

NEW ISSUE—BOOK-ENTRY ONLY

**RATING: Moody's: Aaa  
MBIA Insured**

*In the opinion of Bond Counsel, assuming compliance with certain covenants of the School District, interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations as more fully described under the caption "Tax Exemption" herein. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax.*

**\$35,000,000**

**West Chester Area School District  
Chester and Delaware Counties, Pennsylvania  
General Obligation Bonds, Series AA of 2003**

**Dated:** August 15, 2003

**Principal Due:** February 15, as shown on  
inside front cover

**Interest Due:** February 15 and August 15

**First Interest Payment:** February 15, 2004

The General Obligation Bonds, Series AA of 2003 (the "Bonds") in the aggregate principal amount of \$35,000,000 will be issued in registered book-entry form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration or transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to Commerce Bank/Pennsylvania, National Association (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its corporate trust office in Philadelphia, Pennsylvania. Interest on the Bonds is payable initially on February 15, 2004 and thereafter semiannually on February 15 and August 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting such payments to Beneficial Owners of the Bonds.

**The Bonds are subject to redemption prior to maturity as described herein.**

The Bonds are general obligations of the West Chester Area School District, Chester and Delaware Counties, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District presently unlimited as to rate or amount for such purpose (see "Security" and "Act 50 and Alternative Local Taxing Powers" herein).

Proceeds of the Bonds will be used to provide funds for and toward: (1) planning, designing, acquiring, constructing, equipping and furnishing additional school buildings or facilities in the School District or alterations, additions and renovations or improvements to existing school buildings and facilities; (2) capitalizing a portion of the interest on the Bonds, and (3) paying of the costs of issuing and insuring the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

**MBIA**

**MATURITIES, AMOUNTS, RATES AND YIELDS  
{As Shown on Inside Front Cover}**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Pepper Hamilton LLP, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Ross A. Unruh, Esquire, of Unruh, Turner, Burke & Frees, P.C., of West Chester, Pennsylvania, School District Solicitor. Public Financial Management of Harrisburg, Pennsylvania, will serve as the School District's Financial Advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about August 27, 2003.

**Wachovia Bank, National Association**

Official Statement Dated: July 21, 2003

**\$35,000,000**  
**West Chester Area School District**  
**Chester and Delaware Counties, Pennsylvania**  
**General Obligation Bonds, Series AA of 2003**

**Dated:** August 15, 2003  
**Interest Due:** February 15 and August 15

**Principal Due:** February 15, as shown below  
**First Interest Payment:** February 15, 2004

<u>Feb. 15</u>	<u>Amounts</u>	<u>Rates</u>	<u>Yields</u>
2024	\$ 6,565,000	4.600%	98.692%
2025	12,965,000	5.000	102.124
2026	13,580,000	5.000	102.044
2027	1,795,000	4.750	98.606

\$25,000 2.750% Term Bonds due February 15, 2009 at 99.246%  
 \$25,000 3.800% Term Bonds due February 15, 2014 at 99.146%  
 \$25,000 4.300% Term Bonds due February 15, 2019 at 98.664%  
 \$20,000 4.500% Term Bonds due February 15, 2023 at 98.000%

**WEST CHESTER AREA SCHOOL DISTRICT**  
Chester and Delaware Counties, Pennsylvania

**BOARD OF SCHOOL DIRECTORS**

Rogers Vaughn .....	President
Thomas G. Wolpert, Esquire .....	Vice President
Pauline A. Bachtle .....	Secretary*
Suzanne K. Moore .....	Treasurer*
Cynthia Benzing .....	Member
June L. Cardosi .....	Member
Terri Clark .....	Member
Joseph P. Green, Jr., Esquire.....	Member
Jessie Pincus .....	Member
Jeffrey T. Seagraves.....	Member
Gail Tomassini.....	Member

\*Non-Member

**SUPERINTENDENT**  
DR. ALAN G. ELKO

**DIRECTOR OF BUSINESS AFFAIRS**  
SUZANNE K. MOORE

**SCHOOL DISTRICT SOLICITOR**  
ROSS A. UNRUH, ESQUIRE  
UNRUH, TURNER, BURKE & FREES, P.C.  
West Chester, Pennsylvania

**BOND COUNSEL**  
PEPPER HAMILTON LLP

**FINANCIAL ADVISOR**  
PUBLIC FINANCIAL MANAGEMENT  
Harrisburg, Pennsylvania

**PAYING AGENT**  
COMMERCE BANK/PENNSYLVANIA, NATIONAL ASSOCIATION  
Philadelphia, Pennsylvania

**UNDERWRITER**  
WACHOVIA BANK, NATIONAL ASSOCIATION  
New York, New York

**SCHOOL DISTRICT ADDRESS**  
829 Paoli Pike  
West Chester, Pennsylvania

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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# OFFICIAL STATEMENT

**\$35,000,000**

**West Chester Area School District  
Chester and Delaware Counties, Pennsylvania  
General Obligation Bonds, Series AA of 2003**

## INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof, is furnished by West Chester Area School District, Chester and Delaware Counties, Pennsylvania (the "School District"), in connection with the offering of \$35,000,000 aggregate principal amount of its General Obligation Bonds, Series AA of 2003, dated as of August 15, 2003 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on July 21, 2003 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. Cons. Stat. § 8001 et seq., as amended (the "Act").

## PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to provide funds for and toward: (1) planning, designing, acquiring, constructing, equipping and furnishing additional school buildings or facilities in the School District or alterations, additions and renovations or improvements to existing school buildings and facilities; (2) capitalizing a portion of there interest on the Bonds, and (3) paying of the costs of issuing and insuring the Bonds.

## Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

### SOURCES:

Bonds.....	\$35,000,000.00
Accrued Interest.....	57,270.50
Original Issue Premium.....	440,923.30
Total.....	<u>\$35,498,193.80</u>

### USES:

Construction Fund Deposit.....	\$35,269,843.80
Costs of Issuance.....	228,350.00
Total.....	<u>\$35,498,193.80</u>

<sup>(1)</sup>Includes legal, financial advisor, printing, municipal bond insurance, rating, underwriter's discount/premium, CUSIP, paying agent, and miscellaneous costs.

## THE BONDS

### Description

The Bonds will be issued as fully registered book-entry only form in the denominations of \$5,000 and integral multiples thereof. The Bonds will be issued as one fully registered Bond for each maturity of the Bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. The Bonds will be dated August 15, 2003, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable initially on February 15, 2004, and semiannually thereafter on February 15 and August 15 until the principal sum thereof is paid.

### Payment of Principal and Interest

Subject to the provisions described under "BOOK-ENTRY ONLY SYSTEM" herein, principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the designated office of the Paying Agent.

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of authentication of the Bond, unless: (a) such Bond is authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such succeeding interest payment date, or (c) such Bond is authenticated on or prior to the Regular Record Date preceding February 15, 2004, in which event such Bond shall bear interest from August 15, 2003, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially on February 15, 2004, and thereafter, semiannually on February 15 and August 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last day of the calendar month (whether or not a business day) immediately preceding each interest payment date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds at least ten (10) days preceding such special record date but not more than thirty (30) days prior to the payment date of such defaulted interest.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust office or payment office of the Paying Agent are located are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

Subject to the provisions described under "BOOK-ENTRY ONLY SYSTEM" herein, Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to Commerce Bank/Pennsylvania, National Association (the "Paying Agent"), at its designated office in Philadelphia, Pennsylvania, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees, a new fully registered bond or bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

## **State Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. Such withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to such withholding provisions will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

## **Security**

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, presently without limitation as to rate or amount for such purpose. The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "State Enforcement of Debt Service Payments" herein).

Neither the credit nor the taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof, other than the School District, is pledged for the payment of interest or principal payable upon the Bonds.

## **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, West Chester Area School District General Obligation Bonds, Series AA of 2003" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by law, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest depository, is a limited-purpose trust company organized under the laws of the State of 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, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also 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 (the "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](http://www.dtcc.com). So long as the Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Bonds.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interest in the Bonds except in the event that use of the book-entry only system for the Bonds is discontinued under the circumstances described below under "Discontinuance of Book-Entry Only System."*

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be Beneficial Owners. The Direct 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 the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of the notices be provided directly to them.

So long as a nominee of DTC is the registered owner of the Bonds, references herein to the Bondholders or the holders or owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. The School District and the Paying Agent will recognize DTC or its nominee as the holder of all of the Bonds for all purposes, including the payment of the principal or Redemption Price of and interest on the Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution. Neither the School District nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.



**Discontinuation of Book-Entry Only System.** DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the School District and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. In addition, the School District may discontinue the book-entry only system for the Bonds at any time if it provides thirty (30) days' notice of such discontinuation to the Paying Agent and DTC that continuation of the book-entry only system is not in the best interests of the School District. Upon the giving of such notice, the book-entry only system for the Bonds will be discontinued unless a successor securities depository is appointed by the School District.

THE SCHOOL DISTRICT AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC 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 DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC 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 BONDS; (4) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

## Mandatory Redemption

The Bonds stated to mature on February 15, 2009, 2014, 2019 and 2023, are subject to redemption prior to maturity as required by the Resolution, in the amounts and on February 15 of the years shown below, from moneys in the Mandatory Sinking Fund account created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

### *Bonds stated to mature February 15, 2009:*

2005	\$5,000
2006	5,000
2007	5,000
2008	5,000
2009*	5,000

\*Maturity

### *Bonds stated to mature February 15, 2014:*

2010	\$5,000
2011	5,000
2012	5,000
2013	5,000
2014*	5,000

\*Maturity

### *Bonds stated to mature February 15, 2019:*

2015	\$5,000
2016	5,000
2017	5,000
2018	5,000
2019*	5,000

\*Maturity

### *Bonds stated to mature February 15, 2023:*

2020	\$5,000
2021	5,000
2022	5,000
2023*	5,000

\*Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

## Optional Redemption

The Bonds maturing on or after February 1, 2014 are subject to redemption prior to maturity, at the option of the School District, at par plus accrued interest to the date fixed for redemption, in whole or, from time to time, in part (and if in part, in any order of maturity as the School District shall select and within a maturity by lot), at any time on and after August 15, 2013.

## Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice by first class United States mail, postage prepaid, or by another method of giving notice which is acceptable to the Paying Agent and customarily used by fiduciaries for similar notices at the time such notice is given, not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of the mailing of any notice of optional redemption the School District shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the deposit or transfer of the redemption moneys with the Paying Agent not later than the opening of business on the redemption date, and that such notice shall be of no effect unless such moneys are so deposited.

### **Manner of Redemption**

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust office or payment office of the Paying Agent are located are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

### **The MBIA Insurance Corporation Insurance Policy**

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

### **MBIA**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands

of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA 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 the policy and MBIA set forth under the heading Appendix B. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **MBIA Information**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

*Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.*

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003 MBIA had admitted assets of \$9.3 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be 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 the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

## THE SCHOOL DISTRICT

### Introduction

The School District encompasses several communities in central Chester County and one municipality in western Delaware County and covers an area of approximately 75 square miles. The School District's boundaries are coterminous with those of the Borough of West Chester and the Townships of East Bradford, East Goshen, Thornbury, West Goshen, Westtown and West Whiteland, all located in Chester County, and the Township of Thornbury in Delaware County. The Borough of West Chester, located in the geographic center of the School District and county seat of Chester County, is approximately 25 miles west of metropolitan Philadelphia, 15 miles north of Wilmington, Delaware and 15 miles south of King of Prussia and Valley Forge. Many well known unincorporated communities are located within the School District and these include: Exton in West Whiteland Township, Goshenville in East Goshen Township, Chatwood in West Goshen Township, Cheyney and Glen Mills in Thornbury Township, Delaware County and Darlington Corners in Westtown Township.

West Chester Area School District is characterized by rolling hills and fertile valleys flanking the east branch of the Brandywine Creek and the tributaries of the Chester Creek. The Borough of West Chester is the financial and professional center for the surrounding area. The Townships are principally residential in character, with regional shopping centers and industrial parks. Four major public institutions are within the School District: West Chester University; Cheyney University; Chester County Courthouse; and Chester County Hospital.

### Administration

The School District is governed by a nine member Board of School Directors (the "School Board") who are elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education. The Director of Business Affairs is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

## School Facilities

The School District operates ten elementary schools, three middle schools and two high schools, all as described on the following table. Students at the secondary level also attend the Central Chester County Area Vocational Technical School.

**TABLE 1**  
**WEST CHESTER AREA SCHOOL DISTRICT FACILITIES**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date(s)</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2002-03 Enrollment</u>
Elementary:					
Mary C. Howse .....	1962	1965/97	K-5	700	497
Exton.....	1940	1953/57/91/92/93/00	K-5	920	732
East Goshen .....	1955	1960/64/67/95/01	K-5	858	557
Fern Hill.....	1955	1960/89	K-5	827	451
Glen Acres .....	1966	1997	K-5	664	477
Westtown-Thornbury.....	1954	1956/89	K-5	595	381
Penn Wood .....	1966	1970/89/01	K-5	827	548
East Bradford.....	1958	1966/70/89	K-5	764	538
Hillsdale.....	1976	---	K-5	796	475
Sarah W. Starkweather .....	1991	1998	K-5	764	540
E. N. Peirce Middle .....	1963	1998/01	6-8	930	1,043
G. A. Stetson Middle .....	1959	1961/98	6-8	930	851
J. R. Fugett Middle .....	1969	---	6-8	1,063	933
East High .....	1973	1976/92/93	9-12	1,727	1,595
Henderson High.....	1951	1956/64/76/94/98	9-12	1,981	1,972
Facilities & Operations Center....	1999	---	---	---	---
Spellman Administration	1924	1952/55/77/99	Admin/Gifted	---	---
Totals					11,590

Source: School District Officials. Enrollments do not include vo-tech students.

## Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 3 years, as prepared by the School District's administrative officials.

**TABLE 2**  
**WEST CHESTER AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>Actual Enrollments</u>					<u>Projected Enrollments</u>					
<u>School Year</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>	<u>School Year</u>	<u>Special Education</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>
1998-99	5,665	2,644	3,329	11,638	2003-04	159	5,005	2,788	3,663	11,615
1999-00	5,645	2,778	3,288	11,711	2004-05	159	5,036	2,690	3,762	11,647
2000-01	5,430	2,826	3,357	11,613	2005-06	159	5,000	2,690	3,751	11,600
2001-02	5,174	2,798	3,460	11,432						
2002-03	5,196	2,827	3,567	11,590						

Source: School District officials.

## SCHOOL DISTRICT FINANCES

### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Business Affairs and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

### Financial Reporting

For fiscal years ending June 30, 1998 through and including June 30, 2001, the School District organized its accounts on the basis of funds or groups of funds, each of which is a separate accounting entity. It maintains a General Fund for instructional, operation and administrative expenses, a Food Service Fund, Capital Fund, Debt Service Fund, and various school activity funds. Federal funds are appropriated by the School District during the fiscal year after grant commitments and project approvals are received. The School District keeps the books and prepares the financial reports for the General Fund according to a modified accrual basis of accounting. Major accrual items are payrolls, payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Taxes are credited when received.

As of July 1, 2001, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments, Statement No. 37, Basic Financial Statements—and Management Discussion and Analysis—For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

The School District financial statements are audited annually by an independent certified public accountant, as required by State law. The firm of Rainer & Company, Newtown Square, Pennsylvania, currently serves as the School District's auditor.

### Summary and Discussion of Financial Results

A summary of the comparative general fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows Net Assets of the School District. Table 6 shows revenues and expenditures for the past four years, unaudited 2002-03 and the budget for 2003-04.

**TABLE 3**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**  
**(Years ending June 30)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$14,037	\$1,092,892	\$7,080,580	\$2,279,380
Investments.....	9,831,440	13,384,680	5,480,484	12,660,162
Taxes Receivable.....	3,018,186	3,596,150	4,044,839	3,613,482
Due from other Funds.....	3,920,912	2,843,894	5,044,063	1,896,699
Due from other Governments.....	758,832	555,903	530,159	512,855
Other Receivables.....	47,335	357,319	152,530	160,613
Prepaid Expenditures.....	0	0	439,771	997,927
Inventories.....	0	0	0	0
Other.....	500	1,140	0	0
<b>TOTAL ASSETS</b> .....	<u>\$17,591,242</u>	<u>\$21,831,978</u>	<u>\$22,772,426</u>	<u>\$22,121,118</u>
<b>LIABILITIES</b>				
Due to Other Funds.....	\$1,389,546	\$4,647,769	\$1,256,566	\$343,382
Due to Other Governments.....	0	0	0	0
Accounts Payable.....	3,555,718	3,603,182	4,209,735	4,052,073
Accounts Payable and Accrued Liabilities.....	-	-	-	-
Post Retirement Health Care Benefits.....	0	0	1,601,118	1,601,118
Accrued Salaries & Benefits.....	5,735,815	5,517,180	3,183,587	2,545,749
Accrued Compensated Absences.....	0	0	544,034	615,260
Accrued Severance Pay.....	0	0	427,597	444,120
Deferred Revenues.....	2,358,995	2,964,671	3,338,212	2,772,963
<b>TOTAL LIABILITIES</b> .....	<u>\$13,040,074</u>	<u>\$16,732,802</u>	<u>\$14,560,849</u>	<u>\$12,374,665</u>
<b>FUND EQUITIES</b>				
Unreserved - Designated.....	\$1,354,658	\$2,618,133	\$2,924,248	\$3,121,082
Unreserved - Undesignated.....	3,196,510	2,481,043	5,287,329	6,625,371
<b>TOTAL FUND EQUITIES</b> .....	<u>\$4,551,168</u>	<u>\$5,099,176</u>	<u>\$8,211,577</u>	<u>\$9,746,453</u>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b> .....	<u>\$17,591,242</u>	<u>\$21,831,978</u>	<u>\$22,772,426</u>	<u>\$22,121,118</u>

Source: School District Annual Financial Reports and Audit. See "Financial Reporting" herein.



**TABLE 4**  
**WEST CHESTER AREA SCHOOL DISTRICT GENERAL FUND**  
**SUMMARY OF CHANGES IN GENERAL FUND BALANCE\***  
**(For years ending June 30)**

	Actual				Unaudited	Budgeted
	1999	2000	2001	2002	2003 <sup>(2)</sup>	2004 <sup>(2)</sup>
Beginning Fund Balance .....	\$4,551,169	\$5,099,177	\$8,211,577	\$12,770,852	\$7,608,576	\$7,687,840
Revenues over (under) Expenditure .....	548,008	3,112,400	1,534,875	(5,162,276)	79,264	(7,449,461)
<b>Ending Fund Balance.....</b>	<b>\$5,099,177</b>	<b>\$8,211,577</b>	<b>\$9,746,452</b>	<b>\$7,608,576</b>	<b>\$7,687,840</b>	<b>\$238,379</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>As of July 1, 2001, the basic financial statements have been changed in format and content to comply with Governmental Accounting Standards Board Statement No 34.

<sup>(2)</sup>Unaudited, as of July 1, 2003. See "Summary and Discussion of Financial Results" herein.

<sup>(3)</sup>Budget as adopted July 1, 2003. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

### Revenue

The School District received an unaudited \$134,894,075 in revenue in 2002-03 and has budgeted revenue of \$140,017,530 in 2003-04. Local sources increased as a share of total revenue in the past five years, from 79.9 percent in 1998-99 to an unaudited 80.8 percent in 2002-03. Revenue from State sources decreased as a share of the total revenue from 17.3 percent to an unaudited 15.7 percent over this period. Federal revenue increased as a share of total revenue at 1.3 percent during this to 1.9 percent over this period. Other revenue remained constant over this period.

### Taxing Powers

The School District on the date here of is empowered by the Pennsylvania Public School Code and other statutes to levy the following taxes:

1. An ad valorem tax on all property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.

2. An unlimited ad valorem tax on all property taxable for school purposes to provide funds for:

(a) minimum salaries and increments for the teaching and supervisory staff;

(b) rentals due any municipality authority, or non-profit corporation, or due the State Public School Building Authority;

(c) interest and principal on any indebtedness incurred under the Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and

(d) amortization of bonds to finance construction of school facilities, if issued prior to the first Monday in July, 1959.

3. An annual per capita tax on each resident over eighteen years old of not more than \$5.00.

4. Additional taxes levied under the Local Tax Enabling Act (Act 511 of 1965), including per capita, wage and other earned income, real estate transfer gross receipts and occupation taxes, subject to sharing with other political subdivisions authorized to levy similar taxes on the same person, property, transaction or income. A school district cannot levy these taxes in an amount which exceeds the equivalent of 12 mills on the market value of taxable real estate (such market value to be certified by the State Tax Equalization Board).

TABLE 5  
 WEST CHESTER AREA SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 June 30, 2002

	<u>2002<sup>(1)</sup></u>
<b><u>ASSETS</u></b>	
Current:	
Cash and Cash Equivalents.....	\$19,594
Investments.....	101,440,156
Taxes Receivable.....	3,711,049
Due from other Governments.....	182,541
Other Receivables.....	278,246
Prepaid Expenditures.....	38,827
Inventories.....	1,024,761
<b>TOTAL CURRENT ASSETS.....</b>	<b><u>\$106,695,174</u></b>
Capital Assets:	
Land.....	2,854,869
Land Improvements.....	3,547,465
Buildings.....	140,791,840
Construction in Progress.....	20,150,703
Furniture and Equipment.....	13,184,993
Less: Accumulated Depreciation.....	<u>(66,581,103)</u>
<b>TOTAL CAPITAL ASSETS, NET OF DEPRECIATION.....</b>	<b><u>113,948,767</u></b>
Other Assets:	
Deferred Bond Issuance Costs.....	<u>59,674</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$220,703,615</u></b>
<b><u>LIABILITIES</u></b>	
Current:	
Accounts Payable and Accrued Liabilities.....	\$11,580,444
Bond and Notes Payable Within One Year.....	7,178,000
Deferred Revenues.....	2,059
Accrued Interest.....	<u>1,535,608</u>
<b>TOTAL CURRENT LIABILITIES.....</b>	<b><u>20,296,111</u></b>
Long-Term:	
Bonds and Notes Payable Due After One Year.....	178,216,483
Accrued Severance and Compensated Absences.....	<u>4,274,109</u>
<b>TOTAL LONG-TERM LIABILITIES.....</b>	<b><u>182,490,592</u></b>
<b>TOTAL LIABILITIES.....</b>	<b><u>202,786,703</u></b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt.....	0
Unrestricted.....	<u>17,916,912</u>
<b>TOTAL FUND EQUITIES.....</b>	<b><u>17,916,912</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS.....</b>	<b><u>\$220,703,615</u></b>

Source: School District Audit Report. See "Financial Reporting" herein.

<sup>(1)</sup>As of July 1, 2001, the basic financial statements have been changed in format and content to comply with Governmental Accounting Standards Board Statement No 34.

## **Act 50 and Alternative Local Taxing Powers**

Under Act No. 1998-50, signed into law on May 5, 1998 (hereinafter "Act 50"), school districts are granted the option to levy an earned income and net profits tax of up to 1.5% to replace certain occupation, occupational privilege, per capita and other "nuisance" taxes authorized under Act 511 of 1965 and the Public School Code as well as to reduce real property taxes through a homestead (and farmstead) exclusion and a reduction in the real estate millage rate. No earned income and net profits tax may be imposed under the provisions of Act 50, however, unless approved by voter referendum. The earliest such a referendum could appear on the ballot in any school district was November, 2000, and if the board of school directors does not place such a referendum on the ballot within 2 years from the effective date of Act 50, Act 50 provides for such a referendum to be placed on the ballot in a subsequent year upon petition of at least 5% of the voters.

For the first fiscal year in which an earned income and net profits tax is implemented in accordance with Act 50, all revenue received from such tax is to be used first to offset any lost revenue from the taxes replaced, second to provide for an increase in budgeted revenues over the preceding year in accordance with the amount, if any, specified in the approved referendum, and third to reduce the school district real property tax by means of a homestead (and farmstead) exclusion – a fixed dollar amount of the assessed value of each homestead or farmstead property, not to exceed one-half the median assessed value of all homestead properties in the school district, may be excluded from taxation – and, to the extent necessary, a reduction in the real estate tax millage rate.

Once an earned income and net profits tax is implemented under Act 50, the school district may not increase the rate of its tax on real property without the approval of the voters in a referendum (a so-called "back-end referendum"), unless the rate increase can be certified as not causing local school tax revenue (excluding taxes levied on newly constructed buildings or improvements to existing buildings) to increase by more than the percentage increase in the statewide average weekly wage in the preceding year. Act 50 provides exceptions to the back-end referendum for real property tax increases that are necessary to fund the response to a declared emergency or disaster, to implement court or administrative orders, to pay interest and principal on indebtedness incurred under the Local Government Unit Debt Act (but no new debt may be incurred under this exception for purposes other than refinancing), to respond to conditions posing an immediate threat of physical harm, to special purpose tax levies approved by the voters, and to maintain per-student local tax revenue, adjusted by the percentage increase in the statewide average weekly wage, in a school district experiencing rapid student enrollment growth (as defined by Act 50).

Until a school district implements the earned income and net profits tax authorized by Act 50, with the approval of the voters in a referendum, the school district retains the taxing powers granted by Act 511 of 1965 and the Public School Code, but certain restrictions have been placed by Act 50 upon the levy of amusement taxes, sign privilege taxes and motor vehicle transfer taxes, irrespective of whether a school district implements the earned income and net profits tax authorized by Act 50.

A school district's power to levy and collect real estate transfer taxes or business and mercantile privilege taxes on gross receipts is unaffected by Act 50.

### **Current Status of Act 50 Process**

The School District has not placed a referendum question on the ballot. In addition, the School District has no knowledge of the circulation by voters of a referendum petition.

### **Recent State Law Authorizing Replacement of the School District's Occupation Tax With an Increase in the Local Earned Income Tax**

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

### **Other Legislative Proposals to Change Public Education Funding in the Commonwealth**

Other legislative proposals to change public education funding in the Commonwealth and provide local property tax relief are under consideration by the legislature currently, and further proposals may be considered from time to time in the future. For example, one such proposal, Senate Bill 100, provides an alternative to the Commonwealth Administration's proposal to increase certain Commonwealth taxes in order to provide local property tax relief. Senate Bill 100 would require most Pennsylvania school districts to conduct referenda on the question of whether or not to impose or increase a local earned income tax in order to provide dollar-for-dollar residential property tax relief. In its initial form, for school districts in which the voters approve the local change in taxation, the Bill would impose limits on tax increases, with a few exceptions, among which is an exception for increases to pay debt service on existing debt, and refinancing existing debt. The School District closely monitors the progress of such legislative efforts, but can make no prediction concerning the final form of such proposals or the likelihood of enactment of such measures.

**TABLE 6**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**REVENUES AND EXPENDITURES\***  
**(For years ending June 30)**

REVENUE:	Actual				Unaudited 2003 <sup>(1)</sup>	Bludget 2004 <sup>(2)</sup>
	1999	2000	2001	2002		
<b>Local Sources:</b>						
Real Estate Taxes (Current).....	\$62,601,970	\$67,096,790	\$72,202,462	\$77,896,984	\$84,186,000	\$90,256,156
Interim Real Estate Taxes.....	2,835,825	4,659,395	4,680,143	4,214,280	3,900,000	2,800,000
Total Act 511 Taxes.....	13,717,931	14,620,479	15,768,720	16,417,218	17,150,000	16,384,000
Public Utility Realty Tax.....	905,285	776,630	305,976	186,655	160,000	120,000
Delinquencies on Taxes Levied.....	1,766,671	2,015,631	2,645,454	2,508,503	2,500,000	1,900,000
Earnings from Temporary Deposits & Investments.....	1,736,933	2,134,463	2,476,104	1,049,956	600,000	784,540
State Revenue Rec'd from Other Intermediate Sources.....	0	105,051	60,000	9,922	-	-
Federal Revenue Rec'd from Other Intermediate Sources.....	0	60,469	103,056	333,142	-	-
Payment in Lieu of Taxes.....	0	3,303	6,463	0	-	-
Tuition from Patrons.....	138,863	186,851	69,989	288,574	320,000	320,000
Other Sources.....	96,798	28,645	28,471	24,083	126,000	186,000
<b>Total Local Sources.....</b>	<b>\$83,800,276</b>	<b>\$91,687,705</b>	<b>\$98,346,838</b>	<b>\$102,929,317</b>	<b>\$108,942,000</b>	<b>\$112,750,696</b>
<b>State Sources:</b>						
<b>Total State Sources.....</b>	<b>\$18,109,052</b>	<b>\$18,894,840</b>	<b>\$18,870,883</b>	<b>\$19,588,910</b>	<b>\$21,143,404</b>	<b>\$22,568,150</b>
<b>Federal Sources:</b>						
<b>Total Federal Sources.....</b>	<b>\$1,323,219</b>	<b>\$1,595,658</b>	<b>\$1,370,912</b>	<b>\$1,538,248</b>	<b>\$2,625,129</b>	<b>\$2,783,905</b>
<b>Other Sources:</b>						
<b>Total Other Sources.....</b>	<b>\$1,679,088</b>	<b>\$2,582,653</b>	<b>\$1,771,283</b>	<b>\$2,057,016</b>	<b>\$2,183,542</b>	<b>\$1,914,779</b>
<b>Fund Balance</b>						
<b>Total Fund Balance.....</b>						
<b>TOTAL REVENUE.....</b>	<b>\$104,911,635</b>	<b>\$114,760,857</b>	<b>\$120,359,915</b>	<b>\$126,113,491</b>	<b>\$134,894,075</b>	<b>\$140,017,530</b>
<b>EXPENDITURES:</b>						
Instruction.....	\$63,224,822	\$67,427,687	\$70,040,083	\$74,534,586	\$76,774,978	\$80,744,129
Pupil Personnel.....	2,777,199	3,348,152	3,930,016	4,468,714	4,838,635	5,002,245
Support Services - Administration.....	5,426,769	5,830,558	3,653,320	6,966,410	7,843,719	8,070,730
Support Services - Pupil Health.....	1,128,490	1,164,931	6,084,838	1,309,518	1,611,493	1,718,093
Support Services - Other.....	4,080,494	134,814	1,286,858	0	0	0
Business.....	0	831,573	849,630	992,173	1,142,009	1,212,433
Instructional Staff.....	0	3,128,586	0	4,107,506	4,081,399	4,585,274
Central Support Services.....	0	726,445	1,042,813	1,531,360	2,094,521	2,246,206
Pupil Transportation.....	7,548,326	8,131,163	8,764,706	8,901,161	9,174,855	9,687,942
Community Services.....	0	0	0	137,150	92,581	68,032
Operation & Maintenance.....	9,074,666	9,173,211	9,476,315	10,441,129	11,354,725	12,227,645
Noninstructional Services.....	1,965,942	1,982,352	2,001,260	2,075,496	2,107,717	2,357,616
Facilities Acquisition.....	96,489	213,135	248,256	525,645	350,000	277,194
Budgetary Reserves & Transfers.....	329,125	0	308,392	3,300,834	1,075,161	3,517,000
Debt Service.....	8,711,305	9,555,848	11,001,922	11,984,085	12,132,518	15,607,452
Other (Federal).....	0	0	0	0	0	0
Other Support Services.....	0	0	136,631	0	140,500	145,000
<b>TOTAL EXPENDITURES.....</b>	<b>\$104,363,627</b>	<b>\$111,648,455</b>	<b>\$118,825,040</b>	<b>\$131,275,767</b>	<b>\$134,814,811</b>	<b>\$147,466,991</b>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES.....</b>	<b>\$548,008</b>	<b>\$3,112,402</b>	<b>\$1,534,875</b>	<b>(\$5,162,276)</b>	<b>\$79,264</b>	<b>(\$7,449,461)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Unaudited, as of June 9, 2003, subject to change and final audit.

<sup>(2)</sup>Budget as adopted June 9, 2003. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financials Reports and Budget.

## Tax Levy Trends

Table 7 which follows shows the recent trend of tax rates levied by the School District. Table 8 shows the comparative trend of real property tax rates for the School District, the Borough and seven Townships and the County.

TABLE 7

### WEST CHESTER AREA SCHOOL DISTRICT TAX RATES

<u>Year</u>	<u>Chester County (mills)</u>	<u>Delaware County (mills)</u>	<u>Real Estate Transfer<sup>(1)</sup> (%)</u>	<u>Wage and Income<sup>(1)</sup> (%)</u>
1998-99.....	10.69	408.60	1.00	1.00
1999-00.....	11.06	433.10	1.00	1.00
2000-01.....	11.38	10.56 <sup>(2)</sup>	1.00	1.00
2001-02.....	11.63	11.50	1.00	1.00
2002-03.....	12.11	11.13	1.00	1.00
2003-04.....	12.59	10.20	1.00	1.00

<sup>(1)</sup>Based on countywide reassessment in Chester County, which became effective in 1998, and on countywide reassessment in Delaware County, which became effective in 2000. See "Real Property Tax" below.

Source: School District officials.

TABLE 8

### WEST CHESTER AREA SCHOOL DISTRICT COMPARATIVE REAL PROPERTY TAX RATES (Mills on Assessed Value)

	<u>1998<sup>(1)</sup></u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
School District.....	10.690	11.060	11.380	11.630	12.110
East Bradford Township.....	0.071	0.071	0.071	0.071	0.071
East Goshen Township.....	0.000	0.000	0.000	0.000	0.000
Thornbury Township.....	0.760	0.680	0.680	0.680	0.680
Thornbury Township (Delaware County).....	0.000	0.000	0.000	0.000	0.000
West Chester Borough.....	3.949	3.949	3.949	3.949	3.949
West Goshen Township.....	0.850	0.850	0.850	0.850	0.850
West Whiteland Township.....	0.600	0.600	0.600	0.600	0.600
Westtown Township.....	0.410	0.410	0.410	0.410	0.410
Chester County.....	2.348	2.348	3.014	3.014	3.178

Source: Local Government officials.

<sup>(1)</sup>Based on countywide reassessment which became effective in 1998.

## Real Property Tax

The real property tax including interim collections (excluding delinquent collections) produced \$84,186,000 in 2002-03, approximately 62.4 percent of overall revenue.

The following tables summarize recent trends of assessed and market valuations of real property. Table 9 shows real property assessment data for the School District, Table 10 shows assessment by municipality and Table 11 shows assessment by land use. Table 11 summarizes recent trends in real property tax collection. The last countywide assessment in Chester County was in 1998 and for Delaware County was in 2000.

TABLE 9

WEST CHESTER AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value
2002	\$6,953,494,103	\$6,953,494,103
2001	6,067,531,900	6,642,295,082
2000	5,796,677,500	5,995,335,520
1999 <sup>(1)</sup>	5,148,238,400	5,805,803,365
1998	4,976,951,300	383,803,365
Compound Average Annual Percentage Change	6.92%	3.67%

Source: Assessed Value as reported by School District officials.  
Market Value as reported by the Pennsylvania State Tax Equalization Board.  
<sup>(1)</sup>Based on countywide reassessment.

TABLE 10

WEST CHESTER AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2000 Market Value	2000 Assessed Value	2001 Market Value	2001 Assessed Value
<i>School District</i> .....	\$5,796,677,500	\$6,657,912,673	\$6,067,531,900	\$6,926,978,642
<i>Chester County</i> .....	25,421,029,200	28,771,165,760	26,246,324,900	29,586,289,755
East Bradford Township.....	595,284,300	682,976,469	632,204,800	720,478,269
East Goshen Township.....	1,170,363,500	1,326,372,945	1,202,738,500	1,358,705,424
Thornbury Township.....	205,299,700	208,858,379	246,023,400	241,527,709
Thornbury Township (Delaware County).....	282,253,000	359,376,970	279,674,100	356,290,229
West Chester Borough.....	543,810,700	608,976,370	538,823,500	604,102,060
West Goshen Township.....	1,298,952,000	1,491,952,450	1,363,774,500	1,558,391,840
West Whiteland Township.....	600,063,100	672,531,700	609,505,200	682,016,250
Westtown Township.....	1,100,651,200	1,306,867,390	1,194,787,900	1,405,466,860

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

WEST CHESTER AREA SCHOOL DISTRICT  
ASSESSMENT BY LAND USE

	1997	1998 <sup>(1)</sup>	1999	2000	2001
Residential.....	\$286,411,600	\$4,546,199,600	\$4,377,714,885	\$4,929,047,554	\$5,123,479,971
Lots.....	0	114,400	79,202,640	100,715,929	85,146,750
Industrial.....	15,965,720	147,131,560	151,991,970	159,545,580	159,545,140
Commercial.....	70,941,520	931,406,240	1,369,400,530	1,446,513,770	1,532,766,651
Agriculture.....	5,937,190	28,686,040	24,761,050	22,089,840	26,040,130
Land/Other.....	6,463,600	157,706,420	0	0	0
<b>Total</b> .....	<b>\$385,719,630</b>	<b>\$5,811,244,260</b>	<b>\$6,003,071,075</b>	<b>\$6,657,912,673</b>	<b>\$6,926,978,642</b>

Source: Pennsylvania State Tax Equalization Board.  
<sup>(1)</sup>Based on countywide reassessment.

TABLE 12

WEST CHESTER AREA SCHOOL DISTRICT  
REAL PROPERTY TAX COLLECTION DATA

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levied<sup>(1)</sup></u>	<u>Collections Amount</u>	<u>Collections as Percent</u>	<u>Collections Amount<sup>(2)</sup></u>	<u>Collections as Percent</u>
1997-98.....	\$383,583,710	154.6	\$61,021,853	\$58,827,590	96.4%	\$60,605,139	99.3%
1998-99 <sup>(3)</sup> .....	5,805,803,365	10.69	64,981,410	62,648,143	96.4%	64,416,791	99.1%
1999-00.....	5,995,335,520	11.06	69,543,474	67,111,411	96.5%	69,127,042	99.4%
2000-01.....	6,642,295,082	11.38	75,298,979	72,202,462	95.9%	74,847,916	99.4%
2001-02.....	6,953,803,644	11.63	80,826,088	77,896,984	96.4%	80,407,487	99.5%

Source: School District officials.

<sup>(1)</sup>Plus penalties, less discounts and exonerations.

<sup>(2)</sup>Includes real property assessments plus delinquent collections.

<sup>(3)</sup>Reassessment became effective in Chester County.

The ten largest real property taxpayers, together with 2002-03 assessed values, are shown on Table 13 which follows. The aggregate assessed value of these ten taxpayers totals approximately 4.0 percent of total assessed value.

TABLE 13

WEST CHESTER AREA SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS, 2002-03

<u>Owner</u>	<u>Property</u>	<u>2002 Assessed Value</u>
Exton Square, Inc.	Shopping Mall	\$110,509,830
QVC	Indust.Bldg./TV Shopping	48,371,130
Hankin Family Limited	Farm, Apartments, Office	22,048,750
National Properties	Apartment Complex	20,700,020
Exton Whiteland Dev. Co.	Shopping Center	19,416,880
Whiteland Associates	Shopping Center	17,272,140
Westtown Apts. Inc.	Apartment Complex	16,667,750
Hankin Group	Apartment Building	16,453,180
Thomas Meeting Assoc.	Apartment Complex	16,294,020
Capital Enterprises, Inc.	Shopping Center	15,145,770
<b>Total</b>		<b>\$302,879,470</b>

Source: School District officials.

<sup>(1)</sup>Subject to tax appeal before the Chester County Board of Assessment Appeals, includes anchor department stores.

**Other Taxes**

Under Act 511, the School District collected \$16,417,218 in taxes in 2001-02. Among the taxes authorized by Act 511, the Real Estate Transfer Tax and Wage and Income Taxes are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was approximately \$83,441,929.

*Real Estate Transfer.* The School District levies a tax of one-half percent of the value of real estate transfers. In 2001-02 the School District's collected portion of this tax yielded \$3,704,551, or 3.0 percent of total revenue.

*Wage and Income Tax.* The School District levies a tax of one-half percent of the earned income of residents. In 2001-02 the collected portion of this tax yielded \$12,712,667 or 10.2 percent of total revenue.



**State Aid to School Districts**

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the State. School districts also receive subsidies for special education, pupil transportation, vocational education, health service and debt service are also received by the school district.

State law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be an estimated maximum of 20.0037 percent. The School District CARF for the 2003-04 school year is currently 27.54 percent. The product of these two factors is 5.51 percent, which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's CARF changes, or as a result of future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to that of other school districts in the Commonwealth.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 14 which follows shows the debt of the West Chester Area School District as of July 15, 2003 and the Bonds.

**TABLE 14**

**WEST CHESTER AREA SCHOOL DISTRICT  
DEBT STATEMENT  
(As of July 15, 2003)\***

	<u>Gross Outstanding</u>
<b>NET NONELECTORAL DEBT</b>	
General Obligation Bonds, Series AA of 2003 (last maturity 2027).....	\$35,000,000
General Obligation Notes, Series A of 2003 (last maturity 2026).....	35,000,000
General Obligation Notes, Series B of 2003 (last maturity 2026) .....	35,867,041
General Obligation Bonds, Series A of 2003 (last maturity 2016).....	21,995,000
General Obligation Bonds, Series of 2003 (last maturity 2022).....	30,000,000
General Obligation Bonds, Series AA of 2002 (last maturity 2011).....	16,265,000
General Obligation Bonds, Series A of 2002 (last maturity 2005).....	9,345,000
General Obligation Bonds, Series of 2002 (last maturity 2023).....	30,000,000
General Obligation Bonds, Refunding Series of 2001 (last maturity 2022).....	10,030,000
General Obligation Notes, Series of 2001 (last maturity 2004)	
Delaware Valley Regional Finance Authority.....	20,000,000
General Obligation Bonds, Series of 2001 (last maturity 2022).....	9,670,000
General Obligation Note, Series of 2000 (last maturity 2004)	
Dauphin County General Authority.....	15,250,000
General Obligation Note, Series B of 2000 (last maturity 2015)	
Delaware Valley Regional Finance Authority.....	12,196,000
General Obligation Bonds, Series of 1999 (last maturity 2016).....	8,365,000
General Obligation Bonds, Series A of 1998 (last maturity 2017).....	14,965,000
General Obligation Bonds, Series of 1996 (last maturity 2014).....	11,920,000
Subtotal.....	<u>315,868,041</u>
Less: Debt Deemed Self-liquidating .....	(35,000,000)
Less: 2003-04 Budgeted Principal Amounts.....	(7,092,000)
<b>GROSS NONELECTORAL DEBT</b> .....	<u>\$273,776,041</u>
<b>LEASE RENTAL DEBT</b>	
<b>NET LEASE RENTAL DEBT</b>	<u>\$ 0</u>
<b>TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT</b>	<u>\$273,776,041</u>

\*Includes the Bonds offered through this Official Statement.

Table 15 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$273,776,041. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$267,121,882.

**TABLE 15**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of July 15, 2003)**

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt.....	\$273,776,041	\$267,121,882
Lease Rental Debt.....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<u>\$273,776,041</u>	<u>\$267,121,882</u>
<b>OVERLAPPING DEBT</b>		
Chester County, General Obligation <sup>(2)</sup> .....	\$53,972,069	\$53,972,069
Delaware County, General Obligation <sup>(3)</sup> .....	94,846,451	94,846,451
Municipal Debt.....	64,151,146	64,151,146
<b>TOTAL OVERLAPPING DEBT</b> .....	<u>\$212,969,667</u>	<u>\$118,123,215</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<u>\$486,745,708</u>	<u>\$385,245,098</u>
<b>DEBT RATIOS</b>		
Per Capita.....	\$4,809.41	\$3,806.51
Percent 2002-03 Assessed Value.....	7.00%	5.54%
Percent 2002-03 Market Value (estimated).....	7.00%	5.54%
Debt retired within 10 years (estimated).....	87.10%	

\*Includes the Bonds offered through this Official Statement.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current CARF. See "State Aid to School Districts". The School District may, at any time, claim a credit against the gross principal of debt outstanding.

Does not include self-supporting debt of the County or local municipalities.

<sup>(2)</sup>Pro rata 23.1 percent share of \$233,476,000 principal outstanding.

<sup>(3)</sup>Pro rata 27.6 percent share of \$312,298,990 principal outstanding.

**Debt Limit and Remaining Borrowing Capacity**

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2000-01.....	\$117,522,475
Total Revenues for 2001-02.....	123,035,874
Total Revenues for 2002-03 (unaudited).....	\$131,560,533
 Total Revenues, Past Three Years.....	 <u>\$ 372,118,882</u>
 Annual Arithmetic Average (Borrowing Base) .....	 \$ 124,039,627

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base.....	\$279,089,161	\$267,121,282	\$ 11,967,879

\*Includes the Bonds described herein, reflects against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State Aid , and reflects principal maturities budgeted for in the 2003-04 school year.

**Debt Service Requirements**

Table 16 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 17 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

TABLE 16

WEST CHESTER AREA SCHOOL DISTRICT  
DEBT SERVICE REQUIREMENTS\*

Year	Other General Obligation Debt	Series AA of 2003		Subtotal	Total Requirements
		Principal	Interest		
2002-03	\$8,100,416	\$ 0	\$ 0	\$ 0	\$ 8,100,416
2003-04	14,101,317	0	859,058	859,058	14,960,374
2004-05	16,061,404	5,000	1,718,115	1,723,115	17,784,519
2005-06	16,264,398	5,000	1,717,978	1,722,978	17,987,375
2006-07	16,259,648	5,000	1,717,840	1,722,840	17,982,488
2007-08	16,241,964	5,000	1,717,703	1,722,703	17,964,667
2008-09	16,251,086	5,000	1,717,565	1,722,565	17,973,651
2009-10	16,100,259	5,000	1,717,428	1,722,428	17,822,687
2010-11	13,950,138	5,000	1,717,238	1,722,238	15,672,376
2011-12	13,932,025	5,000	1,717,048	1,722,048	15,654,072
2012-13	13,933,117	5,000	1,716,858	1,721,858	15,654,975
2013-14	13,931,348	5,000	1,716,668	1,721,668	15,653,015
2014-15	13,936,294	5,000	1,716,478	1,721,478	15,657,771
2015-16	11,393,707	5,000	1,716,263	1,721,263	13,114,969
2016-17	11,477,056	5,000	1,716,048	1,721,048	13,198,103
2017-18	7,836,983	5,000	1,715,833	1,720,833	9,557,815
2018-19	7,771,668	5,000	1,715,618	1,720,618	9,492,286
2019-20	7,776,908	5,000	1,715,403	1,720,403	9,497,311
2020-21	7,780,008	5,000	1,715,178	1,720,178	9,500,186
2021-22	7,768,263	5,000	1,714,953	1,719,953	9,488,216
2022-23	2,353,750	5,000	1,714,728	1,719,728	4,073,478
2023-24	2,352,000	6,565,000	1,714,503	8,279,503	10,631,503
2024-25		12,965,000	1,412,513	14,377,513	14,377,513
2025-26		13,580,000	764,263	14,344,263	14,344,263
2026-27		1,795,000	85,263	1,880,263	1,880,263
<b>Total</b>	<b>\$255,573,755</b>	<b>\$35,000,000</b>	<b>\$37,450,533</b>	<b>\$72,450,533</b>	<b>\$297,422,250</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Does not include the Dauphin County General Authority Note, Series of 2000 as well as the Delaware Valley Regional Finance Authority Note, Series of 2001. The interest earnings on these Notes will be sufficient to pay the interest expense until the proceeds are spent, at which time permanent financing will be put in place.

TABLE 17

WEST CHESTER AREA SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY STATE AID\*

2002-03 unaudited State Aid Received .....	\$21,143,404
2002-03 (unaudited) Debt Service Requirements .....	\$12,132,518
Maximum Future Debt Service Requirements after Issuance of Bonds.....	\$17,987,375
Coverage of 2002-03 Debt Service Requirements .....	1.74 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	1.18 times

\*Assumes current State Aid Ratio. See "State Aid to School Districts."

**Future Financing**

The School District anticipates issuing additional debt in the future to complete its Capital Improvement Program.

**LABOR RELATIONS**

**School District Employees**

There are approximately 1,300 employees of the School District.

The School District has a contract through June 30, 2003 with the West Chester Education Association (the "Association"), which is affiliated with the Pennsylvania State Education Association (PSEA), covering the professional employees of the School District other than administrators. The PSEA acts as a bargaining agent for such employees under the conditions of Pennsylvania Law (Act 195) providing for collective bargaining. Professional employees have a right to strike under Act 195, as amended, if bargaining, fact-finding and mediation do not result in agreement on a new contract. Secretarial and clerical personnel are represented by the Pennsylvania Education Association under a contract which expires June 30, 2006. Custodial and maintenance personnel area represented by P.E.A. under a contract which expires June 30, 2004.

**Pension Program**

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

The School District contribution rate for the 2003-04 employer retirement contribution rate is 3.77 percent of payroll. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District payments have been as follows:

1997-98	.....	\$ 4,738,067
1998-99	.....	\$ 3,385,955
1999-00	.....	\$ 2,702,255
2000-01	.....	\$ 1,205,700
2001-02	.....	\$ 720,000

Benefits for retirees are established by the Pennsylvania General Assembly, and may be changed from time to time. The Public School Employees' Retirement System (the "Funds"), as computed by an independent actuarial valuation, was fully funded as of June 30, 2002. Since no unfunded liabilities remain, all employer contributions will be supporting current service of active members. The Funds' net assets held in trust for pension and post employment healthcare benefits on June 30, 2002 totaled \$43.6 billion at fair value as presented in PSERS's Comprehensive Annual Financial Report (CAFR). The financial Statements in the CAFR are presented in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The funds' decrease in net assets held in trust for pension benefits from June 30, 2001 to June 30, 2002 was \$4.6 billion. The Funds' complete report is available on the PSERS site on the Internet . . . . [www.psers.state.pa.us](http://www.psers.state.pa.us).

Source: PSERS – Financial Highlights.

**LITIGATION**

There is no litigation pending or threatened with respect to the Bonds or the Resolution or the right of the School District to issue the Bonds.

**DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing actions in assumpsit in the Court of Common Pleas of Chester and Delaware Counties. The Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## TAX EXEMPTION

In the opinion of Bond Counsel, assuming compliance with certain covenants of the School District, interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds will not be an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the Bonds may give rise to collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the Bonds should consult their own tax advisors as to collateral federal income tax consequences.

The initial public offering price of Bonds of certain maturities is less than the amount payable at maturity. The difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of such original issue discount allocable to the original and each subsequent holder will, upon sale, exchange, redemption, or payment at maturity, be treated as interest and excluded from gross income for federal income tax purposes to the same extent as the stated interest on the Bonds.

The initial public offering price of Bonds of certain maturities (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. Bond Counsel expresses no opinion herein with respect to the treatment of such excess of offering price over amounts payable at maturity. Investors should seek advice from their own tax advisor.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to remain excludable from the gross income of the owners of the Bonds for federal income tax purposes. The School District has covenanted in the Resolution to comply with such requirements. Noncompliance with such requirements may cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds for federal income tax purposes, retroactive to the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with such covenants and Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Bond Counsel is of the opinion that, under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax.

*The Bonds have not been designated as "qualified tax-exempt obligations".*

Pursuant to the provisions of Act 68 of 1993 of the Commonwealth of Pennsylvania ("Act 68"), gain from the sale of obligations of the Commonwealth of Pennsylvania or any agency or governmental unit or political subdivision thereof or Authority created thereby issued after February 1, 1994, shall be subject to Pennsylvania personal income tax. Bond Counsel expresses no opinion as to the treatment of original issue discount in the computation of gain from the sale of the Bonds pursuant to Act 68.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the School District will agree:

- (i) to file annually, with each nationally recognized municipal securities information repository ("NRMSIR") and with the state information depository, if any, for the Commonwealth of Pennsylvania ("SID") (there is no SID as of the date of this Official Statement), not later than 180 days following the end of each fiscal year of the School District, beginning with the fiscal year ending June 30, 2003, the following financial information and operating data with respect to the School District:
  - the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
  - a summary of the budget for the new fiscal year
  - the assessed value and aggregate market value of all taxable real estate for the new fiscal year

- the taxes and millage rates imposed for the new fiscal year
  - the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
  - a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the new fiscal year
  - pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible)
- (ii) in a timely manner, to file with each NRMSIR or with the Municipal Securities Rulemaking Board ("MSRB") and with the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; (11) rating changes; and (12) failure to provide annual financial information as required.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the School District does not commit to provide any such notice of the occurrence of any events except those specifically listed above.

The School District reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the School District no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders or beneficial owners of the Bonds and shall be enforceable by the holders or beneficial owners of such Bonds; provided that the Bondholders' right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

The School District has complied with all prior written undertakings under the Rule to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities.

#### RATING

Moody's Investors Service has assigned its municipal bond rating of "Aaa" to this issue of the Bonds, has done so with the understanding that upon delivery of the Bonds, the Municipal Bond Insurance Policy will be issued by MBIA. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

#### UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a total net premium of \$390,173.30 (consisting of a net original issue premium of \$440,923.30, and an underwriter's discount of \$50,750.00).

## LEGAL OPINION

The Bonds are offered subject to the receipt of the approving legal opinion of Pepper Hamilton LLP, Bond Counsel. Certain other legal matters will be passed upon for the School District by Ross Unruh, Esquire, of Unruh, Turner, Burke & Frees, P.C, of West Chester, Pennsylvania. School District Solicitor.

## FINANCIAL ADVISOR

The School District has retained Public Financial Management, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor's contract with the School District prohibits it from participating in the underwriting of any of the School District's debt.

## MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by Public Financial Management, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Official Statement.

WEST CHESTER AREA SCHOOL DISTRICT  
Chester and Delaware Counties, Pennsylvania

By: /s/ Rogers Vaughn  
President, Board of School Directors



**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the West Chester Area School District**

**Introduction**

The School District encompasses several communities in central Chester County and one municipality in western Delaware County and covers an area of approximately 75 square miles. The School District's boundaries are coterminous with those of the Borough of West Chester and the Townships of East Bradford, East Goshen, Thornbury, West Goshen, Westtown and West Whiteland, all located in Chester County, and the Township of Thornbury in Delaware County. The Borough of West Chester, located in the geographic center of the School District and county seat of Chester County, is approximately 25 miles west of metropolitan Philadelphia, 15 miles north of Wilmington, Delaware and 15 miles south of King of Prussia and Valley Forge. Many well known unincorporated communities are located within the School District and these include: Exton in West Whiteland Township, Goshenville in East Goshen Township, Chatwood in West Goshen Township, Cheyney and Glen Mills in Thornbury Township, Delaware County and Darlington Corners in Westtown Township.

West Chester Area School District is characterized by rolling hills and fertile valleys flanking the east branch of the Brandywine Creek and the tributaries of the Chester Creek. The Borough of West Chester is the financial and professional center for the surrounding area. The Townships are principally residential in character, with regional shopping centers and industrial parks. Four major public institutions are within the School District: West Chester University; Cheyney University; Chester County Courthouse; and Chester County Hospital.

**Population**

Table A-1 which follows shows recent population trends for the School District, Chester and Delaware Counties and the Commonwealth of Pennsylvania. The School District's population increased between 1990 and 2000 from 86,228 to 101,207 residents or 17 percent. Table A-2 shows 2000 age composition and average number of persons per household in Chester County and for the State. Average household size was higher for Chester County than the Statewide average.

**TABLE A-1  
RECENT POPULATION TRENDS**

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>Compound Average Annual Percentage Change 1990-2000</u>
School District .....	86,228	101,207	1.61
Chester County .....	376,396	433,501	1.42
Pennsylvania.....	11,881,643	12,281,054	0.33

Source: U.S. Bureau of the Census, Decennial Census and Pennsylvania State Data Center, 1990 & 2000 General Population and Housing Characteristics: Pennsylvania.

**TABLE A-2  
AGE COMPOSITION**

	<u>0-17</u>	<u>18-64</u>	<u>65+</u>	<u>Persons Per Household</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	
Chester County .....	26.2%	62.1%	11.7%	2.7
Pennsylvania.....	23.8%	60.6%	15.6%	2.5

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

## Employment

Overall employment data are not compiled for the School District, but such data are compiled for the Philadelphia, PA-NJ Primary Metropolitan Statistical Area (the "MSA"), (an area which includes the School District).

Table A-3 shows the distribution of employment for the MSA for November 1997 and November 2002. For MSA as a whole, construction and mining, transportation, wholesale, retail trade, finance, real estate and other service sectors showed an increase during this period while durable and non-durable goods and insurance showed a decrease during this period.

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT\***  
**Philadelphia, PA-NJ Primary Metropolitan Statistical Area**

	November <u>1997</u>	Distribution of 1997 <u>Employment</u>	November <u>2002</u>	Distribution of 2002 <u>Employment</u>
<i><b>MANUFACTURING INDUSTRIES</b></i>				
Durable Goods.....	148,200	6.43%	125,600	5.20%
Non-Durable Goods.....	158,800	6.89%	147,500	6.11%
<i><b>NON-MANUFACTURING INDUSTRIES</b></i>				
Construction and Mining.....	89,300	3.87%	107,200	4.44%
Transportation & Public Utilities.....	110,300	4.78%	112,000	4.64%
Wholesale Trade.....	125,300	5.43%	129,900	5.38%
Retail Trade.....	377,300	16.36%	404,300	16.75%
Finance.....	72,800	3.16%	81,200	3.36%
Insurance.....	63,700	2.76%	60,500	2.51%
Real Estate.....	22,500	0.98%	26,400	1.09%
Services.....	839,100	36.39%	904,300	37.47%
Government.....	298,600	12.95%	314,200	13.02%
<b>Total.....</b>	<b>2,305,900</b>	<b>100.00%</b>	<b>2,413,100</b>	<b>100.00%</b>

\*Non-Agricultural Wage and Salary Employment; establishment data.  
Source: Pennsylvania State Employment Service.

The largest employers located within the School District include:

<u>Name</u>	<u>Product or Service</u>	<u>Approximate Employment</u>
Chester County	County Government	2,572
QVC Studios	Div. QVC Network	1,875
Chester County Hospital	Health Care Services	1,842
QVC Network, Inc.	Home Shopping Network	1,532
West Chester University	Education	1,378
West Chester Area School District	Education	1,288
A. Duic Pyle Inc.	Trucking	1,114
Volt Human Resources, Inc.	Employment Services	1,075
Communications Test Design	Communications Hardware	1,053
United Parcel Service	Delivery Services	1,001

Source: School District officials

Industries located in nearby communities include:

<u>Name</u>	<u>Community</u>
DuPont Corporation	Wilmington
Hercules Corporation	Wilmington
S.M.S. Corporation	Great Valley
Lockheed Martin	Valley Forge
S.E.I. Corporation	Valley Forge
Vanguard Group	Great Valley

Source: School District officials.

Table A-4 shows recent trends in labor force, employment and unemployment for Chester County and the State.

TABLE A-4

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT\*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002<sup>(1)</sup></u>	<u>Compound Average Annual % Rate</u>
<i>Delaware County</i>							
Civilian Labor Force (000)	278.8	276.4	279.5	276.5	281.6	283.0	0.30%
Employment (000)	266.1	265.6	269.1	266.5	270.5	270.0	0.29%
Unemployment (000)	12.7	10.8	10.3	10.0	11.0	13.1	0.62%
Unemployment Rate	4.6	3.9	3.7	3.6	3.9	4.6	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	5,984.0	5,936.0	5,969.0	5,972.0	6,073.0	6,099.0	0.38%
Employment (000)	5,673.0	5,661.0	5,707.0	5,722.0	5,786.0	5,774.0	0.35%
Unemployment (000)	311.0	275.0	262.0	250.0	287.0	326.0	-1.31
Unemployment Rate	5.2	4.6	4.4	4.2	4.7	5.3	

\*Residence Data.

<sup>(1)</sup>As of November 2002.

Source: Pennsylvania State Employment Service.

**Income**

The data on Table A-5 shows recent trends in per capita income for the School District, Chester County and Pennsylvania over the 1990-2000 period. Per capita income in the School District is higher than average per capita income for the State and the County. Both the School District and County per capita income is higher than the State per capita and both the School District and County per capita income increased at a faster rate than the State.

**TABLE A-5  
RECENT TRENDS IN PER CAPITA INCOME\***

	<u>1990</u>	<u>2000</u>	<u>Percentage Change 1990-2000</u>
School District .....	\$20,775	\$35,713	5.57%
Chester County .....	20,601	31,627	4.38
Pennsylvania.....	14,068	20,880	4.03

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.  
Source: 1990 and 2000 Census: Pennsylvania.

**Commercial Activity**

Commercial activity within the School District is centered in the Borough of West Chester and in large shopping centers, including Exton Square and the West Goshen Shopping Center.

Exton Square, a large shopping mall, includes many major shops and the Chester County Library centered around four anchored major retail stores. The enclosed mall is situated four miles north of the Borough of West Chester at the intersection of U.S. Route 30 and 100. Other large shopping centers include: Fairfield Place and Whiteland Towne Center.

Table A-6 shows retail sales over a recent five-year period for the County and the State.

**TABLE A-6  
TOTAL RETAIL SALES  
(000)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Chester County	\$5,239,586	\$5,600,257	\$7,181,321	\$7,527,705	\$7,579,619
Philadelphia Metropolitan Statistical Area	48,187,372	50,380,585	58,258,726	65,740,609	65,090,000
Pennsylvania	116,303,592	121,274,036	141,940,701	147,087,978	145,019,338

Source: Sales and Marketing Management Magazine

**Financial Institutions**

As of June 30, 2001, Chester County contained 162 branch offices of various commercial banks with total deposits of \$4,095,827,000, 46 savings and loans with deposits of \$1,218,853,000, 11 FDIC Savings Banks with deposits of \$228,646,000, and 9 credit unions with deposits of \$508,992,000.

**Housing**

Housing construction has progressed in an orderly fashion during the past decade as former agricultural land has been developed in accordance with strict zoning guidelines. The School District contains some of the finest single-family residential housing in the Delaware Valley area. Most new home construction taking place in the School District is in the \$350,000 to \$400,000 range. The average selling price of all housing within the School District during 1990 was \$202,274, as compared with Chester County as a whole of \$166,486, according to the Chester County Planning Commission.

## **Educational Institutions**

West Chester University and Cheyney University are located within the School District. Both universities are run by the Commonwealth of Pennsylvania. West Chester University, which is located in the Borough and West Goshen Township, is a multi-purpose university with a student body of more than 9,000 full-time undergraduates. Cheyney University is located in Thornbury Township, Delaware and Chester Counties, and has a student body population in excess of 2,400 full-time students. Both universities provide a liberal arts education.

## **Medical Facilities**

Medical care facilities are provided by Chester County Hospital (approximately 230 beds) in West Chester. The hospital provides complete professional, medical and surgical treatment to the central and eastern portions of Chester County. Paoli Memorial Hospital, while outside the School District, is within easy reach.

## **Transportation**

The School District's economic position has been bolstered by a fine network of federal and state highways and is expected to realize further growth due to the recent opening of the Exton Bypass. The School District is served by over eighty motor freight companies. U.S. 202 passes through the School District in a north-south direction connecting the area with Valley Forge to the north and Wilmington, Delaware to the south. U.S. 30 crosses the area in an east-west direction connecting the area with Lancaster via Coatesville to the west and Philadelphia via Paoli to the east. State Route 100 connects the School District with the Pennsylvania Turnpike (Downingtown Interchange) which is approximately 2 miles north of the School District. Other major highways include: U.S. 1 and 322 and State Routes 3 (West Chester Pike), 29, 52, 162, 352, 842, and 926.

Passenger railroad service is provided by one line, Main Line, by Southeastern Pennsylvania Transportation Authority (SEPTA). Freight services are provided by two branch lines of Conrail.

Bus service to Philadelphia and Wilmington is provided by SEPTA. Light plane air service is available at West Chester Airport, established in 1959, which has single and multiple engine aircraft available for charter flights with licensed pilots and student flight training.

## **Recreation**

School District residents have access to a variety of recreational facilities through public, private and quasi-public agencies. There are four private and several public golf courses located in the School District. The Borough of West Chester, East Bradford, East Goshen, West Goshen and West Whiteland Townships provide recreational parks throughout the area for use by their residents.

## **Utilities**

Sewer: Resident of portions of East Goshen Township, portions of East Bradford Township portions of West Goshen Township, portions of West Whiteland Township, West Chester Borough and portions of Westtown Township are provided with sewer service by either various municipal authorities or the municipality. Some of the less developed portions of these areas are served by on-site systems. All other Townships are served by on-site systems.

Water: Philadelphia Suburban Water Company and other private water companies supply water service to the Borough and developed portions of the various Townships. Other residents of the Townships are served by on-site wells.

Electricity and Gas: PECO provides both electricity and natural gas to users within the School District.

Telephone: Verizon supplies telephone service to residents of the School District.

## **Municipal Services**

All Townships and the Borough have full-time protection from either the state police or local police departments. The Embreeville State Police is located just outside the School District. All communities support their local volunteer fire companies.

**APPENDIX B**  
**Specimen of Municipal Bond Insurance Policy**

# FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation  
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary