
Cash and cash equivalents	$ 56,018	$ -	$ -	$ 56,018
Accounts receivable	-	7,621	9,608	17,229
Due (to) from other funds	-	(2,608)	2,608	-
Cash and cash equivalents - restricted	-	49,141	92,763	141,904
	56,018	54,154	104,979	215,151
	$ 56,018	$ 54,154	$ 104,979	$ 215,151
Liabilities and Fund Balances				
Accounts payable	$ -	$ 34,390	$ 7,720	$ 42,110
Fund balances				
Fund balances - unreserved	56,018	-	-	56,018
Fund balances - reserved for street repairs and improvements	-	19,764	97,259	117,023
Total fund balances	56,018	19,764	97,259	173,041
	$ 56,018	$ 54,154	$ 104,979	$ 215,151

See independent auditors' report.

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CITY OF LEEDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Other Governmental Funds
Year ended September 30, 2007

	Commercial Development Authority	State 4 cent Gas Tax	State 7 cent Gas Tax	Total - Other Governmental Funds
Revenues				
Gasoline taxes	$ -	$ 86,169	$ 92,381	$ 178,550
Rental income	35,000	-	-	35,000
Interest	20,560	87	130	20,777
	55,560	86,256	92,511	234,327
Expenditures, current				
General government	38,976	70	40	39,086
Highways and streets	-	29,685	118,291	147,976
	38,976	29,755	118,331	187,062
Other financing sources				
Transfers in	4,087,813	(61,811)	84,578	4,110,580
Capital outlay	-	34,390	-	34,390
Debt Service				
Interest and bond fees	289,076	-	-	289,076
Net changes in fund balances	3,815,321	(39,700)	58,758	3,834,379
Fund balances (deficit) - beginning of year	(3,759,303)	59,464	38,501	(3,661,338)
Fund balances - end of year	$ 56,018	$ 19,764	$ 97,259	$ 173,041

See independent auditors' report.

CITY OF LEEDS
Schedule of Bonds Payable
September 30, 2007

General Obligation Warrants, Series

	2000A	2000B	2002A	2002B	2006A	2006B	2006C	Total
2008	$ 90,000	$ 105,000	$ 210,000	$ 135,000	$ -	$ -	$ -	$ 540,000
2009	100,000	110,000	225,000	145,000	-	-	-	580,000
2010	105,000	115,000	235,000	145,000	645,000	35,000	170,000	1,450,000
2011	115,000	120,000	250,000	150,000	690,000	35,000	185,000	1,545,000
2012	125,000	125,000	265,000	155,000	740,000	40,000	195,000	1,645,000
2013	135,000	130,000	280,000	165,000	795,000	40,000	210,000	1,755,000
2014	145,000	140,000	300,000	170,000	850,000	45,000	225,000	1,875,000
2015	160,000	145,000	315,000	175,000	905,000	50,000	240,000	1,990,000
2016	175,000	150,000	335,000	185,000	970,000	75,000	255,000	2,145,000
2017	190,000	160,000	355,000	195,000	1,040,000	80,000	275,000	2,295,000
2018	205,000	170,000	375,000	200,000	1,115,000	85,000	295,000	2,445,000
2019	220,000	180,000	395,000	210,000	1,190,000	95,000	315,000	2,605,000
2020	240,000	185,000	420,000	215,000	1,275,000	100,000	340,000	2,775,000
2021	260,000	195,000	445,000	230,000	1,365,000	105,000	360,000	2,960,000
2022	-	-	470,000	235,000	1,465,000	115,000	390,000	2,675,000
2023	-	-	-	250,000	1,565,000	120,000	415,000	2,350,000
2024	-	-	-	-	1,675,000	180,000	445,000	2,300,000
2025	-	-	-	-	1,795,000	190,000	475,000	2,460,000
2026	-	-	-	-	1,920,000	205,000	510,000	2,635,000
2027	-	-	-	-	2,060,000	220,000	545,000	2,825,000
2028	-	-	-	-	2,240,000	240,000	595,000	3,075,000
	$ 2,265,000	$ 2,030,000	$ 4,875,000	$ 2,960,000	$ 24,300,000	$ 2,055,000	$ 6,440,000	$ 44,925,000

See independent auditors' report.

Appendix F

Funding Agreement

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FUNDING AGREEMENT

FUNDING AGREEMENT among the **CITY OF LEEDS BOARD OF EDUCATION**, an agency of the State of Alabama (herein called the "Board"), the **CITY OF LEEDS**, a municipal corporation under the laws of Alabama (herein called the "City") and **THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS**, a public corporation under the laws of the State of Alabama (herein called the "Authority").

R E C I T A L S

In order to provide educational facilities in the City, the City has consented to assist the Board with the financing of the acquisition, construction and equipping of certain educational facilities, consisting of a new high school and a new middle school in accordance with the plans and specifications previously approved by the parties hereto, and for which the construction has heretofore been bid and a contractor selected (the "Improvements").

In order to finance the cost of acquiring, constructing and equipping the Improvements and for certain other purposes, the City has heretofore created The Public Educational Building Authority of the City of Leeds (the "Authority"). The Authority proposes to borrow a sum not to exceed $50,000,000, and in evidence of that borrowing issue and sell its Educational Facilities Revenue Bonds, Series 2008 (herein called the "Bonds"). The Bonds will be issued pursuant to a Trust Indenture (the "Indenture") dated as of April 1, 2008 between the Authority and U.S. Bank National Association (the "Trustee"). The Authority will use the proceeds from the sale of the Bonds to acquire, construct and equip the Improvements, and will lease the Improvements to the Board pursuant to a Lease Agreement dated as of April 1, 2008 between the Authority and the Board (the "Lease"). Pursuant to the Lease, the Board is required to make rental payments (the "Basic Rental") in each fiscal year during which the Lease is in effect equal to the principal of and interest on the Bonds. The Basic Rental will be payable from all legally available revenues of the Board. A portion of the proceeds from the sale of the Bonds will be used to fund a Capitalized Interest Fund (the "Capitalized Interest Fund"), which will be used to pay the interest on the Bonds during the construction of the Improvements, which is approximately two years.

The Board has heretofore received a grant from Jefferson County, Alabama (the "County Grant") for the purpose of constructing educational facilities in the City. The Board has, to date, expended a portion of the proceeds from the County Grant for preliminary expenditures on the Improvements, including, without limitation, architectural, engineering and other costs. The Board is using a portion of the proceeds from the County Grant to provide funds to the City in order for the City to defease its Taxable General Obligation School Warrants, Series 2003 (the "Series 2003 Warrants"). After providing for such defeasance, the Board will have $____________ remaining from the County Grant (the "County Grant proceeds").

In order to enable the Authority to finance the acquisition, construction and equipping of the Improvements, the City proposes to grant and pay over to or for the account of the Authority the amounts and at the times, as hereinafter provided, to assist the Board with its payments of Basic Rental. Such payments made to or on behalf of the Authority shall serve as a credit against the payments of Basic Rental required of the Board pursuant to the Lease.

The City has heretofore issued its General Obligation Warrants, Series 2000A, dated November 1, 2000, now outstanding in the aggregate principal amount of $2,265,000 (the "Series 2000A Warrants"), its General Obligation Warrants, Series 2000B, dated December 1, 2000, now outstanding in the aggregate principal amount of $2,030,000 (the "Series 2000B Warrants"), its General Obligation

Warrants, Series 2002A, dated September 30, 2002, now outstanding in the aggregate principal amount of $4,875,000 (the "Series 2002A Warrants") and its General Obligation Warrants, Series 2002B, dated October 1, 2002, now outstanding in the aggregate principal amount of $2,960,000 (the "Series 2002B Warrants") (the Series 2000A Warrants, the Series 2000B Warrants, the Series 2002A Warrants and the Series 2002B Warrants are herein collectively referred to as the "City Warrants").The City Warrants bear interest, mature and are subject to optional redemption at the rates and on the dates as described on Exhibit "A" attached hereto. In order to expedite the repayment of the City Warrants, the City has levied an additional sales and use tax in the City at the rate of one cent (the "Pledged Sales Tax"). The Pledged Sales Tax was levied pursuant to Ordinance No. 2007-03-05, adopted by the City Council of the City on March 5, 2007 (the "Original Sales Tax Ordinance"). The City has also heretofore levied an occupational tax at the rate of one percent (the "Pledged Occupational Tax") pursuant to Ordinance No. 2006-02-03, adopted by the City Council of the City on February 20, 2006 (the "Original Occupational Tax Ordinance"). The City expects that, at current collection levels of the Pledged Sales Tax and the Pledged Occupational Tax, the City will make all scheduled payments on the City Warrants to and including August 1, 2012, by which time funds accumulated from the Pledged Taxes in a "debt reduction fund" of the City will be used to redeem all then outstanding City Warrants. The Original Sales Tax Ordinance and the Original Occupational Tax Ordinance restricted the use of the Pledged Sales Tax and the Pledged Occupational Tax to the payment of the debt service on the City Warrants. The City Council of the City has adopted an ordinance amending the Original Sales Tax Ordinance and the Original Occupational Tax Ordinance to allow the City to make the pledge of the Pledged Sales Tax and the Pledged Occupational Tax as hereinafter set forth. The Pledged Sales Tax and the Pledged Occupational Tax are herein referred to as the "Pledged Taxes."

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES and of the agreements herein contained, the Board and the City hereby agree as follows:

Section 1. The Board will, as soon as practicable after the issuance of the Bonds by the Authority, and for the purposes of providing educational facilities in the City, begin and will carry forth to completion, the construction and equipping of the Improvements.

Section 2. Following the issuance of the Bonds, the amounts held in the Capitalized Interest Fund will be used to pay the interest on the Bonds until all funds in the Capitalized Interest Fund have been fully expended. At the time of delivery of the Bonds, the Board will deposit the County Grant Proceeds into an account established therefor pursuant to the Indenture. The Trustee will be the depository and Disbursement agent for the County Grant Proceeds. When all of the monies on deposit in the Capitalized Interest Fund have been fully expended, the Trustee, on each Interest Payment Date, will, pursuant to the Indenture, transfer so much of the County Grant Proceeds to the Debt Service Fund established under the Indenture to make the payments of debt service on the Bonds. The Trustee will continue to make such transfers until all County Grant Proceeds have been fully expended. If any principal of the Bonds shall become due and payable, whether by maturity or by mandatory redemption, prior to the expenditure of all funds on deposit in the Capitalized Interest Fund or the expenditure of interest earnings on the Acquisition Fund (as defined in the Indenture) for interest payments on the Bonds, the Trustee shall use County Grant Proceeds or Rental Payments made by the Board for the payment of such principal, it being understood that, in no event, shall any funds on deposit in the Capitalized Interest Fund or interest earnings on the Acquisition Fund be used to pay the principal of the Bonds, and only monies from the County Grant Proceeds or other legally available funds of the Board may be used to pay the principal of the Bonds prior to the commencement of payments of Pledged Taxes by the City hereunder. The Board will receive a credit against its Basic Rental payments for amounts in the Capitalized Interest Fund and amounts of County Grant Proceeds used to make payments of debt service on the Bonds.

Section 3. In consideration of the said undertaking of the Board set forth in Section 1 above, the City will grant an amount per annum to the Authority from the proceeds of the Pledged Taxes up to, but not exceeding, the amount of Basic Rental owed by the Board pursuant to the Lease. The grant made to the Authority hereunder shall begin in the fiscal year of the City immediately succeeding the fiscal year in which the City Warrants have been paid in full; provided, however, that in the event that the City shall have fully paid and retired the City Warrants and shall have additional funds remaining from the Pledged Taxes in such fiscal year, the City shall grant the balance of such Pledged Taxes proceeds to the Authority for such fiscal year.

Section 4. The grant of the Pledged Taxes herein made to the Authority hereunder shall be automatically renewed on an annual basis as long as and under the condition that the Board shall have renewed the Lease for an additional annual term, and the City will be unconditionally obligated pay to the Authority the proceeds of the Pledged Taxes in such fiscal year up to the amounts set forth in Section 3 above, and continuing in each fiscal year of the City thereafter so long as the Lease shall remain in effect.

Section 5. The City recognizes that the obligation of the City to grant and pay over to the Authority the annual amount set forth in Section 2 above is absolute and unconditional during the fiscal year in which such amount is due and payable and in which this Funding Agreement is in full force and effect. During the time in which this Funding Agreement is in effect, the City agrees not to repeal the Pledged Taxes, nor to reduce the rate at which such Pledged Taxes are levied and collected. The City further agrees to respect the priority of the pledge of the Pledged Taxes herein made, and in furtherance thereof, the City agrees to make no subsequent pledges of the Pledged Taxes that in any way encumber the pledge of the Pledged Taxes made herein or that might in any way be considered superior to or on a parity with the pledge of the Pledged Taxes herein made for the benefit of the Bonds.

Section 6. This Funding Agreement, and the obligation of the City to grant the said sum to the Authority created hereunder, shall constitute a limited obligation indebtedness of the City, payable solely in each fiscal year in which this Funding Agreement is in effect from the proceeds of the Pledged Taxes; provided, however, that the City may, but shall not be required, to make such additional grants to the Board in order to prevent an event of default on the Bonds.

Section 7. In consideration of the grants herein made by the City to the Authority, the Board hereby agrees to make any and all payments of Basic Rental pursuant to the Lease in excess of amounts provided by the City from the proceeds of the Pledged Taxes necessary to pay in full its obligation of Basic Rental from any and all legally available revenues of the Board, including without limitation, the funds the Board was using to make rental payments under the Lease Agreement between the City and the Board dated December 1, 2003 which secured the payment of the Series 2003 Warrants.

Section 8. This Funding Agreement shall be considered a third-party beneficiary contract, and the holders of the Bonds, as well as any municipal bond insurer providing a municipal bond insurance policy with respect to the Bonds, shall be deemed to be third party beneficiaries of the covenants and agreements on the part of the Board and the City contained herein as fully and completely as if said holders and said insurer were parties hereto.

Section 9. The provisions of this Funding Agreement shall be severable. In the event any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any of the remaining provisions hereof.

IN WITNESS WHEREOF, the Board, the Authority and the City have caused this Funding Agreement to be executed in their respective names, have caused their respective seals to be hereunto affixed, have caused this Funding Agreement to be attested, all by their duly authorized officers in two (2) counterparts, each of which shall be deemed an original, and have caused this Funding Agreement to be dated as of April 1, 2008, although actually executed on behalf of the Board, the Authority and the City on April __, 2008.

CITY OF LEEDS
BOARD OF EDUCATION

By: ______________________________
Its President

ATTEST:

____
Its Secretary

THE CITY OF LEEDS, ALABAMA

By: ______________________________
Its Mayor

ATTEST:

____
Its City Clerk

THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF
THE CITY OF LEEDS, ALABAMA

By: ______________________________
Its Chairman

ATTEST:

____
Its Secretary

EXHIBIT A
General Obligation Warrants to be Redeemed

Taxable General Obligation Warrants Series 2000-A

Year	Principal Amount	Interest Rate	Call Date	Call Price
2008	100,000	8.00%	June 1, 2010	102
2009	105,000	8.00%	June 1, 2010	102
2010	115,000	8.00%	June 1, 2010	102
2011	125,000	8.125%	June 1, 2010	102
2012	135,000	8.125%	June 1, 2010	102
2013	145,000	8.125%	June 1, 2010	102
2014	160,000	8.125%	June 1, 2010	102
2015	175,000	8.125%	June 1, 2010	102
2016	190,000	8.20%	June 1, 2010	102
2017	205,000	8.20%	June 1, 2010	102
2018	220,000	8.20%	June 1, 2010	102
2019	240,000	8.20%	June 1, 2010	102
2020	260,000	8.20%	June 1, 2010	102

General Obligation Refunding Warrants Series 2000-B

Year	Principal Amount	Interest Rate	Call Date	Call Price
2008	110,000	4.70%	December 1, 2010	101
2009	115,000	4.75%	December 1, 2010	101
2010	120,000	4.80%	December 1, 2010	101
2011	125,000	4.80%	December 1, 2010	101
2012	130,000	4.90%	December 1, 2010	101
2013	140,000	5.00%	December 1, 2010	101
2014	145,000	5.10%	December 1, 2010	101
2015	150,000	5.125%	December 1, 2010	101
2016	160,000	5.15%	December 1, 2010	101
2017	170,000	5.20%	December 1, 2010	101
2018	180,000	5.25%	December 1, 2010	101
2019	185,000	5.30%	December 1, 2010	101
2020	195,000	5.35%	December 1, 2010	101

Taxable General Obligation Warrants Series 2002

Year	Principal Amount	Interest Rate	Call Date	Call Price
2008	210,000	4.00%	August 1, 2012	102
2009	225,000	4.30%	August 1, 2012	102
2010	235,000	4.50%	August 1, 2012	102
2011	250,000	4.70%	August 1, 2012	102
2012	265,000	4.80%	August 1, 2012	102

2013	280,000	5.15%	August 1, 2012	102
2014	300,000	5.15%	August 1, 2012	102
2015	315,000	5.15%	August 1, 2012	102
2016	335,000	5.15%	August 1, 2012	102
2017	355,000	5.15%	August 1, 2012	102
2018	375,000	5.75%	August 1, 2012	102
2019	395,000	5.75%	August 1, 2012	102
2020	420,000	5.75%	August 1, 2012	102
2021	445,000	5.75%	August 1, 2012	102
2022	470,000	5.75%	August 1, 2012	102

General Obligation Warrants Series 2002-B

Year	**Principal Amount**	**Interest Rate**	**Call Date**	**Call Price**
2009	145,000	3.50%	February 1, 2012	100
2010	145,000	3.75%	February 1, 2012	100
2011	150,000	3.65%	February 1, 2012	100
2012	155,000	3.75%	February 1, 2012	100
2013	165,000	3.85%	February 1, 2012	100
2014	170,000	4.10%	February 1, 2012	100
2015	175,000	4.20%	February 1, 2012	100
2016	185,000	4.30%	February 1, 2012	100
2017	195,000	4.40%	February 1, 2012	100
2018	200,000	4.50%	February 1, 2012	100
2019	210,000	4.60%	February 1, 2012	100
2020	215,000	4.70%	February 1, 2012	100
2021	230,000	4.75%	February 1, 2012	100
2022	235,000	4.80%	February 1, 2012	100
2023	250,000	4.85%	February 1, 2012	100

THE PUBLIC EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF LEEDS • EDUCATIONAL FACILITIES REVENUE BONDS, SERIES 2008

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