

NEW ISSUE—BOOK-ENTRY ONLY

REFUNDING SERIES OF 2006 RATING: Moody's: Aa1

REFUNDING SERIES OF 2006: Uninsured

REFUNDING SERIES A OF 2006 RATING: Moody's: Aaa

REFUNDING SERIES A OF 2006: Financial Security Assurance Inc.

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 and Pennsylvania corporate net income tax.

West Chester Area School District Chester and Delaware Counties, Pennsylvania

\$22,245,000 General Obligation Bonds, Refunding Series of 2006

Dated: November 1, 2006
Principal Due: April 15

Interest Due: April 15 and October 15
First Interest Payment: April 15, 2007

\$37,935,000 General Obligation Bonds, Refunding Series A of 2006

Dated: November 1, 2006
Principal Due: February 15

Interest Due: February 15 and August 15
First Interest Payment: February 15, 2007

The General Obligation Bonds, Refunding Series of 2006 in the aggregate principal amount of \$22,245,000 (the "Refunding Series of 2006 Bonds") and the General Obligation Bonds, Refunding Series A of 2006 in the aggregate principal amount of \$37,935,000 (the "Refunding Series A of 2006 Bonds" and collectively with the Refunding Series of 2006 Bonds, (the "Bonds") will be issued in registered form in denominations of \$5,000 and integral multiples 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, 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 Refunding Series of 2006 Bonds is payable initially on April 15, 2007 and thereafter semiannually on October 15 and April 15 of each year, until the principal sum thereof is paid. Interest on the Refunding Series A of 2006 Bonds is payable initially on February 15, 2007 and thereafter semiannually on August 15 and February 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 funds 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 within limitations provided by law. (See "Security" and ("*Act 1 of 2006 (The Taxpayer Relief Act)*") *infra*).

Proceeds of the Refunding Series of 2006 Bonds will be used to provide funds for and toward (1) advance refunding of a portion of the School District's outstanding General Obligation Bonds, Series of 2002; and (2) the payment of the costs of issuing and insuring the Refunding Series of 2006 Bonds.

Proceeds of the Refunding Series A of 2006 Bonds will be used to provide funds for and toward (1) advance refunding of a portion of the April 15, 2007, maturity of the School District's outstanding General Obligation Bonds, Series of 2002; (2) advance refunding all of the School District's outstanding General Obligation Bonds, Series AA of 2003; and (3) the payment of the costs of issuing the Refunding Series A of 2006 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.

The scheduled payment of principal of and interest on the Refunding Series A of 2006 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Refunding Series A of 2006 Bonds by FINANCIAL SECURITY ASSURANCE INC.

Refunding Series A of 2006



MATURITIES, AMOUNTS, RATES AND PRICES

{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 Unruh, Turner, Burke & Frees, P.C., of West Chester, Pennsylvania, School District Solicitor. Public Financial Management, Inc., 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 through DTC, on or about November 1, 2006.

Refunding Series of 2006:
Sovereign Securities

Refunding Series A of 2006:
Wachovia Bank, National Association

Official Statement Dated: September 25, 2006.

\$22,245,000

West Chester Area School District
Chester and Delaware Counties, Pennsylvania
General Obligation Bonds, Refunding Series of 2006

Dated: November 1, 2006
Principal Due: April 15

Interest Due: April 15 and October 15
First Interest Payment: April 15, 2007

April 15 Year	Principal Amounts	Interest Rates	Prices
2007	\$ 5,000	4.000%	100.243%
2008	5,000	4.000	100.702
2009	105,000	4.000	101.141
2010	110,000	4.000	101.547
2011	115,000	4.000	101.920
2012	115,000	4.000	102.113
2013	1,440,000	4.000	102.400
2014	1,500,000	4.000	102.462
2015	1,555,000	4.000	102.305
2016	1,620,000	4.000	102.133
2017	1,685,000	4.250	103.705
2018	1,755,000	4.250	103.223
2019	1,830,000	4.250	102.903
2020	1,910,000	4.250	102.584
2021	1,995,000	4.250	102.346
2022	2,080,000	4.250	101.950
2023	2,165,000	4.250	101.792
2024	2,255,000	4.250	101.399

\$37,935,000

West Chester Area School District
Chester and Delaware Counties, Pennsylvania
General Obligation Bonds, Refunding Series A of 2006

Dated: November 1, 2006
Principal Due: February 15

Interest Due: February 15 and August 15
First Interest Payment: February 15, 2007

Feb. 15 Year	Principal Amounts	Interest Rates	Prices
2007	\$ 5,000	3.500%	99.963%
2008	125,000	3.500	99.871
2009	125,000	3.500	99.778
2010	130,000	3.500	99.688
2011	135,000	3.500	99.602
2012	140,000	3.500	99.518
2013	145,000	3.500	99.382
2014	150,000	3.500	99.233
2015	155,000	4.000	102.479
2016	160,000	4.000	102.335
2017	165,000	3.700	99.150
2018	170,000	3.750	98.636
2019	180,000	3.800	98.546
2020	185,000	3.900	98.972
2021	190,000	4.000	99.456
2022	200,000	4.000	99.091
2023	205,000	4.000	98.698
2024	6,775,000	4.000	98.500
2025	13,140,000	4.125	98.500
2026	13,650,000	4.500	102.381
2027	1,805,000	4.250	99.054

WEST CHESTER AREA SCHOOL DISTRICT
Chester and Delaware Counties, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Rogers Vaughn	President
Jeffrey T. Seagraves.....	Vice President
Pauline A. Bachtle	Secretary*
Suzanne K. Moore	Treasurer*
Paul Brockett	Member
Martha Carson-Gentry	Member
Terri Clark	Member
Joseph P. Green, Jr., Esquire.....	Member
Jessie Pincus	Member
James T. Smith	Member
Gail Tomassini.....	Member

*Non-Member

SUPERINTENDENT
DR. ALAN G. ELKO

DIRECTOR OF BUSINESS AFFAIRS
SUZANNE K. MOORE

SCHOOL DISTRICT SOLICITOR
UNRUH, TURNER, BURKE & FREES, P.C.
West Chester, Pennsylvania

BOND COUNSEL
PEPPER HAMILTON LLP

FINANCIAL ADVISOR
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

PAYING AGENT
COMMERCE BANK, NATIONAL ASSOCIATION
Philadelphia, Pennsylvania

UNDERWRITERS
Refunding Series of 2006
SOVEREIGN SECURITIES
Philadelphia, Pennsylvania

Refunding Series A of 2006
WACHOVIA BANK, NATIONAL ASSOCIATION
Philadelphia, Pennsylvania

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

West Chester Area School District Chester and Delaware Counties, Pennsylvania

\$22,245,000 General Obligation Bonds, Refunding Series of 2006

\$37,935,000 General Obligation Bonds, Refunding Series A of 2006

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 \$22,245,000 aggregate principal amount of its General Obligation Bonds, Refunding Series of 2006 and in connection with the offering of \$37,935,000 aggregate principal amount of its General Obligation Bonds, Refunding Series A of 2006 each dated as of November 1, 2006 (respectively, the "Refunding Series of 2006 Bonds" and the "Refunding Series A of 2006 Bonds" are collectively the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on September 25, 2006 (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

Refunding Series of 2006 Bonds

Proceeds of the Refunding Series of 2006 Bonds will be used to provide funds for and toward the (1) advance refunding a portion of the School District's General Obligation Bonds, Series of 2002 (the "2002 Bonds"), being a portion of the April 15, 2007, and April 15, 2008 maturities of the 2002 Bonds and all of the 2002 Bonds maturing on and after April 15, 2013, and (2) the payment of the costs of issuing the Refunding Series of 2006 Bonds. The portion of the 2002 Bonds to be refunded with the proceeds of the Refunding Series of 2006 Bonds and the portion of the April 15, 2007 maturity of the 2002 Bonds being refunded with the proceeds of the Refunding Series A of 2006 Bonds are hereinafter referred to as the "Refunded 2002 Bonds".

Upon issuance of the Bonds, a portion of the proceeds will be irrevocably deposited in an escrow fund (the "Escrow Fund") maintained by Commerce Bank, National Association, as Paying Agent for the Refunded 2002 Bonds, under terms of an Escrow Agreement for the Refunded 2002 Bonds (the "Refunded 2002 Bonds Escrow Agreement") dated as of November 1, 2006. The proceeds of the Bonds so deposited will be used to purchase United States Treasury Obligations—State and Local Government Series which will mature and earn interest at such rates as will provide sufficient funds to pay the principal and/or interest on the Refunded 2002 Bonds, when due, to and including April 15, 2012, and to redeem and pay on April 15, 2012, all Refunded 2002 Bonds maturing after such date.

Refunding Series A of 2006

Proceeds of the Refunding Series A of 2006 Bonds will be used to provide funds for and toward (1) advance refunding a portion of the April 15, 2007, maturity of the 2002 Bonds, (2) advance refunding all of the School District's outstanding General Obligation Bonds, Series AA of 2003 (the "2003AA Bonds"), and (3) the payment of the costs of issuing and insuring the Refunding Series A of 2006 Bonds.

Upon issuance of the Refunding Series A of 2006 Bonds, a portion of the proceeds will be irrevocably deposited in an escrow fund (the "Escrow Fund") maintained by Commerce Bank, National Association, as Paying Agent for the 2003AA Bonds, under terms of an Escrow Agreement for the 2003AA Bonds (the "2003AA Bonds Escrow Agreement") dated as of November 1, 2006. Such proceeds so deposited will be used to purchase certain United States Treasury Obligations—State and Local Government Series which will mature and earn interest at such rates as will provide sufficient funds to pay when due the principal of and interest on the 2003AA Bonds to and including August 15, 2013, and to redeem and pay on August 15, 2013, all 2003AA Bonds maturing after such date.

Estimated Sources and Uses of Refunding Series of 2006 Bonds Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Refunding Series of 2006 Bonds.

SOURCES:

Proceeds Refunding Series of 2006 Bonds	\$22,245,000.00
Accrued Interest.....	0.00
Original Issue Premium	528,651.45
Total.....	<u>\$22,773,651.45</u>

USES:

Cost of the Refunded 2002 Bond Escrow	\$22,585,258.00
Costs of Issuance ⁽¹⁾	188,396.45
Total.....	<u>\$22,773,651.45</u>

⁽¹⁾Includes legal, financial advisor, printing, rating, bond discount, CUSIP, paying agent, verification agent, and miscellaneous costs.

Estimated Sources and Uses of Refunding Series A of 2006 Bonds Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Refunding Series A of 2006 Bonds.

SOURCES:

Proceeds Refunding Series A of 2006 Bonds	\$37,935,000.00
Accrued Interest.....	0.00
Net Original Issue Discount.....	(1,081.25)
Total.....	<u>\$37,933,918.75</u>

USES:

Cost of the Refunded 2002 Bond Escrow	\$503,070.00
Cost of the 2003AA Bonds Escrow	\$36,982,042.00
Costs of Issuance ⁽¹⁾	448,806.75
Total.....	<u>\$37,933,918.75</u>

⁽¹⁾Includes legal, financial advisor, printing, rating, bond discount, bond insurance, CUSIP, paying agent, verification agent, and miscellaneous costs.

THE BONDS

Description

The Bonds will be issued in fully registered book-entry only form in the denomination of \$5,000 or 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 as of November 1, 2006, 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 Refunding Series of 2006 Bonds will be payable initially on April 15, 2007 and semiannually thereafter on October 15 and April 15 until the principal sum thereof is paid. Interest on the Refunding Series A of 2006 Bonds will be payable initially on February 15, 2007 and semiannually thereafter on August 15 and February 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 Refunding Series of 2006 Bond is authenticated on or prior to the Regular Record Date preceding April 15, 2007; and such Refunding Series A of 2006 Bond is authenticated on or prior to the Regular Record Date preceding February 15, 2007, in which event such Bonds shall bear interest from November 1, 2006, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on the Refunding Series of 2006 Bonds shall be paid initially on April 15, 2007, and thereafter, semiannually on October 15 and April 15 of each year, until the principal sum is paid. Interest on the Refunding Series A of 2006 Bonds shall be paid initially on February 15, 2007, and thereafter, semiannually on August 15 and February 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 calendar day of the 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 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, 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 other 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 series designation maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The Paying Agent is not required to transfer or exchange any Bond during the fifteen days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice, if the Bond to be transferred or exchanged has been called for such redemption. 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 series description, maturity and interest rate.

Commonwealth 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 Funds, 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 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, within limitations provided by law. (See "Security" and "Act 1 of 2006 (*The Taxpayer Relief Act*)" *infra*) herein discussing legislative initiatives that may subject the School District's taxing power to certain limitations. 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 "Commonwealth 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 Funds

Sinking Funds for the payment of debt service on the Bonds, designated "2006 Refunding Bonds Sinking Fund, West Chester Area School District and the "2006A Refunding Bonds Sinking Fund, West Chester Area School District (collectively the "Sinking Funds"), have been created under the Resolution and are maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the applicable 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 Funds shall be held by the Paying Agent, as sinking fund depository, and funds deposited therein will be 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 Funds.

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

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or in such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for the Bonds of each maturity will be issued in principal amount equal to the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also 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 and www.dtc.org.

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 each Bond (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 Owners 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 interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.***

To facilitate subsequent transfers, all Bonds deposited by Direct 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 the 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 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 Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices of 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails on Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as the Bonds are held by DTC under a book-entry system, payments of the principal of and interest on the Bonds and, if applicable, any premium payable upon redemption thereof, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest on Bonds and, if applicable, any premium payable upon redemption thereof to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue its services as a securities depository for the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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.

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.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

REDEMPTION OF THE BONDS

Optional Redemption – Refunding Series of 2006 Bonds

The Refunding Series of 2006 Bonds maturing on or after April 15, 2017, are subject to redemption prior to maturity, at the option of the School District, at the redemption price of 100% of the principal amount of Refunding Series of 2006 Bonds to be redeemed, 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 April 15, 2016.

Optional Redemption – Refunding Series A of 2006 Bonds

The Refunding Series A of 2006 Bonds maturing on or after February 15, 2017, are subject to redemption prior to maturity, at the option of the School District, at the redemption price of 100% of the principal amount of Refunding Series A of 2006 Bonds to be redeemed, 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, 2016.

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.

REFUNDING SERIES A OF 2006 BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Refunding Series A of 2006 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Refunding Series A of 2006 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Refunding Series A of 2006 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2005, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,451,658,000 and its total net unearned premium reserve was approximately \$1,773,571,000 in accordance with statutory accounting principles. At September 30, 2005, Financial Security's consolidated shareholder's equity was approximately \$2,867,978,000 and its total net unearned premium reserve was approximately \$1,448,209,000 in accordance with generally accepted accounting principles.

The financial statements of Financial Security included in, or as exhibits to, the Current Report on Form 8K filed on November 22, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Refunding Series A of 2006 Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Refunding Series A of 2006 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Refunding Series A of 2006 Bonds or the advisability of investing in the Refunding Series A of 2006 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

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 encompassed within the School District 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 three high schools, all as described on the following table. A third high school is presently under construction. 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 and/or Renovation Date</u>	<u>Grades</u>	<u>2006-07 Enrollment</u>
B. Rustin High School	2003-06	-	9-12	968
East High School	1973	1976/92/93/03	9-12	1,518
East/Fugett Athletic Fields	-	2003	-	----
Henderson High School	1951	1956/64/76/94/98/03	9-12	1,425
Henderson-North Campus Athletics	-	2003	-	----
E. N. Peirce Middle School	1963	1/3/1998	6-8	911
G. A. Stetson Middle School	1959	1961/98	6-8	937
J. R. Fugett Middle School	1969	2003	6-8	956
Mary C. Howse Elementary	1962	1965/97	K-5	518
Exton Elementary	1940	1953/57/91/92/93/00	K-5	541
East Goshen Elementary	1955	1960/64/67/95/01	K-5	559
Fern Hill Elementary	1955	1960/89	K-5	482
Glen Acres Elementary	1966	1997	K-5	529
Westtown-Thornbury Elementary	1954	1956/89	K-5	424
Penn Wood Elementary	1966	1970/89/01	K-5	471
East Bradford Elementary	1958	1966/70/89	K-5	438
Hillsdale Elementary	1976	-	K-5	583
Sarah W. Starkweather Elementary	1991	1998	K-5	596
Facilities & Operations Center	1999	-	-	----
Spellman Administration	1924	1952/55/77/99	Admin/Gifted	----
			Totals	11,856

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

Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

TABLE 2
WEST CHESTER AREA SCHOOL DISTRICT ENROLLMENT TRENDS

Actual Enrollments					Projected Enrollments				
School Year	K-5	6-8	9-12	Total	School Year	K-5	6-8	9-12	Total
2002-03	5,196	2,827	3,567	11,590	2007-08	5,180	2,817	3,804	11,801
2003-04	5,063	2,893	3,690	11,646	2008-09	5,217	2,783	3,786	11,786
2004-05	5,080	2,824	3,774	11,678	2009-10	5,257	2,786	3,746	11,789
2005-06	5,096	2,862	3,764	11,722	2010-11	5,225	2,786	3,737	11,748
2006-07	5,141	2,804	3,911	11,856	2011-12	5,229	2,816	3,714	11,759

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

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.

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 Table 4 shows Net Assets of the School District. Table 5 shows revenues and expenditures for the past four years, the 2005-06 unaudited revenues and expenditures, and the budget for 2006-07.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
ASSETS				
Current:				
Cash and Cash Equivalents	\$19,594	\$882,186	\$1,798,748	\$135,399
Investments	101,440,156	111,810,058	132,158,346	103,487,883
Taxes Receivable	3,711,049	3,113,264	2,836,995	2,912,087
Due from other Funds	-	-	-	-
Due from other Governments	182,541	233,629	1,651,640	2,229,903
Other Receivables	278,246	509,147	1,030,489	620,365
Prepaid Expenditures	38,827	40,905	289,325	1,134,246
Inventories	1,024,761	535,668	687,193	827,736
TOTAL CURRENT ASSETS	<u>\$106,695,174</u>	<u>\$117,124,857</u>	<u>\$140,452,736</u>	<u>\$111,347,619</u>
<i>Noncurrent Assets</i>				
Capital Assets:				
Land	2,854,869	2,854,869	23,323,507	30,510,694
Land Improvements	3,547,465	3,547,465	2,390,246	2,211,915
Buildings	140,791,840	141,856,211	80,968,745	77,620,343
Construction in Progress	20,150,703	35,859,161	75,030,894	124,908,690
Furniture and Equipment	13,184,993	16,087,996	5,200,395	7,186,253
Long Term Prepayments (net)	-	-	1,162,034	1,246,718
Less: Accumulated Depreciation	(66,581,103)	(72,114,253)	-	-
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION	<u>113,948,767</u>	<u>128,091,449</u>	<u>188,075,821</u>	<u>243,684,613</u>
Other Assets:				
Deferred Bond Issuance Costs	59,674	810,548	0	0
TOTAL ASSETS	<u>\$220,703,615</u>	<u>\$246,026,854</u>	<u>\$328,528,557</u>	<u>\$355,032,232</u>
LIABILITIES				
Current:				
Due to Component Units	-	-	-	-
Post Retirement Health Care Benefits	-	-	-	-
Payroll Accruals and Withholdings	-	-	-	-
Accrued Compensated Absences	-	-	-	-
Accrued Severance Pay	-	-	-	-
Accounts Payable and Accrued Liabilities	11,580,444	11,650,493	29,016,582	26,892,923
Lease Purchase Obligations	-	-	-	-
Bond and Notes Payable Within One Year	7,178,000	22,342,000	8,722,000	9,914,000
Accrued Interest	1,535,608	1,661,810	2,071,143	-
Deferred Revenues	2,059	-	18,158	2,791
Other Current Liabilities	0	-	-	2,015,463
TOTAL CURRENT LIABILITIES	<u>20,296,111</u>	<u>35,654,303</u>	<u>39,827,883</u>	<u>38,825,177</u>
Long-Term:				
Bonds and Notes Payable Due After One Year	178,216,483	186,428,097	264,491,436	288,911,000
Accrued Severance and Compensated Absences	4,274,109	4,553,759	4,840,011	4,160,368
TOTAL LONG-TERM LIABILITIES	<u>182,490,592</u>	<u>190,981,856</u>	<u>269,331,447</u>	<u>293,071,368</u>
TOTAL LIABILITIES	<u>202,786,703</u>	<u>226,636,159</u>	<u>309,159,330</u>	<u>331,896,545</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	2,599,427	4,537,401
Unrestricted	17,916,912	19,390,695	16,769,800	-
Capital Project Fund - undesignated	-	-	-	-
Unreserved - Designated	-	-	-	18,598,283
Unreserved - Undesignated	-	-	-	-
TOTAL FUND EQUITIES	<u>17,916,912</u>	<u>19,390,695</u>	<u>19,369,227</u>	<u>23,135,684</u>
TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS	<u>\$220,703,615</u>	<u>\$246,026,854</u>	<u>\$328,528,557</u>	<u>\$355,032,229</u>

Source: School District Annual Financial Reports and Audit.

TABLE 4

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

					Unaudited	Budgeted
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006⁽¹⁾</u>	<u>2007⁽²⁾</u>
Beginning Fund Balance	\$12,770,852	\$7,608,576	\$7,986,246	\$6,469,845	\$8,287,189	\$8,794,142
Revenues over (under) Expenditure	<u>(5,162,276)</u>	<u>377,670</u>	<u>(1,516,401)</u>	<u>1,817,344</u>	<u>506,953</u>	<u>(2,752,811)</u>
Ending Fund Balance	<u>\$7,608,576</u>	<u>\$7,986,246</u>	<u>\$6,469,845</u>	<u>\$8,287,189</u>	<u>\$8,794,142</u>	<u>\$6,041,331</u>

*Totals may not add due to rounding.

⁽¹⁾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.

⁽²⁾Budget as adopted June 26, 2006. See "Summary and Discussion of Financial Results" herein.
Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$164,080,125 (unaudited) in revenue in 2005-06 and has budgeted revenue of \$173,672,269 in 2006-07. Local sources decreased as a share of total revenue in the past five years, from 81.61 percent in 2001-02 to 83.67 percent in 2005-06. Revenue from Commonwealth sources decreased as a share of the total revenue from 15.53 percent to 14.92 percent over this period. Federal revenue increased as a share of total revenue at 1.22 percent to 1.41 percent over this period. Other decreased as a share of total revenue.

Taxing Powers

NOTE: See Act 1 of 2006 ("The Taxpayer Relief Act")" below for a discussion of certain school district taxing power limitations and expansions.

The School District is empowered by the 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 *ad valorem* tax on all property taxable for school purposes unlimited in rate, except as described below in "Act 1 of Special Session 2006 ("Taxpayer Relief Act")", 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 Debt 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 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). The Local Tax Enabling Act has been recently amended by Act 166 of 2002 which authorizes all taxing authorities to increase, in their individual judgment, the exemption level for per capita, occupational, earned income or such similar taxes from \$5,000 to \$10,000. This amendment went into effect February 2003.

The Local Tax Enabling Act has been recently amended by Act 222 of 2004 which authorizes all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes from any person whose total income from all sources is less than \$12,000 per year. This amendment went into effect December 2004.

Act 1 of 2006 ("The Taxpayer Relief Act")

Pennsylvania Act No. 1 of 2006 ("The Taxpayer Relief Act"), effective June 27, 2006, provides, *inter alia*, that a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the court of common pleas in the case of the exceptions numbered 1, 2 and 4 below, or by the Pennsylvania Department of Education (PDE) in the case of all other exceptions below (including, most particularly, exception number 3):

1. to pay costs incurred in responding to or recovering from a declared emergency or disaster;
2. to pay costs incurred in implementing a court or administrative order;
3. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum; to pay interest and principal on indebtedness incurred within certain limits for academic elementary or secondary school building projects; to pay interest and principal on indebtedness for up to \$250,000 (adjusted annually by an inflationary factor) of the construction cost of a nonacademic school construction project; and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
4. to pay costs incurred in responding to conditions posing an immediate threat of serious physical harm or injury to persons;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
6. to pay costs which were incurred in the implementation of a school improvement action plan under the federal No-Child Left Behind Act and not offset by a State allocation of funds;
7. to pay costs necessary to maintain per-student local tax revenue, adjusted by the Index, if the percentage growth in average daily attendance over a defined period between exceeds 7.5%, or to maintain actual instructional expense per student, adjusted by the Index, if the increase in actual instruction expense per student over a defined period is less than the Index;
8. to maintain revenues derived from real property taxes, earned income taxes, personal income taxes, basic education funding allocations from the State and special education funding allocations from the State, adjusted by the Index, for a school district where the percentage increase in revenues derived from such sources over a defined period is less than the Index;
9. to pay costs incurred for providing health care-related benefits which are directly attributable to collective bargaining agreements in effect on January 1, 2006, between the school district and its employees' organization if the anticipated increase in the cost of such benefits between the current year and the upcoming year is greater than the Index; and
10. To make payments into the State Public School Employees' Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

A school district intending to utilize exceptions numbered 3 and 5 through 9, above, is entitled to apply to the Pennsylvania Department of Education (PDE) for approval thereof, if and to the extent a tax increase greater than the Index is needed in any particular fiscal year. The Taxpayer Relief Act provides that PDE shall approve a school district's request if a review of the data demonstrates that the school district qualifies for the exception sought and the sum of the dollar amounts of all exceptions for which the school district qualifies is not more than what is necessary to balance the budget after giving effect to the revenue to be raised by the allowable increase under the Index. There can be no assurance, however, that approval will be given by PDE to utilize a referendum exception in any future fiscal year or years.

Any revenue derived from an increase in the rate of any tax allowed under exception number 3 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The board of school directors of a school district must submit a referendum question to the voters at the primary elections of 2007 seeking voter approval allowing the school district to levy, assess and collect an earned income and net profits tax ("EIT") or a personal income tax ("PIT") for the purpose of annually funding homestead and farmstead exclusions from real property taxes. The proposed rate of such EIT or PIT may not exceed the rate required to provide the maximum exclusion for homestead and farmstead property allowable under Pennsylvania law, nor may it be less than the rate required to provide 50% of the maximum allowable exclusion. Nevertheless, no school district is required to propose an EIT that is greater than 1% or a PIT equivalent to an EIT of 1%.

A board of school directors may submit, but is not required to submit, a further referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of further funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which, when combined with any tax rate authorized at the 2007 primary election, is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds represent indebtedness of the School District that qualifies for exception number 3 above. Furthermore, since no additional millage will have to be levied to pay the principal of and interest on the Bonds, no exception will have to be applied for from PDE with respect to the indebtedness represented by the Bonds.

The fiscal year for Pennsylvania school districts begins July 1st and fiscal year budgets must be adopted by school boards no later than June 30th. Certain provisions of Act 1 impact all budgets for Fiscal Year 2006-07 adopted or to be adopted with a millage increase in excess of the Index permitted by Act 1. Corrective legislation was passed by the General Assembly July 1, 2006 as House Bill 185 and signed by the Governor on July 11, 2006 as Act 114 of 2006, that delays effectiveness of certain provisions of Act 1, including the limitations on tax increases, until Fiscal Year 2007-08.

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

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. Act 50 provides for such a referendum to be placed on the ballot 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.

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.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district.

Act 24 of 2001

Act 24 of 2001 of the Commonwealth, 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% (each receive 0.5%) 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.

The School District has not placed an Act 24 referendum question on the ballot nor does it presently intend to do so.

TABLE 5

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

REVENUE:					Unaudited	Budget
Local Sources:	2002	2003	2004	2005	2006 ⁽¹⁾	2007 ⁽²⁾
Real Estate Taxes (Current).....	\$77,896,984	\$83,996,345	\$90,363,380	\$99,863,220	\$107,927,149	\$115,553,629
Interim Real Estate Taxes.....	4,214,280	3,722,616	2,931,543	3,197,823	2,677,530	2,715,500
Total Act 511 Taxes.....	16,417,218	16,887,010	17,968,241	19,442,443	20,036,005	20,024,600
Public Utility Realty Tax.....	186,655	160,119	183,907	144,523	190,028	145,000
Delinquencies on Taxes Levied.....	2,508,503	2,845,168	2,619,049	2,348,192	2,371,425	2,605,900
Earnings Temporary Deposits & Investments...	1,049,956	617,631	438,057	935,569	2,250,385	2,469,697
PA Revenue Rec'd -Other Intermediate Sources	9,922	44,249	11,973	-	29,002	-
Fed. Rev. Rec'd.-Other Intermediate/PA Sources	333,142	636,909	961,163	1,311,931	1,314,176	1,315,864
Tuition from Patrons.....	288,574	179,859	152,268	167,651	155,331	365,000
Receipts from Other LEAs.....	-	144,250	107,888	186,803	272,001	-
Refund of Prior Years' Expenditures.....	-	439,868	517,420	9,908	5,715	-
All Other Local Revenues Not Specified.....	-	-	155,770	9,032	58,979	-
Other Sources.....	24,083	50,740	49,532	35,848	-	39,384
Total Local Sources.....	\$102,929,317	\$109,724,764	\$116,460,191	\$127,652,943	\$137,287,726	\$145,234,574
State Sources:						
Total State Sources.....	\$19,588,910	\$21,368,451	\$22,058,230	\$24,500,908	\$24,480,076	\$25,743,308
Federal Sources:						
Total Federal Sources.....	\$1,538,248	\$2,053,344	\$2,050,272	\$2,645,922	\$2,312,323	\$2,694,387
Other Sources:						
Total Other Sources.....	\$2,057,016	\$2,120,662	\$1,725,025	\$1,638,988	\$0	\$0
TOTAL REVENUE.....	\$126,113,491	\$135,267,221	\$142,293,718	\$156,438,761	\$164,080,125	\$173,672,269
EXPENDITURES:						
Instruction.....	\$74,534,586	\$77,384,157	\$82,149,881	\$88,485,129	\$90,846,621	\$95,746,673
Pupil Personnel.....	4,468,714	4,792,719	4,955,730	5,265,077	5,695,591	6,021,673
Support Services - Administration.....	6,966,410	7,665,380	8,125,431	8,474,290	9,187,253	9,931,248
Support Services - Pupil Health.....	1,309,518	1,627,225	1,610,092	1,697,682	1,896,461	1,960,520
Support Services - Other.....	-	138,734	137,107	138,290	-	143,280
Business.....	992,173	1,076,993	1,372,139	1,211,178	1,256,832	1,347,035
Instructional Staff.....	4,107,506	4,329,855	4,659,849	4,825,610	4,742,351	5,336,171
Central Support Services.....	1,531,360	1,989,990	1,792,783	2,191,565	1,949,812	2,066,596
Pupil Transportation.....	8,901,161	9,234,230	9,673,711	10,512,659	11,349,906	12,581,748
Community Services.....	137,150	69,991	-	72,822	69,049	87,604
Operation & Maintenance.....	10,441,129	10,968,361	11,935,313	12,664,535	13,596,728	15,413,826
Noninstructional Services.....	2,075,496	2,126,779	2,413,444	2,292,187	2,452,956	4,049,087
Capital Outlay.....	525,645	349,457	228,004	189,718	270,300	311,609
Budgetary Reserves & Transfers.....	3,300,834	1,075,176	892,674	-	-	-
Debt Service.....	11,984,085	12,060,503	13,856,527	16,571,041	20,116,646	21,428,010
Refund Prior Year Expenditures.....	-	-	-	29,634	6,927	-
Other Support Services.....	-	-	7,434	-	135,739	-
TOTAL EXPENDITURES.....	\$131,275,767	\$134,889,550	\$143,810,119	\$154,621,417	\$163,573,172	\$176,425,080
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES.....	(\$5,162,276)	\$377,671	(\$1,516,401)	\$1,817,344	\$506,953	(\$2,752,811)

*Totals may not add due to rounding.

⁽¹⁾Unaudited, subject to change and final audit.

⁽²⁾Budget as adopted June 26, 2006. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financials Reports and Budget.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Borough, Townships and the County.

TABLE 6

WEST CHESTER AREA SCHOOL DISTRICT TAX RATES

	Chester County (mills)	Delaware County (mills)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)
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
2004-05	13.55	10.94	1.00	1.00
2005-06.....	14.32	11.65	1.00	1.00
2006-07.....	15.16	11.02	1.00	1.00

Source: School District officials.

⁽¹⁾Subject to sharing providing the municipality levies the tax.

TABLE 7

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
School District	12.110	12.590	13.550	14.320	14.320
East Bradford Township	0.071	0.071	0.071	0.071	0.071
East Goshen Township	0.000	0.000	1.250	1.250	1.250
Thornbury Township	0.680	0.840	0.840	0.840	0.840
Thornbury Township (Delaware County)	0.000	0.000	0.000	0.000	0.000
West Chester Borough	3.949	4.440	4.440	4.610	4.610
West Goshen Township	0.850	0.850	1.500	1.500	1.500
West Whiteland Township	0.600	0.600	0.600	0.600	0.600
Westtown Township	0.410	0.500	0.700	1.500	1.500
Chester County	3.014	3.273	3.414	3.558	3.558

Source: Local Government officials.

Real Property Tax

The real property tax including interim collections (excluding delinquent collections) produced \$107,927,149 (unaudited) in 2005-06, approximately 65.7 percent of overall revenue.

The following tables summarize trends of assessed and market valuations of real property. Table 8 shows real property assessment data for the School District, Table 9 shows assessment by municipality and Table 10 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 8

WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

<u>Year</u>	<u>Market Value</u>	<u>Assessed Value</u>
2006 ⁽¹⁾	\$8,474,587,247	\$8,071,035,473
2005	8,359,834,300	7,912,402,883
2004	8,110,478,500	7,709,363,197
2003	7,239,185,859	7,239,185,859
2002	6,953,494,103	6,953,494,103
2001	6,067,531,900	6,642,295,082
Compound Average Annual Percentage Change	6.91%	3.97%

Source: As reported by School District officials.

(1)Estimated market value, assessed value as reported in 2006-07 budget.

TABLE 9

WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	<u>2004 Market Value</u>	<u>2004 Assessed Value</u>	<u>2005 Market Value</u>	<u>2005 Assessed Value</u>
<i>School District</i>	\$8,110,478,500	\$7,715,937,202	\$8,359,834,300	\$7,912,402,883
<i>Chester County</i>	34,870,200,200	33,138,284,122	36,164,715,600	34,199,284,554
East Bradford Township	803,057,200	774,437,699	833,792,700	797,613,149
East Goshen Township	1,647,523,300	1,539,181,435	1,680,248,300	1,563,060,105
Thornbury Township	316,753,400	280,614,688	317,134,300	280,899,138
Thornbury Township (Delaware County)	442,709,100	463,148,900	492,987,500	511,983,536
West Chester Borough	686,798,400	615,449,180	700,613,300	624,065,900
West Goshen Township	1,720,847,500	1,663,864,950	1,753,922,000	1,688,531,105
West Whiteland Township	1,724,463,200	1,670,770,830	1,797,343,500	1,727,127,810
Westtown Township	768,326,400	708,463,430	783,792,700	719,122,140

Source: Pennsylvania State Tax Equalization Board.

TABLE 10

WEST CHESTER AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential	\$4,929,047,554	\$5,123,479,971	\$5,344,886,938	\$5,571,889,211	\$5,734,237,527
Lots	100,715,929	85,146,750	80,703,715	88,439,231	102,950,561
Industrial	159,545,580	159,545,140	161,596,880	158,580,080	158,724,310
Commercial	1,446,513,770	1,532,766,651	1,615,367,056	1,675,614,196	1,695,855,774
Agriculture	22,089,840	26,040,130	25,697,820	25,432,640	24,169,030
Total	\$6,657,912,673	\$6,926,978,642	\$7,228,252,409	\$7,519,955,358	\$7,715,937,202

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levied⁽¹⁾</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2001-02	\$6,953,803,644	11.63	\$80,826,088	\$77,896,984	96.38%	\$80,407,487	99.48%
2002-03	7,239,185,859	12.11	88,661,237	85,388,907	96.31%	88,234,075	99.52%
2003-04	7,512,832,873	12.59	93,575,495	90,445,871	96.66%	93,064,921	99.45%
2004-05	7,709,363,197	13.55	103,253,185	99,754,954	96.61%	102,103,498	98.89%
2005-06 ⁽³⁾	7,904,892,743	14.32	111,827,912	107,927,149	96.51%	110,298,574	98.63%

Source: School District officials.

⁽¹⁾Plus penalties, less discounts and exonerations.

⁽²⁾Includes real property assessments plus delinquent collections.

⁽³⁾Unaudited, subject to change and final audit.

The ten largest real property taxpayers, together with 2006-07 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 3.92 percent of total assessed value.

TABLE 12

WEST CHESTER AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2006-07

<u>Owner</u>	<u>Property</u>	<u>2006 Assessed Value</u>
Exton Square, Inc.	Shopping Mall	\$110,168,920
QVC	Industrial Building	48,371,130
Main Street at Exton(1)	Shopping Center	31,509,660
Exton Whiteland Dev. Co.	Shopping Center	21,460,000
National Properties	Apartment Complex	21,023,480
Whiteland Associates	Shopping Center	19,320,000
Westtown Apts. Inc.	Residential Apartments	16,636,690
Walmart & Sams Club	Shopping	16,453,180
Hankin Group	Residential Apartments	16,180,450
Hankin & Family Ltd Prtsp.	Residential Apartments	14,897,480
Total		\$316,020,990

Source: School District officials.

⁽¹⁾Includes Assessment for the mall and anchor stores; assessment appeal pending.

Other Taxes

Under Act 511, the School District collected \$20,036,000 (unaudited) in taxes in 2006-07. 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 \$

Real Estate Transfer. The School District levies a tax of one-half percent of the value of real estate transfers. In 2005-06 the School District's collected portion of this tax yielded \$4,631,500 (unaudited), or 2.8 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 2005-06 the collected portion of this tax yielded \$15,404,500 (unaudited) or 9.4 percent of total revenue.

Commonwealth 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.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Refunding Series of 2006 Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Refunding Series of 2006 Bonds and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District officials have estimated that the "Reimbursable Percentage" of the Refunding Series of 2006 Bonds will be an estimated maximum of 10.28 percent. The School District CARF for the 2006-07 school year is currently 27.54 percent. The Refunding Series of 2006 product of these two factors is 2.83 percent, which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth. The School District officials have estimated that the "Reimbursable Percentage" of the Refunding Series A Bonds will be an estimated maximum of 16.10 percent. The School District CARF for the 2006-07 school year is currently 27.54 percent. The Refunding Series A of 2006 product of these two factors is 4.43 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 13 which follows shows the debt of the West Chester Area School District as of September 15, 2006, and the Bonds.

TABLE 13

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of September 15, 2006)***

	<u>Gross Outstanding</u>
NET NONELECTORAL DEBT	
General Obligation Bonds, Refunding Series of 2006 (last maturity 2024).....	\$22,245,000
General Obligation Bonds, Refunding Series A of 2006 (last maturity 2027).....	37,935,000
General Obligation Bonds, Series AA of 2006 (last maturity 2020).....	18,390,000
General Obligation Bonds, Series A of 2006 (last maturity 2027)	100,810,000
General Obligation Bonds, Series of 2006 (last maturity 2030)	35,000,000
General Obligation Bonds, Series A of 2005 (last maturity 2022)	8,970,000
General Obligation Bonds Series of 2005 (last maturity 2017)	9,995,000
General Obligation Bonds, Series of 2004 (last maturity 2016)	7,385,000
General Obligation Bonds, Series A of 2003 (last maturity 2016)	18,780,000
General Obligation Bonds, Series of 2003 (last maturity 2022)	29,990,000
General Obligation Bonds, Series AA of 2002 (last maturity 2011).....	15,690,000
General Obligation Bonds, Series of 2002 (last maturity 2012)(remaining portion)	5,475,000
General Obligation Note, Series B of 2000 (last maturity 2015)	
Delaware Valley Regional Finance Authority	10,043,000
General Obligation Bonds, Series A of 1998 (last maturity 2017)	<u>3,220,000</u>
GROSS NONELECTORAL DEBT	323,928,000
LEASE RENTAL DEBT	
NET LEASE RENTAL DEBT	<u>\$0</u>
TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT	<u><u>\$323,928,000</u></u>

*Includes the Bonds offered through this Official Statement. Does not include the Refunded 2002 Bonds and the 2003AA Bonds being refunded herein.

Table 14 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 \$323,928,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$317,693,182.

TABLE 14
WEST CHESTER AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of September 15, 2006)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid ⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$323,928,000	\$317,693,182
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$323,928,000	\$317,693,182
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$58,546,172	\$58,546,172
Delaware County, General Obligation ⁽³⁾	91,846,438	91,846,438
Municipal Debt.....	79,868,859	79,868,859
TOTAL OVERLAPPING DEBT	\$230,261,469	\$138,415,031
TOTAL DIRECT AND OVERLAPPING DEBT	\$553,068,717	\$546,833,899
DEBT RATIOS		
Per Capita.....	\$5,464.73	\$5,403.12
Percent 2004-05 Assessed Value.....	7.17%	7.09%
Percent 2004-05 Market Value (estimated).....	7.17%	6.54%

*Includes the Bonds offered through this Official Statement. Does not include the Refunded 2002 Bonds and Refunded 2003AA Bonds being refunded herein.

⁽¹⁾Gives effect to expected future Commonwealth Reimbursement of School District sinking fund payments based on current CARF. See "Commonwealth Aid to School Districts".

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

⁽²⁾Pro rata 23.3 percent share of \$248,077,000 principal outstanding as of August, 2005.

⁽³⁾Pro rata 27.6 percent share of \$332,776,950 principal outstanding as of August, 2005.

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 2003-04	\$139,646,406
Total Revenues for 2004-05	152,846,577
Total Revenues for 2002-06 (unaudited)	<u>162,749,225</u>
 Total Revenues, Past Three Years	 <u>\$455,242,208</u>
 Annual Arithmetic Average (Borrowing Base)	 <u><u>\$151,747,403</u></u>

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	\$341,431,656	\$323,928,000	\$17,503,656

*Includes the Bonds described herein. Reflects gross indebtedness a portion of which may be eligible for exclusion as subsidized debt under the Act. Does not include the Refunded 2002 Bonds and 2003AA Bonds being refunded herein.

Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

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

TABLE 15

WEST CHESTER AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS*

Year	Other General Obligation Debt	Refunding Series of 2006 Bonds			Refunding Series A of 2006 Bonds			Total Requirements
		Principal	Interest	Subtotal	Principal	Interest	Subtotal	
2006-07	\$ 19,646,564	\$ 5,000	\$ 423,205	\$ 428,205	\$ 5,000	\$ 462,323	\$ 467,323	\$ 20,542,092
2007-08	20,714,385	5,000	928,788	933,788	125,000	1,600,173	1,725,173	23,373,345
2008-09	21,084,810	105,000	928,588	1,033,588	125,000	1,595,798	1,720,798	23,839,195
2009-10	21,081,160	110,000	924,388	1,034,388	130,000	1,591,423	1,721,423	23,836,970
2010-11	20,735,118	115,000	919,988	1,034,988	135,000	1,586,873	1,721,873	23,491,978
2011-12	20,731,153	115,000	915,388	1,030,388	140,000	1,582,148	1,722,148	23,483,688
2012-13	19,418,459	1,440,000	910,788	2,350,788	145,000	1,577,248	1,722,248	23,491,494
2013-14	19,412,220	1,500,000	853,188	2,353,188	150,000	1,572,173	1,722,173	23,487,580
2014-15	19,422,274	1,555,000	793,188	2,348,188	155,000	1,566,923	1,721,923	23,492,384
2015-16	19,739,628	1,620,000	730,988	2,350,988	160,000	1,560,723	1,720,723	23,811,338
2016-17	19,740,132	1,685,000	666,188	2,351,188	165,000	1,554,323	1,719,323	23,810,642
2017-18	19,739,230	1,755,000	594,575	2,349,575	170,000	1,548,218	1,718,218	23,807,022
2018-19	19,739,081	1,830,000	519,988	2,349,988	180,000	1,541,843	1,721,843	23,810,911
2019-20	19,740,969	1,910,000	442,213	2,352,213	185,000	1,535,003	1,720,003	23,813,184
2020-21	19,078,334	1,995,000	361,038	2,356,038	190,000	1,527,788	1,717,788	23,152,159
2021-22	19,909,969	2,080,000	276,250	2,356,250	200,000	1,520,188	1,720,188	23,986,406
2022-23	19,912,909	2,165,000	187,850	2,352,850	205,000	1,512,188	1,717,188	23,982,946
2023-24	19,912,991	2,255,000	95,838	2,350,838	6,775,000	1,503,988	8,278,988	30,542,816
2024-25	22,263,776	0	0	0	13,140,000	1,232,988	14,372,988	36,636,763
2025-26	22,267,076	0	0	0	13,650,000	690,963	14,340,963	36,608,038
2026-27	22,267,026	0	0	0	1,805,000	76,713	1,881,713	24,148,738
2027-28	8,628,313	0	0	0	0	0	0	8,628,313
2028-29	8,629,313	0	0	0	0	0	0	8,629,313
2029-30	8,631,563	0	0	0	0	0	0	8,631,563
Total	\$452,446,447	\$22,245,000	\$11,472,430	\$33,717,430	\$37,935,000	\$28,939,998	\$66,874,998	\$553,038,875

*Totals may not add due to rounding.

TABLE 16

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

2005-06 (unaudited) Commonwealth Aid Received.....	\$24,480,076
2005-06 (unaudited) Debt Service Requirements	\$20,116,646
Maximum Future Debt Service Requirements after Issuance of Bonds.....	\$36,636,763
Coverage of 2005-06 (unaudited) Debt Service Requirements.....	1.22 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	0.67 times

*Assumes current Commonwealth Aid Ratio. See "Commonwealth 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 1,430 employees of the School District.

The School District has a contract which expires June 30, 2009 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. Secretarial and clerical personnel are represented by the Pennsylvania Education Association (P.E.A.) under a contract which expires June 30, 2011. Custodial and maintenance personnel are represented by P.E.A. under a contract which expires June 30, 2008.

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.

Currently, each party (the employer, the School District and the Commonwealth) to the program contributes a fixed percentage of the employee's salary. Employees belonging to Pennsylvania State Employees Retirement Systems ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Act 9 became effective which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 22, 1983, and the contribution rate for employees hired prior to July 22, 1983, the contribution rate is at 6.50%. The PSERS Board of Trustees has set the fiscal year 2005-06 employer retirement contribution rate at 4.69 percent of payroll. The PSERS Board of Trustees for fiscal year 2006-07 anticipates the employer retirement contribution rate to be 6.46 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:

2001-02	-----	\$ 720,000
2002-03	-----	\$ 787,608
2003-04	-----	\$ 2,697,472
2004-05	-----	\$ 3,153,500
2005-06	-----	\$ 3,604,600

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 "Fund") is computed by an independent actuarial valuation. The most recent actuarial valuation reports that the Fund is 91.2% funded as of June 30, 2004, which decreased from 97.2%. The decrease is primarily due to the residual effect of an actuarial asset loss caused by the downturn in the financial markets from 2000 to 2002. The Fund's total plan net assets increased by \$3.6 billion from \$48.5 billion at June 30, 2004 to \$52.1 billion at June 30, 2005 billion. The increase is primarily attributable to net investment income and member and employer contributions combined that exceeded the payment of pension benefits and administrative expenses. 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 Fund's complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits

The School District is obligated under certain professional employees' collective bargaining agreements to provide health insurance coverage for retired employees until age 65. Beginning with the July 1, 2009 to June 30, 2010 fiscal year, the School District will become subject to the requirements of GASB Statements No. 43 and 45 which require certain actuarial valuations and accounting adjustments for such post-employment benefits. The School District is aware of the pendency of GASB 43 and 45 and expects to be in compliance with both when required.

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.

The initial public offering price of Refunding Series of 2006 Bonds is greater than the amount payable on such Refunding Series of 2006 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 ("original issue premium"). Investors should seek advice thereon from their own tax advisor.

The initial public offering price of Refunding Series A of 2006 Bonds of certain maturities is greater than the amount payable on such Refunding Series A of 2006 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 ("original issue premium"). Investors should seek advice thereon from their own tax advisor.

The initial public offering price of Refunding Series A of 2006 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 Refunding Series A of 2006 Bonds.

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 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 includable 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.

The School District has not designated the Bonds as "qualified tax-exempt obligations".

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 and Pennsylvania corporate net income tax.

Pursuant to the provisions of Act 68 of 1993 of the Commonwealth of Pennsylvania ("Act 68"), profits, gain or income from the sale of the Bonds shall be subject to Pennsylvania personal income tax and Pennsylvania corporate net income tax. Bond Counsel expresses no opinion as to the treatment of original issue premium or original issue discount in the computation of profits, gain or income 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 has agreed:

- (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, 2006, 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 will be in compliance with the filing requirements of the continuing disclosure undertaking with respect to the Bonds if the required information is timely provided to the "Central Post Office," which is the internet-based electronic filing system operated by the Texas Municipal Advisory Council under the name "DisclosureUSA" at the following internet address: www.disclosureusa.org Information provided to the Central Post Office will be automatically transmitted to the current NRMSIRs and SID, if any.

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.

REFUNDING SERIES OF 2006 RATING

Moody's Investors Service has assigned its rating of "Aa1" to this issue of Refunding Series of 2006 Bonds. 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.

REFUNDING SERIES A OF 2006

Moody's Investors Service has assigned its rating of "Aaa" to this issue of Refunding Series A of 2006 Bonds, has done so with the understanding that upon delivery of the Refunding Series A of 2006 Bonds, the municipal bond insurance policy will be issued by Financial Security Assurance Inc. Moody's Investors Service has assigned its rating of Aa1 to Refunding Series of 2006 Bonds. 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 Refunding Series A of 2006 Bonds.

REFUNDING SERIES OF 2006 UNDERWRITING

Sovereign Securities LLC, the Underwriter, has agreed to purchase the Refunding Series of 2006 Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Refunding Series of 2006 Bonds if any of such Refunding Series of 2006 Bonds are purchased. The Refunding Series of 2006 Bonds will be purchased for a purchase price of \$22,645,742.70, equal to the par value of the Refunding Series of 2006 Bonds less an underwriter's discount of \$127,908.75 plus an original issue premium of \$528,651.45, plus accrued interest from the dated date to the date of delivery of the Refunding Series of 2006 Bonds.

REFUNDING SERIES A OF 2006 UNDERWRITING

Wachovia Bank, National Association, the Underwriter, has agreed to purchase the Refunding Series A of 2006 Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Refunding Series A of 2006 Bonds if any of such Refunding Series A of 2006 Bonds are purchased. The Refunding Series A of 2006 Bonds will be purchased at a purchase price of \$37,630,438.75, equal to the par value of the Refunding Series A of 2006 less an underwriter's discount of \$303,480.00, less a net original issue discount of \$1,081.25, plus accrued interest from the dated date to the date of delivery of the Refunding Series A of 2006.

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 Unruh, Turner, Burke & Frees, P.C, of West Chester, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained Public Financial Management, Inc., 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, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., 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.

Financial Security Assurance

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix B specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Refunding Series A of 2006 Bonds; or (iii) the tax exempt status of the interest on the Refunding Series A of 2006 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

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

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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 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</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Household</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 industry employment data are not compiled for the School District, but such data are compiled for the Philadelphia, PA-NJ-DE-MD Metropolitan Statistical Area (the "PMSA"), (an area which includes the School District) as shown on Table A-3.

TABLE A-3
PA-NJ-MD Metropolitan Statistical Area
 (Bucks, Chester, Delaware, Montgomery, and Philadelphia - PA counties)
 (New Castle - DE county, Cecil - MD county)
 (Salem, Burlington, Camden, and Gloucester - NJ counties)

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Jul 2006	Jun 2006	May	Jul 2005	Jun 2006	Jul
Total Nonfarm	2,797,600	2,823,200	2,823,300	2,766,900	-25,600	30,700
Total Private	2,461,200	2,466,500	2,460,700	2,431,100	-5,300	30,100
Goods Producing	360,100	360,400	356,000	363,800	-300	-3,700
Construction, Natural Resources, Mining	133,900	132,300	130,200	133,000	1,600	900
Manufacturing	226,200	228,100	225,800	230,800	-1,900	-4,600
Durable Goods	119,600	121,300	119,800	120,900	-1,700	-1,300
Non Durable Goods	106,600	106,800	106,000	109,900	-200	-3,300
SERVICE-PROVIDING	2,437,500	2,462,800	2,467,300	2,403,100	-25,300	34,400
PRIVATE SERVICE-PROVIDING	2,101,100	2,106,100	2,104,700	2,067,300	-5,000	33,800
Trade, Transportation, and Utilities	535,800	540,700	539,100	531,700	-4,900	4,100
Wholesale trade	132,100	132,700	132,600	131,200	-600	900
Retail trade	311,000	313,000	311,700	310,200	-2,000	800
General merchandise stores	44,000	43,900	43,600	45,200	100	-1,200
Transportation, Warehousing and Utilities	92,700	95,000	94,800	90,300	-2,300	2,400
Transportation and Warehousing	81,500	83,900	83,700	78,700	-2,400	2,800
Information	56,000	56,100	55,700	55,000	-100	1,000
Financial Activities	221,500	220,800	219,600	221,300	700	200
Finance and Insurance	179,300	179,100	178,400	179,200	200	100
Credit intermediation and related activities	82,200	82,200	82,300	82,500	0	-300
Depository credit intermediation	41,900	41,800	41,700	41,800	100	100
Real estate and rental and leasing	42,200	41,700	41,200	42,100	500	100
Professional and Business Services	422,200	421,900	419,100	414,000	300	8,200
Professional and technical services	209,000	27,800	205,500	205,200	181,200	3,800
Administrative and waste services	164,700	165,500	165,400	162,500	-800	2,200
Employment services	54,100	54,400	55,100	53,700	-300	400
Educational and Health Services	500,800	502,000	511,500	490,800	-1,200	10,000
Health care and social assistance	393,200	392,200	390,700	386,800	1,000	6,400
Ambulatory health care services	122,200	122,200	121,800	119,800	0	2,400
Hospitals	131,200	130,100	129,600	129,400	1,100	1,800
Leisure and Hospitality	232,400	233,200	228,400	226,900	-800	5,500
Accommodation and food service	183,600	184,000	182,100	177,900	-400	5,700
Full-service restaurants	64,400	65,700	65,700	65,000	-1,300	-600
Limited-service eating places	52,000	52,300	51,800	49,500	-300	2,500
Other Services	132,400	131,400	131,300	127,600	1,000	4,800
Government	336,400	356,700	362,600	335,800	-20,300	600
Federal Government	60,100	60,200	61,200	60,800	-100	-700
State Government	55,400	55,700	58,300	54,200	-300	1,200
Local Government	220,900	240,800	243,100	220,800	-19,900	100

Data benchmarked to March 2005

Data changes of 100 may be due to rounding

Source: Pennsylvania State Employment Service: www.paworkstats.state.pa.us.

The largest employers located within the School District include:

<u>Name</u>	<u>Product or Service</u>	<u>Employment</u>
Chester County	County Government	2,596
QVC Publishing, Inc.	Div. QVC Network	1,951
Chester County Hospital	Health Care Services	1,843
QVC Network, Inc.	Home Shopping Network	1,515
West Chester Area School District	Education	1,325
West Chester University	Education	1,323
Volt Human Resources, Inc.	Employment Services	1,184
A. Duie Pyle Inc.	Trucking	1,075
Chester County Intermediate Unit	Education	912
Communications Test Design	Communications Hardware	850

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 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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006(1)</u>	<u>Compound Average Annual % Rate</u>
<i>Chester County</i>							
Civilian Labor Force (000)	240.4	249.3	248.0	248.7	254.0	257.5	1.38%
Employment (000).....	233.3	229.8	238.6	239.3	244.9	248.3	1.25%
Unemployment (000).....	7.1	9.5	9.4	9.4	9.1	9.2	5.32%
Unemployment Rate	3.0	3.8	3.8	3.8	3.6	3.6	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,073.0	6,290.0	6,170.0	6,275.0	6,292.0	6,368.0	0.95%
Employment (000).....	5,786.0	5,934.0	5,826.0	5,927.0	5,980.0	6,060.0	0.93%
Unemployment (000).....	287.0	356.0	344.0	348.0	312.0	308.0	1.42%
Unemployment Rate	4.7	5.7	5.6	5.5	5.0	4.8	

*Residence Data.

⁽¹⁾As of July, 2006.

*Data may not add to totals due to rounding.

Source: Pennsylvania State Employment Service: www.paworkstats.state.pa.us.

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 Commonwealth and the County. Both the School District and County per capita income is higher than the Commonwealth per capita and both the School District and County per capita income increased at a faster rate than the Commonwealth.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>1990</u>	<u>2000</u>	<u>Percentage Change</u> <u>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 for the 2001-2005 period for the County and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Chester County	\$7,527,705	\$7,579,619	\$7,794,889	\$8,193,381	\$9,179,201
PMSA	65,740,609	65,090,000	67,333,002	79,892,130	85,389,350
Pennsylvania	147,087,978	145,019,338	149,811,437	155,423,454	159,539,070

Source: Sales and Marketing Management Magazine

Financial Institutions

As of June 30, 2005, Chester County contained 162 branch offices of various commercial banks with total deposits of \$5,764,628,000, 32 savings and loans with deposits of \$907,928,000, 30 FDIC Savings Banks with deposits of \$1,334,175,000, and 56 credit unions with deposits of \$1,074,726,000.

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 2000 was \$234,000, as compared with Chester County as a whole of \$224,900, 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. Cheyney University is located in Thornbury Township, Delaware and Chester Counties. Both universities provide a liberal arts education.

Medical Facilities

Medical care facilities are provided by Chester County Hospital (the "Hospital") 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: Aqua Pennsylvania, Inc. 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.

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APPENDIX B
Specimen of Municipal Bond Insurance Policy for the
Refunding Series A of 2006 Bonds

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