

*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.*

## \$28,220,000

### West Chester Area School District

Chester and Delaware Counties, Pennsylvania

General Obligation Bonds, Series AA of 2010

**Dated:** December 30, 2010

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

**Interest Due:** March 15 and September 15

**First Interest Payment:** March 15, 2011

The General Obligation Bonds, Series AA of 2010 in the aggregate principal amount of \$28,220,000 (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 TD Bank, N.A. (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its corporate trust office in Philadelphia, Pennsylvania. Interest on the Bonds is payable initially on March 15, 2011 and thereafter semiannually on September 15 and March 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. In the Resolution described herein the School District covenants that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably pledges 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 Bonds will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2003 and to pay the costs of issuing the Bonds.

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

#### MATURITIES, AMOUNTS, RATES AND YIELDS

{As Shown on Inside Front Cover}

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Pepper Hamilton LLP, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by 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 December 30, 2010.



**\$28,220,000**

**West Chester Area School District**  
**Chester and Delaware Counties, Pennsylvania**  
**General Obligation Bonds, Series AA of 2010**

**Dated:** December 30, 2010  
**Principal Due:** March 15

**Interest Due:** March 15 and September 15  
**First Interest Payment:** March 15, 2011

**BOND MATURITY SCHEDULE**

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<b>Maturity Date (March 15) Year</b>	<b>Principal Amounts</b>	<b>Interest Rates</b>	<b>Yields</b>
2012	\$1,780,000	2.000%	0.500%
2013	2,195,000	2.000	0.750
2014	2,235,000	2.250	1.000
2015	2,300,000	2.500	1.300
2016	1,125,000	2.500	1.550
2017	2,510,000	3.000	1.880
2018	1,795,000	3.000	2.230
2019	3,160,000	4.000	2.500
2020	3,290,000	4.000	2.810
2021	3,420,000	5.000	3.000*
2022	4,410,000	5.000	3.150*

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\*Yield to Call Optional Redemption Date of September 15, 2020

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

**BOARD OF SCHOOL DIRECTORS**

Dr. Ricky L. Swalm .....	President
Heidi Adsett .....	Vice President
Sean Carpenter .....	Member
James B. Davison .....	Member
Dr. Maria Armandi Pimley .....	Member
Jeffrey T. Seagraves .....	Member
James T. Smith .....	Member
Dr. John F. Wingerter .....	Member
Pauline A. Bachtle .....	Secretary*
John Scully .....	Assistant Secretary*
Dr. Suzanne K. Moore .....	Treasurer*

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\*Non-Voting Member

**SUPERINTENDENT**  
DR. JAMES R. SCANLON

**DIRECTOR OF BUSINESS AFFAIRS**  
DR. 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**  
TD BANK, N.A.  
Philadelphia, Pennsylvania

**UNDERWRITER**  
PIPER JAFFRAY & Co.  
Minneapolis, Minnesota

**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

## \$28,220,000

### West Chester Area School District Chester and Delaware Counties, Pennsylvania

#### General Obligation Bonds, Series AA of 2010

##### 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 \$28,220,000 aggregate principal amount of its General Obligation Bonds, Series AA of 2010 dated as of December 30, 2010 ("the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on November 22, 2010 (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"). TD Bank, N.A., will act as paying agent, registrar and sinking fund depository (in each capacity referred to as the "Paying Agent").

##### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to currently refund the School District's General Obligation Bonds, Series of 2003 currently outstanding in the aggregate principal amount of \$29,970,000 (the "2003 Bonds") and to pay the costs of issuing the Bonds.

Upon the issuance of the Bonds, a portion of the proceeds will be irrevocably deposited with TD Bank, N.A., as successor paying agent for the 2003 Bonds, such deposited proceeds will be sufficient to redeem and pay on March 15, 2011, the outstanding 2003 Bonds. The foregoing redemption will be at a redemption price of 100% of the principal amount of the 2003 Bonds to be redeemed, plus accrued to the date fixed for redemption.

##### Estimated Sources and Uses

###### SOURCES:

	<u>2010AA Bonds</u>
Bond Proceeds .....	\$28,220,000.00
Net Original Issue Premium .....	2,516,510.25
Accrued Interest.....	0.00
Total.....	<u>\$30,736,510.25</u>

###### USES:

Amount Required to Redeem the 2003 Bonds.....	\$30,568,052.00
Costs of Issuance <sup>(1)</sup> .....	168,458.25
Total.....	<u>\$30,736,510.25</u>

<sup>(1)</sup>Includes legal, financial advisor, underwriter's discount, printing, rating, CUSIP, escrow agent, paying 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 December 30, 2010, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable initially on March 15, 2011 and semiannually thereafter on September 15 and March 15 until the principal sum thereof is paid.

### Payment of Principal and Interest

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

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of authentication of the Bond, unless: (a) such Bond is authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such succeeding interest payment date, or (c) such Bond is authenticated on or prior to the Regular Record Date preceding March 15, 2011, in which event such Bond shall bear interest from December 30, 2010. Interest on the Bonds shall be paid initially on March 15, 2011, and thereafter, semiannually on September 15 and March 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last day of the calendar month (whether or not a business day) immediately preceding each interest payment date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds at least ten (10) days preceding such special record date but not more than thirty (30) days prior to the payment date of such defaulted interest.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania or in each of the cities in which the corporate trust office or payment office of the Paying Agent is 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 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 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 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 covenants in the Resolution that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably pledges 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 Fund**

Sinking Fund for the payment of debt service on the Bonds, designated "Sinking Fund, West Chester Area School District General Obligation Bonds, Series AA of 2010" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and 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 Fund.

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

## **BOOK-ENTRY ONLY SYSTEM**

***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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating, "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://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 affect 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 to 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 series or subseries and 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 any 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 an 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).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on 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 redemptions proceeds, distributions, and dividend payments 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 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 Bondholders.

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 TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE 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**

The Bonds maturing on or after March 15, 2021, 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 the 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 or portion of a maturity as the School District shall select and within a maturity by lot), at any time on and after September 15, 2020.

### **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 is located are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## **THE 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 fourth 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>2010-11 Enrollment</u>
B. Rustin High School .....	2003-06	-	9-12	1,330
East High School .....	1973	1976/92/93/04	9-12	1,364
East/Fugett Athletic Fields.....	2004	-	-	----
Henderson High School .....	1951	1956/64/76/94/98/04	9-12	1,276
Henderson-North Campus Athletics .....	2006	-	-	----
E. N. Peirce Middle School .....	1963	1998/01/03	6-8	889
G. A. Stetson Middle School .....	1959	1961/98/03/07	6-8	928
J. R. Fugett Middle School .....	1969	-	6-8	1002
Mary C. Howse Elementary.....	1962	1965/97	K-5	470
Exton Elementary .....	1940	1953/57/91/92/93/00	K-5	584
East Goshen Elementary .....	1955	1960/64/67/95/01	K-5	501
Fern Hill Elementary .....	1955	1960/89	K-5	461
Glen Acres Elementary .....	1966	1997	K-5	478
Westtown-Thornbury Elementary .....	1954	1956/89	K-5	472
Penn Wood Elementary .....	1966	1970/89/01	K-5	525
East Bradford Elementary.....	1958	1966/70/89	K-5	350
Hillsdale Elementary .....	1976	2007	K-5	576
Sarah W. Starkweather Elementary .....	1991	1998	K-5	619
Facilities & Operations Center.....	1999	-	-	----
Spellman Administration .....	1924	1952/55/77/99	Admin/Gifted	----
<b>Totals</b>				<b>11,825</b>

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\***

<u>Actual Enrollments</u>					<u>Projected Enrollments</u>				
<u>School Year</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>	<u>School Year</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>
2006-07	5,121	2,793	3,875	11,789	2011-12	5,052	2,781	4,017	11,850
2007-08	4,971	2,821	3,875	11,667	2012-13	5,063	2,766	3,996	11,825
2008-09	4,961	2,803	3,920	11,684	2013-14	5,075	2,705	4,001	11,781
2009-10	5,024	2,801	3,985	11,810	2014-15	5,019	2,731	3,961	11,711
2010-11	5,036	2,819	3,970	11,825	2015-16	4,868	2,899	4,045	11,812

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 Commonwealth law. The firm of Rainer & Company, Newtown Square, Pennsylvania, currently serves as the School District's auditor.

### Budgeting Process in School Districts under The Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under The Taxpayer Relief Act (as defined herein), effective for the fiscal year beginning on or after January 1, 2007, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the upcoming fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education ("PDE") no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see* Act 1 of 2006 ("The Taxpayer Relief Act") herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of The Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see* "Act 1 of 2006 ("The Taxpayer Relief Act" herein), a school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by The Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under The Taxpayer Relief Act, a school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district's petition, such Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under The Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, The Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Status of 2010-11 Budget Under Act 1. The School District's budget for fiscal year 2010-11 included an increase to the Chester County tax rate of 5.9%. This exceeded the Index cap of 4.1%. The School District utilized expense exceptions related to debt service and special educational service needs to meet the Act 1 requirements.

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## Summary and Discussion of Financial Results

A summary of the comparative governmental fund balances is presented in Tables 3 and Table 4 shows General Fund Balances of the School District. Table 5 shows revenues and expenditures for the past five years and the 2010-11 budget.

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

	2006	2007	2008	2009	Unaudited 2010 <sup>(1)</sup>
<b>ASSETS</b>					
Current:					
Cash and Cash Equivalents .....	\$ 1,075,695	\$ 626,935	\$ 139,792	\$ 2,957,533	\$ 1,648,632
Investments .....	92,660,308	78,375,129	61,158,971	39,037,667	44,954,112
Taxes Receivable .....	2,574,193	2,573,969	3,734,467	4,218,520	4,343,853
Other Current Assets .....	0	0	0	0	1,936,944
Due from other Governments .....	1,881,855	1,674,482	1,639,867	2,142,890	1,318,393
Other Receivables .....	481,273	2,451,716	782,160	877,915	1,278,357
Prepaid Expenditures .....	1,154,339	2,193,432	1,878,005	1,282,063	1,771,912
Inventories .....	0	0	0	0	0
<b>TOTAL CURRENT ASSETS</b> .....	<b>\$99,827,663</b>	<b>\$87,895,663</b>	<b>\$69,333,262</b>	<b>\$50,516,588</b>	<b>\$57,252,203</b>
<b>Noncurrent Assets</b>					
Capital Assets:					
Land .....	\$ 30,429,426	\$ 32,072,533	\$ 33,139,690	\$ 33,139,690	\$33,139,690
Land Improvements .....	2,048,092	1,874,865	1,732,811	1,570,942	0
Buildings .....	76,629,147	74,102,810	238,843,283	237,940,125	237,904,411
Construction in Progress .....	167,050,344	182,995,996	22,795,600	30,425,849	31,741,721
Furniture and Equipment .....	6,865,585	6,984,540	9,407,043	7,942,105	6,175,880
Long Term Prepayments (net) .....	0	2,776,788	2,601,171	2,380,768	0
<b>TOTAL CAPITAL ASSETS, NET OF DEPRECIATION</b> .....	<b>\$283,022,594</b>	<b>\$300,807,532</b>	<b>\$308,519,598</b>	<b>\$313,399,479</b>	<b>\$308,961,702</b>
<b>Other Assets:</b>					
Deferred Bond Issuance Costs .....	\$ 2,185,201	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL ASSETS</b> .....	<b>\$385,035,458</b>	<b>\$388,703,195</b>	<b>\$377,852,860</b>	<b>\$363,916,067</b>	<b>\$366,213,905</b>
<b>LIABILITIES</b>					
Current:					
Accounts Payable and Accrued Liabilities .....	\$25,544,736	\$22,877,658	\$22,682,922	\$18,659,547	\$18,492,211
Bond and Notes Payable Within One Year .....	8,978,000	0	0	0	0
Current Portion of Long-Term Debt .....	0	10,394,000	11,216,000	12,017,000	11,474,000
Accrued Interest .....	2,753,793	0	0	0	0
Deferred Revenues .....	0	8,776	29,780	42,210	173,702
Other Current Liabilities .....	0	2,677,672	2,703,714	2,514,287	2,364,938
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>\$37,276,529</b>	<b>\$35,958,106</b>	<b>\$36,632,416</b>	<b>\$33,233,044</b>	<b>\$32,504,851</b>
<b>Long-Term:</b>					
Bonds and Notes Payable Due After One Year .....	\$316,260,308	\$320,259,755	\$308,921,328	\$297,063,946	\$296,385,633
Accrued Severance and Compensated Absences .....	4,396,553	4,678,219	4,182,675	6,059,646	6,194,871
<b>TOTAL LONG-TERM LIABILITIES</b> .....	<b>\$320,656,861</b>	<b>\$324,937,974</b>	<b>\$313,104,003</b>	<b>\$303,123,592</b>	<b>\$302,580,504</b>
<b>TOTAL LIABILITIES</b> .....	<b>\$357,933,390</b>	<b>\$360,896,080</b>	<b>\$349,736,419</b>	<b>\$336,356,636</b>	<b>\$335,085,355</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	\$5,479,152	\$3,547,104	\$6,122,191	\$8,903,159	\$6,507,197
Capital Project Fund - undesignated .....	0	0	0	14,641,919	13,798,850
Unreserved - Undesignated .....	21,622,916	24,260,011	21,994,250	4,014,353	10,822,503
<b>TOTAL FUND EQUITIES</b> .....	<b>\$27,102,068</b>	<b>\$27,807,115</b>	<b>\$28,116,441</b>	<b>\$27,559,431</b>	<b>\$31,128,550</b>
<b>TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS</b> .....	<b>\$385,035,458</b>	<b>\$388,703,195</b>	<b>\$377,852,860</b>	<b>\$363,916,067</b>	<b>\$366,213,905</b>

<sup>(1)</sup>Unaudited, subject to change and final audit.

Source: School District's Annual Financial Reports.

TABLE 4

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

	Actual				Unaudited 2010 <sup>(1)</sup>	Budgeted 2011 <sup>(2)</sup>
	2006	2007	2008	2009		
<b>Beginning Fund Balance</b> .....	\$8,287,190	\$8,794,146	\$9,631,410	\$7,494,321	\$7,861,941	\$11,995,399
Revenues over (under) Expenditure .....	506,956	837,264	(2,137,090)	367,620	4,133,458	(1,091,841)
<b>Ending Fund Balance</b> .....	<u>\$8,794,146</u>	<u>\$9,631,410</u>	<u>\$7,494,321</u>	<u>\$7,861,941</u>	<u>\$11,995,399</u>	<u>\$10,903,558</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Unaudited, subject to change and final audit.

<sup>(2)</sup> Budget as adopted February 16, 2010.

Source: School District Annual Financial Reports and Budget.

**Revenue**

The School District anticipates receiving \$196,838,807 in revenue in 2009-10 (unaudited) and has budgeted revenue of \$201,984,800 in 2010-11. Local sources increased as a share of total revenue in the past five years, from 81.6 percent in 2005-06 to 82.5 percent in 2009-10 (unaudited). Revenue from Commonwealth sources increased as a share of the total revenue from 15.7 percent to 15.8 percent over this period. Federal revenue remained stable at 1.7 percent over this period. Other decreased as a share of total revenue during this period.

TABLE 5

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

REVENUE:	Actual				2010 <sup>(1)</sup>	Budget 2011 <sup>(2)</sup>
	2006	2007	2008	2009		
<b>Local Sources:</b>						
Real Estate Taxes (Current) .....	\$107,927,149	\$115,783,148	\$121,988,633	\$128,291,632	\$136,999,771	\$140,427,541
Interim Real Estate Taxes .....	2,677,530	1,969,358	1,674,192	1,503,635	1,331,749	1,446,481
Total Act 511 Taxes .....	20,602,185	21,151,384	20,571,497	19,430,906	19,164,815	19,328,300
Public Utility Realty Tax.....	190,028	203,898	197,962	188,615	208,431	145,000
Delinquencies on Taxes Levied .....	2,568,469	2,442,606	2,810,278	2,944,871	3,316,209	3,066,100
Earnings from Temporary Deposits & Investments.....	2,250,385	3,234,121	3,051,012	1,674,788	287,977	497,300
PA Revenue Rec'd.-Other Intermediate Sources Fed. Rev. Rec'd.-Other	29,002	36,223	90,534	98,243	0	0
Intermediate/PA Sources.....	1,314,176	1,228,468	1,240,537	1,308,898	1,296,294	1,291,300
Tuition from Patrons .....	155,331	164,326	165,470	163,252	152,746	534,500
Contributions and Donations.....	0	0	0	39,178	51,545	0
Receipts from Other LEAs .....	272,001	204,357	239,697	267,641	363,945	348,295
Refund of Prior Years' Expenditures .....	5,715	0	5,297	9,646	0	0
All Other Local Revenues Not Specified.....	58,979	9,664	14,381	25,714	26,160	33,600
Other Sources .....	0	32,299	28,234	32,844	38,933	0
<b>Total Local Sources</b> .....	<u>\$138,050,950</u>	<u>\$146,459,853</u>	<u>\$152,077,724</u>	<u>\$155,979,862</u>	<u>\$163,238,575</u>	<u>\$167,118,417</u>
<b>State Sources:</b>						
<b>Total State Sources</b> .....	<u>\$24,480,076</u>	<u>\$26,079,099</u>	<u>\$27,227,734</u>	<u>\$29,959,702</u>	<u>\$28,990,224</u>	<u>\$31,898,514</u>
<b>Federal Sources:</b>						
<b>Total Federal Sources</b> .....	<u>\$2,312,323</u>	<u>\$2,649,950</u>	<u>\$2,991,122</u>	<u>\$3,130,016</u>	<u>\$4,604,950</u>	<u>\$2,967,869</u>
<b>Other Sources:</b>						
<b>Total Other Sources</b> .....	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,364</u>	<u>\$5,057</u>	<u>\$0</u>
<b>TOTAL REVENUE</b> .....	<u>\$164,843,349</u>	<u>\$175,188,902</u>	<u>\$182,296,580</u>	<u>\$189,079,944</u>	<u>\$196,838,807</u>	<u>\$201,984,800</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Unaudited, subject to change and final audit.

<sup>(2)</sup> Budget as adopted February 16, 2010.

Source: School District Annual Financial Reports and Budget.

**TABLE 5**  
**(continued)**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**EXPENDITURES\***  
**(For years ending June 30)**

EXPENDITURES:	Actual				Unaudited	Budget
	2006	2007	2008	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>
Instruction.....	\$90,846,621	\$95,704,318	\$103,563,832	\$104,030,587	\$105,860,030	\$113,237,999
Pupil Personnel.....	5,695,591	6,049,036	6,483,288	6,665,150	6,726,085	7,503,790
Instructional Staff.....	4,742,351	4,661,131	4,769,381	5,162,993	5,388,795	5,776,234
Support Services – Administration.....	9,208,429	10,028,575	10,410,847	10,729,281	10,307,181	10,571,150
Support Services - Pupil Health.....	1,896,461	1,765,471	1,830,904	1,890,052	1,862,075	2,066,948
Business.....	1,256,832	1,308,615	1,487,970	1,565,788	1,477,726	1,539,018
Operation & Maintenance.....	13,596,728	15,478,295	16,364,754	17,212,299	15,945,427	17,163,625
Pupil Transportation.....	11,349,906	11,809,273	12,846,908	13,219,823	12,732,134	13,531,365
Central Support Services.....	1,949,812	2,028,766	2,173,381	2,196,114	2,136,444	2,328,967
Support Services – Other.....	135,739	131,146	129,790	129,191	130,520	147,000
Community Services.....	69,046	76,445	81,960	122,164	0	0
Non-instructional Services.....	2,452,956	3,684,909	3,921,949	4,013,798	3,967,454	4,562,235
Capital Outlay.....	270,300	269,908	271,309	148,832	389,873	687,000
Debt Service.....	19,845,580	19,825,495	20,097,254	21,626,252	24,436,770	23,961,310
Refund Prior Year Expenditures.....	6,927	12,190	140	0	4,813	0
Other Support Services.....	0	0	0	0	0	0
Budgetary Reserves & Transfers.....	1,013,114	1,518,064	0	0	1,340,022	0
<b>TOTAL EXPENDITURES</b> .....	<b>\$164,336,393</b>	<b>\$174,351,637</b>	<b>\$184,433,669</b>	<b>\$188,712,324</b>	<b>\$192,705,349</b>	<b>\$203,076,641</b>
<b>SURPLUS (DEFICIT) OF REVENUES</b>						
<b>OVER EXPENDITURES</b> .....	<b>\$506,956</b>	<b>\$837,264</b>	<b>(\$2,137,090)</b>	<b>\$367,620</b>	<b>\$4,133,458</b>	<b>(\$1,091,841)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Unaudited, subject to change and final audit.

<sup>(2)</sup> Budget as adopted February 16, 2010.

Source: School District Annual Financial Reports and Budget.

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## 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.

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## 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 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 fiscal year for Pennsylvania school districts begins July 1<sup>st</sup> 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 The Taxpayer Relief Act. 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 The Taxpayer Relief Act. This summary is not intended to be an exhaustive discussion of the provisions of The Taxpayer Relief Act nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of The Taxpayer Relief Act as a part of any decision to purchase the Bonds.

#### **The Bonds are "Grandfathered" debt under the Act 1**

The Bonds described in this Official Statement refund Bonds that represent debt that was approved ("incurred") by the board of school directors on March 10, 2003, prior to the effective date of Act 1, and the board of school directors previously elected not to become subject to the provisions of former Act 72 of 2004 ("Act 72") (Act 72 was repealed by Act 1) which, like Act 1, limited the power of the board to increase taxes above a certain index. Consequently, the School District is entitled by Act 1 to apply to the Pennsylvania Department of Education (PDE) for approval to utilize an Act 1 referendum exception, if and to the extent a tax increase greater than the Index is needed to pay the principal and interest on the Bonds in any particular fiscal year (see "**The Taxpayer Relief Act**" and "**Budgeting Process in School Districts under the Taxpayer Relief Act**" herein). Act 1 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 tax 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.

#### **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.

**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:

<b><u>Total Budgeted Expenditures</u></b>	<b><u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u></b>
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.

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**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**

	<b>Chester County (mills)</b>	<b>Delaware County (mills)</b>	<b>Real Estate Transfer<sup>(1)</sup> (%)</b>	<b>Wage and Income<sup>(1)</sup> (%)</b>
2005-06.....	14.32	11.65	1.00	1.00
2006-07.....	15.16	11.02	1.00	1.00
2007-08.....	15.79	11.87	1.00	1.00
2008-09.....	16.85	12.94	1.00	1.00
2009-10.....	17.85	14.16	1.00	1.00
2010-11 <sup>(2)</sup> .....	18.36	14.25	1.00	1.00

<sup>(1)</sup>Subject to sharing providing the municipality levies the tax.

<sup>(2)</sup>As reported in the School District’s PDE 2028 Budget Report.

Source: School District officials.

**TABLE 7  
WEST CHESTER AREA SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b>2006-07 (mills)</b>	<b>2007-08 (mills)</b>	<b>2008-09 (mills)</b>	<b>2009-10 (mills)</b>	<b>2010-11<sup>(1)</sup> (mills)</b>
<b>School District</b>					
Chester County .....	15.160	15.790	16.850	17.850	18.360
Delaware County .....	11.020	11.870	12.940	14.160	14.250
East Bradford Township .....	0.071	0.071	0.071	0.071	0.071
East Goshen Township .....	1.250	1.250	1.250	1.250	1.250
Thornbury Township .....	0.840	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.....	4.610	5.200	5.600	5.600	5.600
West Goshen Township .....	1.500	1.500	1.500	1.500	1.500
West Whiteland Township.....	0.600	0.600	0.600	0.600	0.600
Westtown Township .....	1.500	1.500	2.000	2.000	2.000
Chester County .....	3.558	3.804	3.804	3.965	3.965

<sup>(1)</sup>As reported in the School District’s PDE 2028 Budget Report.

Source: Chester County website.

**Real Property Tax**

The real property tax including interim collections (excluding delinquent collections) produced \$138,331,521 in 2009-10 (unaudited), approximately 70.3 percent of overall revenue.

The following tables summarize trends of assessed and market valuations of real property. For the 2008-09 fiscal year, eligible taxpayers could opt into the installment method of payment for their school taxes. Installment payments are based upon three (3) one-third payments of the base tax amount.

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**

<b>Year</b>	<b>Market Value<sup>(1)</sup></b>	<b>Assessed Value<sup>(2)</sup></b>
2008-09.....	\$9,590,187,000	\$8,245,233,294
2007-08.....	8,359,241,000	8,159,131,405
2006-07.....	8,110,036,000	8,076,932,243
2005-06.....	7,159,838,000	7,904,892,743
2004-05.....	6,830,223,000	7,710,991,087
2003-04.....	6,067,252,000	7,512,832,873

<sup>(1)</sup>Market Value as reported in the School District's Fact Book.

<sup>(2)</sup>Assessed Value as reported the Pennsylvania State Tax Equalization Board.

Source: As reported by School District officials.

**TABLE 9**

**WEST CHESTER AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2008 Market Value</b>	<b>2008 Assessed Value</b>	<b>2009 Market Value</b>	<b>2009 Assessed Value</b>
<i>School District</i> .....	\$9,697,033,700	\$8,159,131,405	\$11,068,104,100	\$8,245,233,294
<i>Chester County</i> .....	42,782,110,500	35,930,226,988	48,773,349,600	36,724,462,642
East Bradford Township.....	969,703,500	819,260,519	1,096,444,700	828,279,689
East Goshen Township.....	1,934,178,400	1,609,168,735	2,197,960,000	1,626,344,385
Thornbury Township.....	345,442,600	284,482,728	378,948,800	287,933,969
Thornbury Township (Delaware County)..	610,169,700	628,159,941	674,163,100	640,744,559
West Chester Borough.....	857,273,200	634,594,560	1,048,215,300	639,488,680
West Goshen Township.....	2,049,106,400	1,721,822,862	2,379,331,500	1,733,096,422
West Whiteland Township.....	2,003,355,600	1,725,192,410	1,049,139,000	743,964,610
Westtown Township.....	927,804,300	736,449,650	2,243,901,700	1,745,380,980

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10**

**WEST CHESTER AREA SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Residential.....	\$5,734,237,527	\$5,911,723,761	\$6,074,129,634	\$6,153,442,453	\$6,175,286,127
Lots.....	102,950,561	76,137,951	51,956,241	44,779,921	53,744,016
Industrial.....	158,724,310	159,985,270	159,511,950	151,550,670	165,446,720
Commercial.....	1,695,855,774	1,740,768,761	1,767,665,808	1,785,468,171	1,819,890,888
Agriculture.....	24,169,030	23,787,140	23,668,610	23,890,190	30,865,543
<b>Total</b> .....	<b>\$7,715,937,202</b>	<b>\$7,912,402,883</b>	<b>\$8,076,932,243</b>	<b>\$8,159,131,405</b>	<b>\$8,245,233,294</b>

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<sup>(1)</sup></u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount<sup>(2)</sup></u>	<u>Total Collections as Percent</u>
2005-06.....	\$7,904,244,606	14.32	\$111,822,461	\$107,927,149	96.52%	\$110,495,618	98.81%
2006-07.....	8,061,281,755	15.16	119,753,099	115,783,804	96.69%	118,230,776	98.73%
2007-08.....	8,156,171,424	15.79	126,331,139	122,028,708	96.59%	124,840,111	98.82%
2008-09.....	8,235,714,280	16.85	136,273,669	128,318,365	94.16%	131,262,662	96.32%
2009-10.....	8,305,191,010	17.85	146,756,868	140,880,800	95.99%	143,857,600	98.02%

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

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

Source: School District officials.

The ten largest real property taxpayers, together with 2010-11 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 3.7 percent of total assessed value.

TABLE 12

WEST CHESTER AREA SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS, 2010-11

<u>Owner</u>	<u>Property</u>	<u>2010* Assessed Value</u>
Exton Square, Inc. <sup>(1)</sup>	Shopping Mall	\$ 83,984,710
QVC	Industrial Building/TV Shopping	48,669,780
TRC Valley Creek Assoc.	Business Complex	31,796,620
Main Street at Exton	Shopping Center	28,553,560
Exton Crossing Apts.	Apartment Complex	21,023,480
Whiteland Investors, LP	Shopping Center	19,320,000
Comcast Cable Communications	Business Complex	17,636,080
Hankin Family Limited	Apartment Complex	16,952,250
Westtown Apt., Inc.	Apartment Complex	16,636,690
Fern Hill LLC	Business complex	16,617,370
<b>Total</b>		<b>\$301,190,540</b>

\*School District Fact Book.

<sup>(1)</sup>Includes assessment for the mall and anchor stores.

Source: School District officials.

**Other Taxes**

Under Act 511, the School District collected \$19,164,815 in taxes in 2009-10 (unaudited). 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 \$1,150,822.

*Real Estate Transfer.* The School District levies a tax of one-half percent of the value of real estate transfers. In 2009-10 (unaudited) the School District's collected portion of this tax yielded \$2,706,839 or 1.4 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 2009-10 (unaudited) the School District's collected portion of this tax yielded \$16,457,976 or 8.4 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 Bonds after the Bonds financed have received final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District officials have estimated that the "Project Reimbursable Percentage" of the project to be financed by the Bonds will be a maximum of 19.21 percent. The School District CARF for the 2010-11 school year is currently 27.54 percent. The product of these two factors is 5.29 percent which is the estimated maximum 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 by future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to the other School Districts and the Commonwealth.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 which follows shows the debt of the West Chester Area School District as of December 7, 2010, and the Bonds.

**TABLE 13**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**DEBT STATEMENT**  
**(As of December 7, 2010) \***

<b>NET NONELECTORAL DEBT</b>	<b>Gross Outstanding</b>
General Obligation Bonds, Series AA of 2010 (last maturity 2022).....	\$28,220,000
General Obligation Bonds, Series A of 2010 (last maturity 2022) .....	7,510,000
General Obligation Bonds, Series of 2010 (last maturity 2017) .....	20,265,000
General Obligation Note, Series of 2009 (last maturity 2027).....	9,995,000
General Obligation Bonds, Series of 2009 (last maturity 2016) .....	4,400,000
General Obligation Bonds, Series of 007 (last maturity 2029) .....	9,655,000
General Obligation Bonds, Refunding Series A of 2006 (last maturity 2027).....	37,550,000
General Obligation Bonds, Refunding Series of 2006 (last maturity 2024).....	22,020,000
General Obligation Bonds, Series AA of 2006 (last maturity 2020).....	11,820,000
General Obligation Bonds, Series A of 2006 (last maturity 2027) .....	100,700,000
General Obligation Bonds, Series of 2006 (last maturity 2030) .....	34,980,000
General Obligation Bonds, Series of 2002 (last maturity 2012) .....	2,485,000
General Obligation Note, Series B of 2000 (last maturity 2015) Delaware Valley Regional Finance Authority .....	5,649,000
<b>GROSS NONELECTORAL DEBT</b> .....	<b>\$295,249,000</b>
<b>LEASE RENTAL DEBT</b>	
<b>NET LEASE RENTAL DEBT</b> .....	<b>\$0</b>
<b>TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT</b> .....	<b>\$295,249,000</b>

\*Includes the Bonds offered through this Official Statement. Excludes the 2003 Bonds being refunded.



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 \$295,249,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$283,986,961.

**TABLE 14**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of November 30, 2010)**

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated Commonwealth Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt.....	\$295,249,000	\$283,986,961
Lease Rental Debt.....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$295,249,000</b>	<b>\$283,986,961</b>
<b>OVERLAPPING DEBT</b>		
Chester County, General Obligation.....	\$147,671,092	\$147,671,092
Delaware County, General Obligation.....	10,782,420	10,782,420
Municipal Debt .....	104,965,449	104,965,449
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$263,418,961</b>	<b>\$263,418,961</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$559,636,961</b>	<b>\$548,374,922</b>
<b>DEBT RATIOS</b>		
Per Capita .....	\$5,520.05	\$5,408.78
Percent 2008-09 Assessed Value.....	6.78%	6.64%
Percent 2008-09 Market Value (estimated) .....	5.05%	4.95%

\*Includes the Bonds offered through this Official Statement. Excludes the 2003 Bonds being refunded.

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

<sup>(2)</sup>Pro rata 22.7 percent share of \$650,736,000 principal outstanding, including self-supporting debt of the County or local municipalities.

<sup>(3)</sup>Pro rata 3.1 percent share of \$350,587,622 principal outstanding, including self-supporting debt of the County or local municipalities.

**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 2007-08 .....	\$180,859,206
Total Revenues for 2008-09 .....	187,550,042
Total Revenues for 2009-10 (unaudited) .....	<u>195,294,086</u>
 Total Revenues, Past Three Years .....	 <u>\$563,703,334</u>
 Annual Arithmetic Average (Borrowing Base) .....	 <u><u>\$187,901,111</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.....	\$422,777,500	\$295,249,000	\$127,528,500

\*Includes the estimated Bonds described herein; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth aid. Excludes the 2003 Bonds being refunded herein.

**Debt Service Requirements**

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

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service 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	Series AA of 2010		Subtotal	Total Requirements
		Principal	Interest		
2010-11	\$ 21,447,500	\$ 0	\$ 207,096	\$ 207,096	\$ 21,654,596
2011-12	21,971,715	1,780,000	994,063	2,774,063	24,745,777
2012-13	21,957,611	2,195,000	958,463	3,153,463	25,111,074
2013-14	21,953,977	2,235,000	914,563	3,149,563	25,103,540
2014-15	21,927,598	2,300,000	864,275	3,164,275	25,091,873
2015-16	22,197,677	1,125,000	806,775	1,931,775	24,129,452
2016-17	20,839,072	2,510,000	778,650	3,288,650	24,127,722
2017-18	21,667,692	1,795,000	703,350	2,498,350	24,166,042
2018-19	20,330,149	3,160,000	649,500	3,809,500	24,139,649
2019-20	20,320,515	3,290,000	523,100	3,813,100	24,133,615
2020-21	20,298,887	3,420,000	391,500	3,811,500	24,110,387
2021-22	19,420,700	4,410,000	220,500	4,630,500	24,051,200
2022-23	23,891,080				23,891,080
2023-24	23,991,824				23,991,824
2024-25	23,989,637				23,989,637
2025-26	23,983,837				23,983,837
2026-27	23,752,862				23,752,862
2027-28	15,074,819				15,074,819
2028-29	9,363,394				9,363,394
2029-30	8,631,563				8,631,563
<b>Total</b>	<b>\$407,012,107</b>	<b>\$28,220,000</b>	<b>\$8,011,834</b>	<b>\$36,231,834</b>	<b>\$443,243,941</b>

\*Totals may not add due to rounding.

**TABLE 16**  
**WEST CHESTER AREA SCHOOL DISTRICT**  
**COVERAGE OF DEBT SERVICE**  
**REQUIREMENTS BY COMMONWEALTH AID\***

2009-10 Unaudited Commonwealth Aid Received .....	\$28,990,224
2009-10 Unaudited Debt Service Requirements .....	\$24,436,770
Maximum Future Debt Service Requirements after Issuance of Bonds.....	\$25,111,074
Coverage of 2009-10 Unaudited Debt Service Requirements.....	1.19 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds .....	1.15 times

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

**Future Financing**

The School District anticipates issuing additional long-term debt in the future to complete its Capital Improvement Program within the next 2-3 years.

## LABOR RELATIONS

### School District Employees

There are approximately 1,469 employees of the School District.

The School District has a contract which expires June 30, 2011 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, 2011.

### Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). 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. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

The PSERS Board of Trustees has set the fiscal year 2010-11 employer retirement contribution rate at 8.22 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 pension contributions to PSERS have been as follows:

2005-06 .....	\$	3,604,566
2006-07 .....	\$	5,229,338
2007-08 .....	\$	6,032,597
2008-09 .....	\$	4,127,324
2009-10 .....	\$	4,294,335
2010-11 (Budgeted) .....	\$	4,231,400

The School District is current in all payments. Future projections are indicating increases in the contribution rate for future years. The PSERS complete report is available on its website on the Internet: [www.psers.state.pa.us](http://www.psers.state.pa.us).

### Other Post-Employment Benefits ("OPEB")

The School District is obligated under certain professional employees' collective bargaining agreements and certain Pennsylvania legal provisions to provide medical and prescription benefits coverage for retired employees for a period following retirement as stipulated in such bargaining unit or legal requirements. The School District's annual other Post-employment benefit (OPEB) cost (expense is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the School District's net OPEB obligation.

<b>Annual OPEB Cost:</b>	
Normal Cost.....	\$1,133,553
Amortization of unfunded Actuarial .....	0
Accrued Liability .....	1,104,851
Interest on Net OPEB Obligation .....	0
Funding Adjustment .....	0
ANNUAL OPEB COST .....	\$2,240,404
 <b>Net OPEB Obligation (Asset):</b>	
Normal OPEB Obligation July 1, 2008 .....	(\$328,484)
OPEB Cost for the year ended June 30, 2009 .....	2,240,404
Contributions .....	(2,435,665)
NET OPEB OBLIGATION (ASSET) .....	(\$523,745)

Source: School District Audit report.

## **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 is not an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals and corporations. Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the earnings and profits of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

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

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

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

Bond Counsel is of the opinion that, under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax 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 in the computation of profits, gain or income from the sale of the Bonds pursuant to Act 68.

## CONTINUING DISCLOSURE UNDERTAKING

The School District covenants to provide, pursuant to Rule 15c2-12(b) (the “Rule”) promulgated by the Securities and Exchange Commission, for the benefit of the holders of the Bonds certain financial and operating data on an annual basis in accordance herewith. Under the terms of the Rule, the School District (being an “obligated person” within the meaning of the Rule) agrees:

- (i) to provide at least annually to the Municipal Securities Rulemaking Board (the “MSRB”), the following annual financial information and operating data with respect to the School District for each of its fiscal years, beginning with the fiscal year ending June 30, 2010, within 180 days following the end of such fiscal year:
  - 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 aggregate 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; and
  - 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 not in excess of ten business days after the occurrence of the event, to file with the MSRB, notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (excluding mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or a similar proceeding by the School District; (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of an additional or successor trustee or the change of name of a trustee, if material;
- (iii) to provide, in a timely manner, to the MSRB, notice of the failure of the School District to provide the information set forth in subparagraph (i) above on or before the date specified above.

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 herein 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 for 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 may modify from time to time the specific types of information provided or the format of the presentation of such information, as a result of a change in legal requirements or change in the nature of the School District; provided that any such modification will be done in a manner consistent with the SEC Rule 15c2-12 including amendments thereto and will not, in the opinion of nationally recognized bond counsel, violate the Rule, as amended.

Any filing under this Section may be made solely by transmitting such filing to the MSRB through its Electronic Municipal Market Access (EMMA) system for municipal securities disclosures.

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

#### **RATING**

Moody's Investors Service has assigned an underlying rating of "Aaa" to this issue of 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: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

#### **UNDERWRITING**

The Underwriter, has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$30,657,494.25, equal to the par value of the Bonds less an underwriter's discount of \$79,016.00, plus an original issue premium of \$2,516,510.25.

#### **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.

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

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

By: /s/ Dr. Rick Swalm  
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 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	<u>Persons Per 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 Bucks, Chester, Delaware, Montgomery and Philadelphia – PA counties) 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)  
**September 2010**  
**NONFARM JOBS**

ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Sept. 2010	Aug. 2010	July 2010	Sept. 2009	Aug. 2010	Sept. 2009
<b>Total Nonfarm</b>	<b>1,836,900</b>	1,826,000	1,835,700	1,844,700	10,900	-7,800
<b>Total Private</b>	<b>1,622,100</b>	1,624,100	1,631,000	1,628,700	-2,000	-6,600
<b>Goods Producing</b>	<b>189,300</b>	192,000	191,600	201,200	-2,700	-11,900
Mining, Logging, and Construction	<b>59,400</b>	61,800	61,500	67,500	-2,400	-8,100
<b>Manufacturing</b>	<b>129,900</b>	130,200	130,100	133,700	-300	-3,800
Durable Goods	<b>66,200</b>	66,100	65,900	68,200	100	-2,000
Transportation equipment mfg.	<b>15,500</b>	15,400	15,500	15,200	100	300
Non-Durable Goods	<b>63,700</b>	64,100	64,200	65,500	-400	-1,800
Chemical mfg.	<b>23,400</b>	23,700	23,900	24,600	-300	-1,200
Pharmaceutical and medicine mfg.	<b>15,900</b>	16,000	15,900	16,100	-100	-200
<b>Service-Providing</b>	<b>1,647,600</b>	1,634,000	1,644,100	1,643,500	13,600	4,100
<b>Private Service-Providing</b>	<b>1,432,800</b>	1,432,100	1,439,400	1,427,500	700	5,300
<b>Trade, Transportation, and Utilities</b>	<b>320,000</b>	319,900	320,200	322,100	100	-2,100
Wholesale Trade	<b>80,200</b>	80,000	79,900	80,200	200	0
Retail trade	<b>183,000</b>	185,500	185,700	184,500	-2,500	-1,500
Building material and supplies dealers	<b>9,800</b>	9,900	10,100	10,200	-100	-400
Food and beverage stores	<b>43,700</b>	44,500	44,600	44,800	-800	-1,100
Health and personal care stores	<b>15,700</b>	15,900	15,800	15,500	-200	200
Clothing and clothing accessories stores	<b>20,900</b>	21,200	20,900	21,300	-300	-400
General merchandise stores	<b>28,500</b>	28,800	28,800	27,900	-300	600
Department stores	<b>19,700</b>	20,000	19,900	19,800	-300	-100
Transportation, Warehousing, and Utilities	<b>56,800</b>	54,400	54,600	57,400	2,400	-600
Transportation and Warehousing	<b>51,700</b>	49,300	49,500	52,200	2,400	-500
Trucking, couriers & messengers, and warehousing	<b>25,000</b>	25,000	25,200	25,000	0	0
<b>Information</b>	<b>39,200</b>	39,500	39,200	40,000	-300	-800
Telecommunications	<b>13,500</b>	13,500	13,400	13,900	0	-400
<b>Financial Activities</b>	<b>133,000</b>	133,600	134,500	135,600	-600	-2,600
Finance and insurance	<b>108,300</b>	108,300	109,000	109,700	0	-1,400
Credit intermediation and related activities	<b>31,600</b>	32,000	32,200	32,300	-400	-700
Depository credit intermediation	<b>22,700</b>	22,900	23,100	23,200	-200	-500
Insurance carriers and related activities	<b>46,100</b>	46,400	46,700	47,500	-300	-1,400
Real estate and rental and leasing	<b>24,700</b>	25,300	25,500	25,900	-600	-1,200
<b>Professional and Business Services</b>	<b>285,900</b>	287,900	289,500	283,900	-2,000	2,000
Professional and technical services	<b>148,300</b>	150,200	151,000	148,500	-1,900	-200
Legal Services	<b>25,400</b>	25,800	26,100	25,800	-400	-400
Architectural and engineering services	<b>17,300</b>	17,500	17,400	18,200	-200	-900
Computer systems design and related services	<b>29,400</b>	29,800	30,000	30,600	-400	-1,200
Scientific research and development services	<b>19,800</b>	20,100	20,200	20,700	-300	-900
Management of companies and enterprises	<b>38,300</b>	38,400	38,400	37,900	-100	400
Administrative and waste services	<b>99,300</b>	99,300	100,100	97,500	0	1,800
Administrative and support services	<b>93,400</b>	93,000	93,600	93,000	400	400
Employment services	<b>22,800</b>	22,300	22,200	24,000	500	-1,200
Data benchmarked to March 2009						

Source: Pennsylvania State Employment Service: [www.paworkstats.state.pa.us](http://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>
QVC Network, Inc.	Home Shopping Network	3,682
Chester County	County Government	2,620
United Parcel Service, Inc.	Delivery Services	2,593
Chester County Hospital	Health Care Services	2,111
Therakos	Health Care Products	1,690
West Chester Area School District	Education	1,489
West Chester University	Education	1,457
Synthes Spine Co. LP	Medical Technology	1,332
A. Duie Pyle, Inc.	Trucking	874
Communication Test Design	Communications Hardware	844

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(1)</sup></u>	<u>Compound Average Annual % Rate</u>
<b><i>Chester County</i></b>							
Civilian Labor Force (000)	254.0	259.5	262.8	269.4	271.6	268.1	1.09%
Employment (000) .....	244.9	250.5	254.7	258.7	254.8	250.7	0.47%
Unemployment (000) .....	9.1	9.0	8.2	10.7	16.9	17.3	13.71%
Unemployment Rate .....	3.7	3.5	3.1	4.0	6.2	6.5	
<b><i>Pennsylvania</i></b>							
Civilian Labor Force (000)	6,279.0	6,306.0	6,297.0	6,395.0	6,414.0	6,365.0	0.27%
Employment (000) .....	5,966.0	6,010.0	6,023.0	6,051.0	5,895.0	5,794.0	-0.58%
Unemployment (000) .....	313.0	296.0	274.0	344.0	519.0	570.0	12.74%
Unemployment Rate .....	5.0	4.7	4.4	5.4	8.1	9.0	

<sup>(1)</sup>As of September 2010.

Source: Pennsylvania State Employment Service: [www.paworkstats.state.pa.us](http://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>	<b>Percentage Change 1990-2000</b>
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 2005-2009 period for the County and the Commonwealth.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Chester County .....	\$9,179,201	\$13,091,918	\$14,274,264	\$ 15,103,555	\$ 12,929,399
PMSA .....	85,389,350	97,128,158	104,157,555	136,677,207	94,687,876
Pennsylvania .....	159,539,070	185,507,879	185,585,005	NR	180,948,327

NR: Not reported.  
Source: Sales and Marketing Management Magazine

**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 \$555,000 median price range. The median selling price of all housing within the School District during 2007 was \$319,000, as compared with Chester County as a whole of \$312,500, 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 form 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**  
Opinion of Bond Counsel

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[PROPOSED FORM OF BOND COUNSEL OPINION]

West Chester Area School District

Re: \$28,220,000 West Chester Area School District  
General Obligation Bonds, Series AA of 2010

You have requested our opinion as to the legality of the above general obligation bonds (the “2010AA Bonds”). The 2010AA Bonds are issued by the West Chester Area School District, Chester and Delaware Counties, Pennsylvania (the “School District”), under the provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa. Cons. Stat. §8001 *et seq.*, as amended (the “Act”), and pursuant to a resolution duly adopted by the Board of School Directors of the School District (the “Resolution”). The 2010AA Bonds are being issued for the purpose of providing funds to currently refund the School District’s outstanding General Obligation Bonds, Series of 2003 and to pay the costs of issuing the 2010AA Bonds.

The School District has covenanted in the Resolution (i) to include the amount of debt service for the 2010AA Bonds for each fiscal year in which such sums are due and payable in its budget for that year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds, the principal of, and interest on, the 2010AA Bonds at the dates and places and in the manner stated in the 2010AA Bonds, according to the true intent and meaning thereof; for such budgeting, appropriation and payment the School District in the Resolution has pledged its full faith, credit and taxing power.

As Bond Counsel for the School District, we have examined the relevant provisions of the Constitution of the Commonwealth of Pennsylvania; the Acts of Assembly pursuant to which the 2010AA Bonds are authorized, issued and sold; the transcript of proceedings filed with the Pennsylvania Department of Community and Economic Development (the “Department”); and certain statements, affidavits and other documents which we have considered pertinent.

In rendering this opinion we have examined and relied upon (a) the opinion of counsel to the School District with respect, *inter alia*, to the due adoption by the School District of the Resolution in accordance with applicable laws; and (b) the accuracy of the statements and representations and the performance by the School District of its covenants set forth in the Resolution and the School District’s Tax Certificate delivered on this date in connection with the issuance of the 2010AA Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the School District contained in the Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth of Pennsylvania to issue the 2010AA Bonds for the purposes above set forth, and the School District has authorized the issuance thereof.

2. As indicated in the School District's debt statement filed with the Department in connection with the issuance of the 2010AA Bonds, outstanding debt of the School District, including debt represented by the 2010AA Bonds, is within the debt limitations of the Act.

3. The 2010AA Bonds are the valid and binding general obligations of the School District payable from the revenues of the School District from whatever source derived, which revenues, at the time of the issuance and sale of the 2010AA Bonds, include *ad valorem* taxes levied upon all the taxable property within the School District, within limitations provided by law.

4. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the 2010AA Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2010AA Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

5. Interest on the 2010AA Bonds is excluded from the gross income of the owners of the 2010AA Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the 2010AA Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. Interest on a 2010AA 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 2010AA Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

Ownership of the 2010AA 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 2010AA Bonds. We express no opinion as to such collateral federal income tax consequences.

In providing this opinion, we advise you that it may be determined in the future that interest on the 2010AA Bonds, retroactive to the date of issuance thereof or prospectively, will not be excluded from the gross income of the owners of the 2010AA Bonds for federal income tax purposes if certain requirements of the Code are not met. The School District has covenanted in the Resolution to comply with such requirements.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the 2010AA Bonds.

The rights of the owners of the 2010AA Bonds and the enforceability of the 2010AA Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

PEPPER HAMILTON LLP

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**APPENDIX C**  
Financial Statements  
West Chester Area School District  
West Chester, Pennsylvania  
June 30, 2009

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**Financial Statements**

**West Chester Area School District**  
**West Chester, Pennsylvania**

**June 30, 2009**

*Rainer*  
*& Company*

A Professional Corporation  
Certified Public Accountants



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A Professional Corporation  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of School Directors  
West Chester Area School District  
West Chester, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Chester Area School District as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Chester Area School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010, on our consideration of West Chester Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 42, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Rainer & Company

January 13, 2010

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

The discussion and analysis of West Chester Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- In the 2008-09 fiscal year, the District incurred inflationary increases in salaries, benefits, student charter school payments, transportation services and utility expenditures as well as significant decreases in local revenues as a result of the economic downturn.
- In the budgeting process, the Board of School Directors balanced the budget with a 1.06 mill increase (\$1.06 per \$1,000 of assessed value) to the taxpayers within Chester County.
- On a Government Wide basis, the District's total net assets were \$28,544,569 at June 30, 2009. After adjusting for a prior period adjustment, this represents a decrease of \$1,681,063 from the prior year.
- On a Fund reporting basis, the District's General Fund total revenue, excluding other financing sources, increased by \$6,783,999 or 3.7%. Property taxes, which include current and interim real estate taxes, increased by \$6,267,035 or 5.0%. As a result of the economic downturn, earned income collections decreased by \$141,227, real estate transfer tax collections decreased by \$999,364 and investment revenue decreased \$1,376,224. These decreases were offset by a \$2,739,676 increase in State revenue and a \$138,894 increase in Federal revenue.
- On a Fund reporting basis, compared to the prior year, the District's General Fund expenses increased \$4,199,573 or 2.3%, excluding other financing uses. Looking at the expense changes by category, instruction costs stayed relatively flat. Support service costs rose \$2,273,328 or 4.0% which were driven primarily by increases in charter school tuitions, student transportation costs and utilities. Facilities expenses dropped \$122,477 as compared to the prior year due to budgetary constraints. Debt service increased \$1,449,921 as the District phased in the debt service related to the school renovation projects.

**OVERVIEW OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual basis and modified accrual basis of accounting, respectively.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

### **Government-Wide Financial Statements**

The first two statements are government-wide financial statements - the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

### **Fund Level Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's general services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
 June 30, 2009

**Fund Level Financial Statements (Continued)**

- **Proprietary Funds** - These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS**

The District's total net assets were \$28,544,569 at June 30, 2009. After accounting for a prior period adjustment, this represents a decrease of \$1,681,063 over last year. The following table presents condensed financial information for the net assets of the District as of June 30, 2009 and June 30, 2008.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	\$50,516,588	\$69,333,262	\$1,201,396	\$1,097,472	\$51,717,984	\$70,430,734
Capital Assets	311,018,711	309,454,040	82,865	61,439	311,101,576	309,515,479
Other Assets	2,380,768	2,601,171	0	0	2,380,768	2,601,171
<b>TOTAL ASSETS</b>	<b>363,916,067</b>	<b>381,388,473</b>	<b>1,284,261</b>	<b>1,158,911</b>	<b>365,200,328</b>	<b>382,547,384</b>
Current Liabilities	33,233,044	36,632,416	299,123	323,289	33,532,167	36,955,705
Noncurrent Liabilities	303,123,592	315,366,047	0	0	303,123,592	315,366,047
<b>TOTAL LIABILITIES</b>	<b>336,356,636</b>	<b>351,998,463</b>	<b>299,123</b>	<b>323,289</b>	<b>336,655,759</b>	<b>352,321,752</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	8,903,159	9,965,104	82,865	61,439	8,986,024	10,026,543
Restricted: Capital Projec	14,641,919	16,378,062	0	0	14,641,919	16,378,062
Unrestricted	4,014,353	3,046,844	902,273	774,183	4,916,626	3,821,027
<b>TOTAL NET ASSETS</b>	<b>\$27,559,431</b>	<b>\$29,390,010</b>	<b>\$ 985,138</b>	<b>\$ 835,622</b>	<b>\$28,544,569</b>	<b>\$30,225,632</b>

The restricted net assets in the amount of \$14,641,919 are set aside to fund the capital improvements, the replacement of and additions to public works and improvements, and for deferred maintenance. The unrestricted net assets in the amount of \$4,916,626 include \$902,273 set aside for capital expenditures within the District's food service program. The balance remaining in the unrestricted net assets is available to fund any unforeseen financial issues.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes, local taxes and the state basic education subsidy.

The following table presents condensed financial information for the Statement of Activities in a different format so that you can see our total revenues for the year. Compared to the prior year, the District's total revenues increased by \$5,368,981 or 2.9%. Operating grants and contributions decreased by \$1,170,279 or 4.9% primarily due to the loss of one grant. Funding for the Classrooms for the Future grant dropped \$1,103,872 to the 2008/09 allocation of \$186,197. Property taxes, which include current and interim real estate taxes, increased by \$6,282,700 or 5.0%. Other taxes, driven by the economic downturn, decreased by \$1,149,938 or 5.5%. Grants and Subsidies, non-restricted, increased \$4,109,590 or 49.7% due to the additional state revenue provided for property tax relief for homestead or farmstead property owners. Other revenue dropped 53.0% or \$2,821,006 as a result of the decrease in investment earnings. Expenses increased by \$6,120,383 or 3.2%. Major expenditure increases by category included a \$2,585,739 increase in depreciation expense and a \$1,773,896 increase in Operation and Maintenance of plant service costs.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>REVENUES:</b>						
Program Services:						
Charges for Services	\$ 582,520	\$ 570,852	\$2,704,187	\$2,597,941	\$ 3,286,707	\$ 3,168,793
Operating Grants and Contributions	22,035,332	23,277,208	600,091	528,494	22,635,423	23,805,702
General Revenues:						
Property Taxes	132,999,091	126,716,391	0	0	132,999,091	126,716,391
Other Taxes	19,619,521	20,769,459	0	0	19,619,521	20,769,459
Grants, Subsidies and Contributions Not Restricted	12,382,310	8,272,720	0	0	12,382,310	8,272,720
Other Revenue	2,486,367	5,282,683	17,032	41,722	2,503,399	5,324,405
<b>TOTAL REVENUES</b>	<b>190,105,141</b>	<b>184,889,313</b>	<b>3,321,310</b>	<b>3,168,157</b>	<b>193,426,451</b>	<b>188,057,470</b>
<b>EXPENSES:</b>						
Instruction	103,973,612	103,397,524	0	0	103,973,612	103,397,524
Instructional Student Support	13,634,029	13,064,208	0	0	13,634,029	13,064,208
Administrative and Financial Support	14,390,496	14,060,374	0	0	14,390,496	14,060,374
Operation and Maintenance of Plant Services	16,604,260	14,830,364	0	0	16,604,260	14,830,364
Pupil Transportation	13,219,823	12,846,908	0	0	13,219,823	12,846,908
Student Activities	4,145,743	4,028,516	0	0	4,145,743	4,028,516
Community Services	122,164	81,960	0	0	122,164	81,960
Interest on Long-Term Debt	13,361,141	13,695,699	0	0	13,361,141	13,695,699
Unallocated Depreciation Expense	12,484,452	9,898,713	0	0	12,484,452	9,898,713
Food Services	0	0	3,171,794	3,082,865	3,171,794	3,082,865
<b>TOTAL EXPENSES</b>	<b>191,935,720</b>	<b>185,904,266</b>	<b>3,171,794</b>	<b>3,082,865</b>	<b>195,107,514</b>	<b>188,987,131</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (1,830,579)</b>	<b>\$ (1,014,953)</b>	<b>\$ 149,516</b>	<b>\$ 85,292</b>	<b>\$ (1,681,063)</b>	<b>\$ (929,661)</b>





**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2009

**EXPENSES**

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources increased by \$3,152,072 or 2.0% more than the prior year. The table for business-type activity reflects condensed financial activities of the food service program, the only business-type activity of the District.

**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Expenses - Governmental Activities:				
Instruction	\$103,973,612	\$103,397,524	\$ 89,742,267	\$ 87,732,908
Instructional Student Support	13,634,029	13,064,208	12,803,438	12,165,536
Administrative and Financial Support	14,390,496	14,060,374	13,843,166	13,435,461
Operation and Maintenance of Plant Services	16,604,260	14,830,364	14,637,946	12,879,576
Pupil Transportation	13,219,823	12,846,908	8,457,685	8,460,894
Student Activities	4,145,743	4,028,516	3,866,124	3,706,717
Community Services	122,164	81,960	121,649	80,702
Interest on Long-Term Debt	13,361,141	13,695,699	13,361,140	13,695,699
Unallocated Depreciation Expense	12,484,452	9,898,713	12,484,453	9,898,713
	<u>\$191,935,720</u>	<u>\$185,904,266</u>	169,317,868	162,056,206
Less: Grants, Subsidies and Contributions Not Restricted			<u>(12,382,310)</u>	<u>(8,272,720)</u>
<b>AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES</b>			<u><b>\$156,935,558</b></u>	<u><b>\$153,783,486</b></u>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2009

**THE DISTRICT FUNDS**

**General Fund**

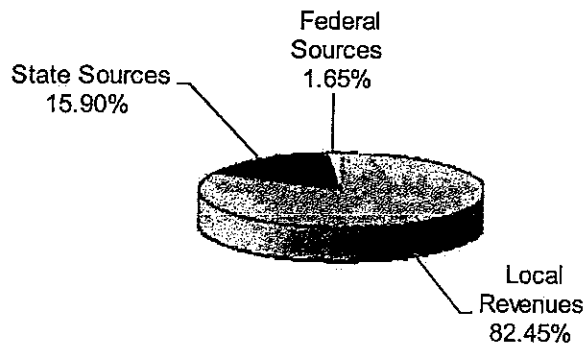
At June 30, 2009, the District reported a General Fund fund balance of \$7,861,943 which represents 4.2% of total expenditures and is an increase of \$367,620 over last year. The School Board of the West Chester Area School District consciously maintains a modest fund balance needed to respond to unforeseen contingencies. This philosophy was established during a healthy and growing economy within our District and accurate and timely forecasting which allows the District to constantly monitor economic trends within our community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District.

**REVENUE**

Revenues, excluding other financing sources, which total \$189,075,283, increased \$6,783,999 or 3.6% over the prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

	Revenue 2009	% of Total	Increase From 2008	Percentage Increase
Local Revenues	\$ 155,887,322	82.45%	\$ 3,905,429	2.57%
State Sources	30,057,945	15.90%	2,739,676	10.03%
Federal Sources	3,130,016	1.65%	138,894	4.64%
	<u>\$ 189,075,283</u>	<u>100.00%</u>	<u>\$ 6,783,999</u>	

**Distribution of Funding Sources**



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

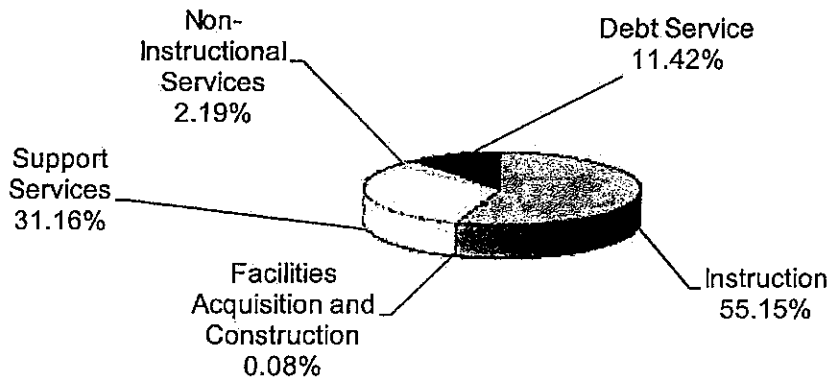
The District balanced the budget utilizing the fund balance from the previous year and increasing the 2008-09 tax rate to 16.85 mills from 15.79 mills in Chester County. As a result of the increase in millage and offsetting decreases in real estate assessments, revenues from real estate taxes increased only \$6,267,035 or 5.0%. The collection rate for current real estate taxes was 98.13%. Real estate transfer tax collections decreased by \$999,364 or 27.3% due to the slow-down in the housing market. Earned income collections decreased \$141,227 or 0.8%. As a result of lower interest rates, the District experienced a decrease in investment revenue of \$1,376,224 or 45.1%. State subsidies increased by \$2,739,676 or 10.0%, which included the addition of state revenue provided for real estate tax relief for homestead or farmstead property owners as well as the elimination of most of the Classrooms for the Future grant funding. Federal revenue increased \$138,894 or 4.6%

**EXPENDITURES**

General Fund expenditures, excluding other financing uses, totaling \$188,633,107, increased \$4,199,573 over the 2007-08 expenditures and were \$1,383,027 under budget. The expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the costs incurred in the prior year and the final 2008-09 budget, are as follows:

	Expenditures 2009	% of Total	Increase From 2008	Variance with Final Budget - Positive
Instruction	\$ 104,030,587	55.15%	\$ 466,748	\$ 103,890
Support Services	58,770,692	31.16%	2,273,328	291,321
Non-Instructional Services	4,135,962	2.19%	132,053	37,638
Facilities Acquisition and Construction	148,832	0.08%	(122,477)	636
Debt Service	21,547,034	11.42%	1,449,921	949,542
<b>TOTAL EXPENDITURES BY FUNCTION</b>	<b>\$ 188,633,107</b>	<b>100.00%</b>	<b>\$ 4,199,573</b>	<b>\$ 1,383,027</b>

**Distribution of Expenditures by Function**



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

The increase in General Fund expenditures from the prior year is largely due to cost of living increases with the exception of spending changes in two categories. Facilities acquisition, construction and improvement spending in the General Fund dropped by \$122,477 or 45.1% in 2008/09 due to budgetary constraints. Spending on debt service in the general fund increased \$1,449,921 or 7.2%. This increase represents the planned phasing in of the debt service related to the funding of the secondary school renovations.

**Capital Projects Fund**

At June 30, 2009, the District reported a fund balance of \$6,965,394, which is a decrease of \$13,375,698 from June 30, 2008. The components of the change in this fund balance include interest income in the amount of \$1,622, expenditures for capital projects in the amount of \$13,285,233, and debt service payments in the amount of \$92,087.

**Capital Reserve Fund**

At June 30, 2009, the District reported a fund balance of \$14,641,919, which is a decrease of \$1,736,143 over June 30, 2008. During the year, the fund earned \$763,857 in investment income and spent \$2,500,000 on debt service payments.

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

To balance the budget, the District utilized \$1,636,550 of fund balance from the previous year. The differences in the 2008-09 expenses and revenues compared to the budget resulted in an overall positive variance of \$660,560.

Total revenues were under budgeted amounts by \$722,467 or 0.4% of budgeted revenue. A majority of the budgetary differences in local and state revenue is due to the state requirements for budgeting for the State property tax relief funding. The State requires the District to budget real estate taxes at 100% of billings but the State provided \$3,592,837 in real estate tax relief. This new State funding source decreased the Local revenue collections but increased the State revenue collections by the same amount. The balance of the decrease in local revenue collections was due to decreases in real estate transfer tax collections and earned income tax collections, each dropping approximately \$1 million. Additionally, the District received more than budgeted in State transportation subsidies as the result of market factors. The \$431,699 positive budget variance in Federal revenue sources was a direct result of American Recovery and Reinvestment Act (ARRA) funding received in 2008-09.

Total expenditures were under budget by \$1,383,027 or 0.7%.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

**CAPITAL ASSETS**

At June 30, 2009, the District's governmental activities had \$311,018,711 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$1,564,671 or 0.5% from last year. The net increase is attributed to the renovation and expansion of secondary school facilities.

The following schedule depicts the change in capital assets for the period July 1, 2008 through June 30, 2009. During this period, the District had the following significant additions in capital assets.

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets:</b>				
Land	\$ 33,139,690	\$ 0	\$ 0	\$ 33,139,690
Land Improvements	3,621,014	19,900	0	3,640,914
Buildings	326,058,346	4,424,116	0	330,482,462
Construction in Progress	22,795,600	10,813,595	3,183,346	30,425,849
Furniture and Equipment	30,396,050	2,005,305	930,971	31,470,384
<b>TOTAL CAPITAL ASSETS</b>	<b>416,010,700</b>	<b>17,262,916</b>	<b>4,114,317</b>	<b>429,159,299</b>
<b>Accumulated Depreciation for:</b>				
Buildings	83,678,849	8,863,488	0	92,542,337
Land Improvements	1,888,184	181,788	0	2,069,972
Furniture and Equipment	20,989,627	3,439,176	900,524	23,528,279
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>106,556,660</b>	<b>12,484,452</b>	<b>900,524</b>	<b>118,140,588</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 309,454,040</b>	<b>\$ 4,778,464</b>	<b>\$ 3,213,793</b>	<b>\$ 311,018,711</b>
<b>Business-Type Activities:</b>				
<b>Capital Assets:</b>				
Furniture and Equipment	\$ 309,484	\$ 43,972	\$ 0	\$ 353,456
<b>Accumulated Depreciation for:</b>				
Furniture and Equipment	248,045	22,546	0	270,591
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 61,439</b>	<b>\$ 21,426</b>	<b>\$ 0</b>	<b>\$ 82,865</b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

**DEBT ADMINISTRATION**

As of June 30, 2009, the District had total long-term debt of \$309,080,946, a decrease of \$11,056,382 over last year. During 2008/09, the District refinanced \$10,700,000 in outstanding debt to take advantage of the favorable financing market conditions. The District incurred no new debt in 2008/09. Based upon a projection of future debt margins, the retirement of principal on current issues and estimated future borrowing, we are certain that the District will not exceed its debt limit.

**Debt Service Schedule**  
**June 30, 2009**

	Principal Outstanding July 1, 2008	Maturities/ Refinancing	Additions	Principal Outstanding June 30, 2009
General Obligation Bonds, Series A of 1998	\$ 1,545,000	\$ 1,545,000	\$ 0	\$ 0
General Obligation Note, Series B of 2000	8,416,000	876,000	0	7,540,000
General Obligation Bonds, Series of 2002	4,750,000	1,105,000	0	3,645,000
General Obligation Bonds, Series AA of 2002	8,230,000	8,230,000	0	0
General Obligation Bonds, Series of 2003	29,980,000	5,000	0	29,975,000
General Obligation Bonds, Series A of 2003	15,785,000	1,545,000	0	14,240,000
General Obligation Bonds, Series of 2004	6,190,000	6,190,000	0	0
General Obligation Bonds, Series of 2005	9,985,000	5,000	0	9,980,000
General Obligation Bonds, Series A of 2005	8,310,000	470,000	0	7,840,000
General Obligation Bonds, Series of 2006	34,990,000	5,000	0	34,985,000
General Obligation Bonds, Series A of 2006	100,800,000	5,000	0	100,795,000
General Obligation Bonds, Series AA of 2006	16,530,000	1,505,000	0	15,025,000
General Obligation Bonds, Refunding Series of 2006	22,235,000	105,000	0	22,130,000
General Obligation Bonds, Refunding Series A of 2006	37,805,000	125,000	0	37,680,000
General Obligation Bonds, Series of 2007	10,000,000	5,000	0	9,995,000
General Obligation Bonds, Series of 2009	0	0	10,700,000	10,700,000
<b>TOTAL</b>	<b>315,551,000</b>	<b>21,721,000</b>	<b>10,700,000</b>	<b>304,530,000</b>
Less Deferred Amounts:				
Issuance (Discounts) Premium	5,592,770	340,516	55,489	5,307,743
Refunding Deferred Charge	(1,006,442)	(249,645)	0	(756,797)
<b>LONG-TERM DEBT</b>	<b>\$ 320,137,328</b>	<b>\$ 21,811,871</b>	<b>\$ 10,755,489</b>	<b>\$ 309,080,946</b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009**

**OTHER LONG-TERM LIABILITIES**

Other obligations include accrued vacation pay and severance for specific employees of the District. More detailed information about long term liabilities is included in the notes to the financial statements.

**THE DISTRICT'S FUTURE**

The District will see a slight decrease in enrollment over the next five years. Over the past few years, the District has completed a major secondary school construction project which included the building of the Bayard Rustin High School, renovations and additions to Henderson High School, the construction of Henderson High School North Athletic fields, the renovations as well as the construction of a new gymnasium and athletic fields at East High School. In addition, the District is completing renovations to Fugett Middle School.

The District may seek voter referendum for additional financing needed to fund future projects listed in the long-term analysis of WCASD maintenance and capital spending on District facilities. In 2009, the District continued developing an elementary school master plan which includes renovations and/or additions to each of our 10 elementary schools. While work on this plan continues, this project is currently on hold due to the current financial environment. The district has always exercised caution in a conservative approach to borrowing, including waiting until long-term bonds (20 year notes) were capable of being sold at advantageous, fixed rates of interest.

Additionally, the District strengthened its fiscal management by adopting a fund balance policy in 2009. This policy directs the District to strive for a General Fund Balance of 5% of General Funds expenditures. The District believes that this policy will strengthen the Districts balance sheet and allow the District to weather unforeseen fiscal issues.

The District continues to aggressively forecast revenues and expenditures five years forward to address all known changes in collection patterns and spending needs. As budgetary shortfalls come to light, the District has reached out to community members to help address the budgetary needs. The District currently is working with community committees to help balance the 2010/11 budget. The goal is for the committees to develop feasibility reports on ways to operate in a more cost effective manner.

**STRATEGIC PLAN**

In March 2008, the West Chester Area School District adopted a new district mission and strategic goals that focus our purpose and resources. A team of district stakeholders assembled to create the following five strategies:

1. The West Chester Area School District will facilitate a personalized educational experience for all students.
2. The West Chester Area School District will fortify the alignment between professional practice for all employees and the personalized academic, social and emotional needs of all students.
3. The West Chester Area School District will create a physical environment that maximizes the teaching/learning experience.
4. The West Chester Area School District will improve internal and external communications to foster strong and inclusive relationships, celebrate achievements, and recognize the contributions made by all members of our community
5. The West Chester Area School District will strengthen the integration of local, national and global resources to benefit the students, staff and community of the district.

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. Suzanne K. Moore, Director of Business Affairs at The West Chester Area School District, 829 Paoli Pike, West Chester, PA 19380, (484) 266-1020.

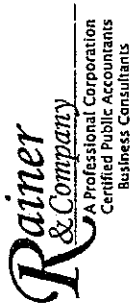


**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Net Assets  
June 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current:			
Cash and Cash Equivalents	\$ 2,957,533	\$ 63,971	\$ 3,021,504
Investments	39,037,667	1,098,703	40,136,370
Due from Other Governments	2,142,890	31,173	2,174,063
Interest Receivables	16,758	0	16,758
Other Receivables	861,157	7,549	868,706
Property Taxes Receivable, Net	4,218,520	0	4,218,520
Prepaid Expenses	1,282,063	0	1,282,063
<b>TOTAL CURRENT ASSETS</b>	<u>50,516,588</u>	<u>1,201,396</u>	<u>51,717,984</u>
Capital:			
Land	33,139,690	0	33,139,690
Land Improvements	3,640,914	0	3,640,914
Buildings	330,482,462	0	330,482,462
Construction in Progress	30,425,849	0	30,425,849
Furniture and Equipment	31,470,384	353,456	31,823,840
Less: Accumulated Depreciation	(118,140,588)	(270,591)	(118,411,179)
<b>TOTAL CAPITAL ASSETS, NET OF DEPRECIATION</b>	<u>311,018,711</u>	<u>82,865</u>	<u>311,101,576</u>
Other:			
Deferred Bond Issuance Costs	2,380,768	0	2,380,768
<b>TOTAL ASSETS</b>	<u>\$ 363,916,067</u>	<u>\$ 1,284,261</u>	<u>\$ 365,200,328</u>
 <u>LIABILITIES</u>			
Current:			
Accounts Payable and Other Current Liabilities	\$ 18,659,547	\$ 257,263	\$ 18,916,810
Bonds and Notes Payable Due Within One Year	12,017,000	0	12,017,000
Deferred Revenues	42,210	41,860	84,070
Accrued Interest	2,514,287	0	2,514,287
<b>TOTAL CURRENT LIABILITIES</b>	<u>33,233,044</u>	<u>299,123</u>	<u>33,532,167</u>
Long-Term:			
Bonds and Notes Payable Due After One Year	297,063,946	0	297,063,946
Accrued Severance and Compensated Absences	6,059,646	0	6,059,646
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>303,123,592</u>	<u>0</u>	<u>303,123,592</u>
<b>TOTAL LIABILITIES</b>	<u>336,356,636</u>	<u>299,123</u>	<u>336,655,759</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	8,903,159	82,865	8,986,024
Restricted: Capital Projects	14,641,919	0	14,641,919
Unrestricted	4,014,353	902,273	4,916,626
<b>TOTAL NET ASSETS</b>	<u>27,559,431</u>	<u>985,138</u>	<u>28,544,569</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 363,916,067</u>	<u>\$ 1,284,261</u>	<u>\$ 365,200,328</u>

The accompanying notes are an integral part of this statement.





**WEST CHESTER AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Instruction	\$ 103,973,612	\$ (430,893)	\$ (13,800,452)	\$ (89,742,267)	\$ 0	\$ (89,742,267)
Instructional Student Support	13,634,029	0	(830,591)	(12,803,438)	0	(12,803,438)
Administrative and Financial Support Services	14,390,496	0	(547,330)	(13,843,166)	0	(13,843,166)
Operation and Maintenance of Plant Services	16,604,260	(32,844)	(1,933,470)	(14,637,946)	0	(14,637,946)
Pupil Transportation	13,219,823	0	(4,762,138)	(8,457,685)	0	(8,457,685)
Student Activities	4,145,743	(118,783)	(160,836)	(3,866,124)	0	(3,866,124)
Community Services	122,164	0	(515)	(121,649)	0	(121,649)
Interest on Long-Term Debt	13,361,141	0	0	(13,361,141)	0	(13,361,141)
Unallocated Depreciation Expense	12,484,452	0	0	(12,484,452)	0	(12,484,452)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>191,935,720</b>	<b>(582,520)</b>	<b>(22,035,332)</b>	<b>(169,317,868)</b>	<b>0</b>	<b>(169,317,868)</b>
<b>Business-Type Activities:</b>						
Food Services	3,171,794	(2,704,187)	(600,091)	0	132,484	132,484
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 195,107,514</b>	<b>\$ (3,286,707)</b>	<b>\$ (22,635,423)</b>	<b>(169,317,868)</b>	<b>132,484</b>	<b>(169,185,384)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes, Levied for General Purposes, Net				132,999,091	0	132,999,091
Public Utility Realty, Earned Income and Realty Transfer Taxes, Levied for General Purposes, Net				19,619,521	0	19,619,521
Grants, Subsidies and Contributions Not Restricted				12,382,310	0	12,382,310
Investment Earnings				2,442,274	17,032	2,459,306
Miscellaneous Income				44,093	0	44,093
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEMS</b>				<b>167,487,289</b>	<b>17,032</b>	<b>167,504,321</b>
<b>CHANGE IN NET ASSETS</b>				<b>(1,830,579)</b>	<b>149,516</b>	<b>(1,681,063)</b>
Net Assets - July 1, 2008				28,116,441	835,622	28,952,063
Prior Period Adjustment				1,273,569	0	1,273,569
<b>NET ASSETS - JULY 1, 2008 (RESTATED)</b>				<b>29,390,010</b>	<b>835,622</b>	<b>30,225,632</b>
<b>NET ASSETS - JUNE 30, 2009</b>				<b>\$ 27,559,431</b>	<b>\$ 985,138</b>	<b>\$ 28,544,569</b>

The accompanying notes are an integral part of this statement.

**WEST CHESTER AREA SCHOOL DISTRICT**

Balance Sheet

Governmental Funds

June 30, 2009

**ASSETS**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 2,377,057	\$ 320,106	\$ 207,421	\$ 52,949	\$ 2,957,533
Investments	14,688,373	24,349,294	0	0	39,037,667
Interest Receivable	3,429	13,329	0	0	16,758
Taxes Receivable, Net	4,218,520	0	0	0	4,218,520
Due from Other Funds	900,000	0	14,447,247	0	15,347,247
Due from Other Governments	2,142,890	0	0	0	2,142,890
Other Receivables	861,157	0	0	0	861,157
Prepaid Expenses	1,282,063	0	0	0	1,282,063
<b>TOTAL ASSETS</b>	<b>\$ 26,473,489</b>	<b>\$ 24,682,729</b>	<b>\$ 14,654,668</b>	<b>\$ 52,949</b>	<b>\$ 65,863,835</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>					
Accounts Payable and Accrued Liabilities	\$ 5,221,675	\$ 2,370,088	\$ 12,749	\$ 3,353	\$ 7,607,865
Due to Other Funds	0	15,347,247	0	0	15,347,247
Payroll Accruals and Withholdings	11,051,683	0	0	0	11,051,683
Deferred Revenue	2,338,188	0	0	0	2,338,188
<b>TOTAL LIABILITIES</b>	<b>18,611,546</b>	<b>17,717,335</b>	<b>12,749</b>	<b>3,353</b>	<b>36,344,983</b>
<b>Fund Balances:</b>					
Reserved	0	6,965,394	14,641,919	0	21,607,313
Unreserved - Undesignated	7,861,943	0	0	49,596	7,911,539
<b>TOTAL FUND BALANCES</b>	<b>7,861,943</b>	<b>6,965,394</b>	<b>14,641,919</b>	<b>49,596</b>	<b>29,518,852</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,473,489</b>	<b>\$ 24,682,729</b>	<b>\$ 14,654,668</b>	<b>\$ 52,949</b>	<b>\$ 65,863,835</b>

The accompanying notes are an integral part of this statement.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2009

Total Fund Balances - Governmental Funds		\$ 29,518,852
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$429,159,299 and the accumulated depreciation is \$118,140,588		311,018,711
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds		2,295,979
Bond issuance costs are not financial resources and, therefore, are not reported as assets in the governmental funds. Issuance costs are \$2,380,768, net of accumulated amortization		2,380,768
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 309,080,946	
Accrued Interest on the Bonds	2,514,287	
Accrued Severance and Compensated Absences	6,059,646	(317,654,879)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>		<b>\$ 27,559,431</b>

The accompanying notes are an integral part of this statement.

**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Other Funds	Total Governmental Funds
<b>Revenues:</b>						
<b>Local Sources:</b>						
Real Estate Taxes	\$ 132,740,138	0	0	0	0	\$ 132,740,138
Realty Transfer Tax	2,666,499	0	0	0	0	2,666,499
Earned Income Taxes	16,764,407	0	0	0	0	16,764,407
Other Taxes	188,615	0	0	0	0	188,615
Earnings from Investments	1,674,788	1,622	763,857	2,007	0	2,442,274
Other Local Revenues	1,852,875	0	0	0	118,783	1,971,658
State Sources	30,057,945	0	0	0	0	30,057,945
Federal Sources	3,130,016	0	0	0	0	3,130,016
<b>TOTAL REVENUES</b>	<u>189,075,283</u>	<u>1,622</u>	<u>763,857</u>	<u>2,007</u>	<u>118,783</u>	<u>189,961,552</u>
<b>Expenditures:</b>						
Instruction	104,030,587	0	0	0	0	104,030,587
Support Services	58,770,692	0	0	51,520	0	58,822,212
Non-Instructional Services	4,135,962	0	0	0	131,945	4,267,907
Facilities Acquisition, Construction, and Improvements	148,832	13,285,233	0	0	0	13,434,065
Debt Service (Principal and Interest)	21,547,034	92,087	2,500,000	309,307	0	24,448,428
<b>TOTAL EXPENDITURES</b>	<u>188,633,107</u>	<u>13,377,320</u>	<u>2,500,000</u>	<u>360,827</u>	<u>131,945</u>	<u>205,003,199</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>442,176</u>	<u>(13,375,698)</u>	<u>(1,736,143)</u>	<u>(358,820)</u>	<u>(13,162)</u>	<u>(15,041,647)</u>
<b>Other Financing Sources (Uses):</b>						
Bond Proceeds - Refunding Bonds	0	0	0	10,700,000	0	10,700,000
Payment to Refund Bond Escrow Agent	0	0	0	(10,648,480)	0	(10,648,480)
Refunds of Prior Years Revenues	(79,218)	0	0	0	0	(79,218)
Refunds of Prior Years Expenditures	4,662	0	0	0	0	4,662
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(74,556)</u>	<u>0</u>	<u>0</u>	<u>51,520</u>	<u>0</u>	<u>(23,036)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>367,620</u>	<u>(13,375,698)</u>	<u>(1,736,143)</u>	<u>(307,300)</u>	<u>(13,162)</u>	<u>(15,064,683)</u>
Fund Balances - July 1, 2008	7,494,323	20,341,092	16,378,062	307,300	62,758	44,583,535
<b>FUND BALANCES - JUNE 30, 2009</b>	<u>\$ 7,861,943</u>	<u>\$ 6,965,394</u>	<u>\$ 14,641,919</u>	<u>\$ 0</u>	<u>\$ 49,596</u>	<u>\$ 29,518,852</u>

The accompanying notes are an integral part of this statement.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in  
Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$ (15,064,683)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$14,049,123 exceed depreciation expense of \$12,484,452 in the period	1,564,671
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	21,721,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year	258,955
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (severance) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave earned exceeded the amounts paid by \$148,036 and severance used exceeded the amounts earned by \$533,110	385,074
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The accrued interest on bonds payable decreased by \$189,424	189,424
Bond proceeds are reported as financing sources in governmental funds and, thus, contributed to the change in fund balances. In the statement of activities, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This amount represents total bond proceeds, net of deferral amounts associated with the issuance of debt	(10,664,617)
Debt issuance costs are reported as expenditures in the governmental funds when debt is first issued. In the statement of activities, these amounts are deferred and amortized. This is the amount by which amortization exceeds issuance costs for the year	(220,403)
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (1,830,579)</u></u>

The accompanying notes are an integral part of this statement.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009

	<u>Enterprise Fund - Food Services</u>
 <b><u>ASSETS</u></b>  	
Current:	
Cash and Cash Equivalents	\$ 63,971
Investments	1,098,703
Due from Other Governments	31,173
Other Receivables	7,549
TOTAL CURRENT ASSETS	<u>1,201,396</u>
Non-Current:	
Furniture and Equipment	353,456
Less: Accumulated Depreciation	<u>(270,591)</u>
TOTAL NON-CURRENT ASSETS	<u>82,865</u>
TOTAL ASSETS	<u><u>\$ 1,284,261</u></u>
 <b><u>LIABILITIES</u></b>  	
Current:	
Accounts Payable and Accrued Liabilities	\$ 257,263
Deferred Revenue	41,860
TOTAL LIABILITIES	<u>299,123</u>
 <b><u>NET ASSETS</u></b>  	
Invested in Capital Assets	82,865
Unrestricted	902,273
TOTAL NET ASSETS	<u>985,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,284,261</u></u>

The accompanying notes are an integral part of this statement.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2009

	<u>Enterprise Fund - Food Services</u>
Operating Revenues:	
Food Service Sales	<u>\$ 2,704,187</u>
Operating Expenses:	
Professional and Contract Services	3,129,955
Depreciation	22,546
Other Operating Costs	<u>19,293</u>
TOTAL OPERATING EXPENSES	<u>3,171,794</u>
OPERATING (LOSS)	<u>(467,607)</u>
Non-Operating Revenues:	
Interest Income	17,032
State Sources	57,867
Federal Sources	<u>542,224</u>
TOTAL NON-OPERATING REVENUES	<u>617,123</u>
CHANGE IN NET ASSETS	149,516
Net Assets - July 1, 2008	<u>835,622</u>
NET ASSETS - JUNE 30, 2009	<u>\$ 985,138</u>

The accompanying notes are an integral part of this statement.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

	<u>Enterprise Fund - Food Services</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Users	\$ 2,716,807
Cash Payments to Suppliers for Goods and Services	(3,180,094)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u>(463,287)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
State Sources	57,818
Federal Sources	539,496
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>597,314</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(43,972)
<b>Cash Flows From Investing Activities:</b>	
Purchase of Investment Securities/Deposits to Investment Pools	(61,537)
Interest on Investments	17,032
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(44,505)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	45,550
Cash and Cash Equivalents - July 1, 2008	<u>18,421</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2009</b>	<u>\$ 63,971</u>
 <b><u>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</u></b>	
Operating (Loss)	\$ (467,607)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:	
Depreciation	22,546
Changes in Assets and Liabilities:	
Receivables	5,940
Accounts Payable and Accrued Liabilities	(30,846)
Deferred Revenue	6,680
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (463,287)</u>

The accompanying notes are an integral part of this statement.





**WEST CHESTER AREA SCHOOL DISTRICT**  
Statement of Fiduciary Net Assets  
June 30, 2009

<u>ASSETS</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 158,446	\$ 627,018
Due from Other Funds	343,037	0
Other Receivables	0	20,920
TOTAL ASSETS	<u>\$ 501,483</u>	<u>\$ 647,938</u>
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 343,037
Accounts Payable	0	7,037
Due to Student Groups	0	297,864
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 647,938</u>
<u>NET ASSETS</u>		
Reserved for Scholarships	\$ 501,483	
Unrestricted	0	
TOTAL NET ASSETS	<u>\$ 501,483</u>	

The accompanying notes are an integral part of this statement.



WEST CHESTER AREA SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2009

	<u>Private- Purpose Trusts</u>
Additions:	
Gifts and Contributions	\$ 856,864
Deductions:	
Grants	<u>835,851</u>
CHANGE IN NET ASSETS	21,013
Net Assets - July 1, 2008	<u>480,470</u>
NET ASSETS - JUNE 30, 2009	<u><u>\$ 501,483</u></u>

The accompanying notes are an integral part of this statement.

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 1 - Summary of Significant Accounting Policies

The School District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the School District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the School District has chosen not to do so. The more significant accounting policies established in GAAP and used by the School District are discussed below.

The School District adopted the 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's Discussion and Analysis-for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. Certain of the significant changes in the Statement include the following:

- The financial statements include:
  - ◆ Management's Discussion and Analysis (MD&A) section providing an analysis of the School District's overall financial position and results of operations.
  - ◆ Financial statements prepared using full accrual accounting for all of the School District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The School District is governed by an elected Board of Directors. U.S. generally accepted accounting principles require that the financial statements present the School District and its component units, entities for which the School District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School District's operations and so data from these units are required to be combined with data of the primary School District. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the School District. Based on the application of these principles, there are no component units presented in the School District's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only a portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major government funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets other than those financed by enterprise operations.

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Capital Reserve Fund - The Capital Reserve Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for future capital projects.

The School District reports the following major proprietary funds:

Food Service Fund - The Food Service Fund (an Enterprise Fund) is used to account for the operations of the School District's school cafeterias that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing goods or services to the school population on a continuing basis will be recovered or financed primarily through user charges.

Additionally, the School District reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust funds and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended in accordance with a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of the results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. School districts also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the statements of cash flows of proprietary funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

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

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of any allowance for uncollectibles. There is no property tax receivable allowance at June 30, 2009.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and payable in the following periods:

Discount Period - July 1 to August 31 - 2% of Gross Levy  
Flat Period - September 1 to October 31  
Penalty Period - November 1 to Collection - 10% of Gross Levy

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories in the governmental funds represent supplies received in June for the next school year and are recorded as inventory in both government-wide and fund financial statements.



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Inventories (Continued)

Inventories in the Food Service Fund consist of government-donated commodities which were valued at estimated fair market value at donation, and purchased commodities and supplies, both valued at cost using the first-in first-out (FIFO) method.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-40 Years
Land Improvements	20 Years
Furniture and Equipment	3-10 Years

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid accumulated sick leave is accounted for in the accrued severance pay. This time is paid out only through severance pay calculations.

School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be taken in the year subsequent to when it was earned. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year.

Accrued Severance Pay

Administrative, Instructional, Secretarial and Support personnel who have completed at least fifteen years of credited School District service and retire under the normal PSERS guidelines, receive severance pay in the form of compensation. Administrative personnel receive \$45-\$80 per day for every day of accumulated sick and personal days at retirement. Instructional personnel receive \$45-\$80 per day. Secretarial and Support personnel receive \$75 per day for every day of accumulated sick and personal days at retirement to a maximum \$10,000 of compensation. Severance pay is generally liquidated by the General Fund.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 2 - Budgetary Information (Continued)

4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgeted amounts are as originally adopted, or as amended by the School Board.

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the School District's checking, savings and money market deposits was \$3,806,968 and the corresponding bank balance was \$4,618,316.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. The School District maintains cash balances at several financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation. In the normal course of business, the School District may have deposits that exceed insured balances.

Investments - The School District investments are categorized as either (1) insured and registered or securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name, or (3) uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the School District's name.

Investments - All funds in the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and Pennsylvania Treasurer's Investment Program are invested in accordance with Section 440.1 of the School Code. These funds operate and are authorized under the Intergovernmental Cooperation Act of 1972. Each school district owns a prorata share of each investment or deposit which is held in the name of the Fund. Certificates of deposit or other fixed-term investments purchased by the School District through the Fund's administrator are purchased in the name of the School District.

Custodial Credit Risk - Investments - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investment subject to custodial credit risk.



**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 3 - Deposits and Investments (Continued)

Pooled Investments:

Pennsylvania School District Liquid Asset Fund:	
General Fund Accounts	\$ 5,283,881
Pennsylvania Local Government Investment Trust:	
Capital Project Fund Account	9,025,787
Pennsylvania Treasurer's Investment Program:	
General Fund Account	7,566,492
Capital Project Fund Account	15,323,507
Food Service Fund Account	1,098,703
TOTAL	23,988,702
Certificate of Deposit:	
General Fund Accounts	1,838,000
TOTAL POOLED INVESTMENTS	\$ 40,136,370

NOTE 4 - Taxes Receivable

Taxes receivable as of year end for the School District's individual major funds and nonmajor fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Real Estate Taxes	\$ 2,605,376	\$ 0	\$ 2,605,376
Transfer Taxes	275,540	0	275,540
Earned Income Taxes	1,337,604	0	1,337,604
Less: Allowance for Uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>
NET TAXES RECEIVABLE	<u>\$ 4,218,520</u>	<u>\$ 0</u>	<u>\$ 4,218,520</u>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 4 - Taxes Receivable (Continued)

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

Delinquent Real Estate Taxes	\$ 2,295,978
Other Deferred Revenue	<u>42,210</u>
 TOTAL	 <u>\$ 2,338,188</u>

NOTE 5 - Capital Assets

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Land	\$ 33,139,690	\$ 0	\$ 0	\$ 33,139,690
Land Improvements	3,621,014	19,900	0	3,640,914
Buildings	326,058,346	4,424,116	0	330,482,462
Construction in Progress	22,795,600	10,813,595	3,183,346	30,425,849
Furniture and Equipment	<u>30,396,050</u>	<u>2,005,305</u>	<u>930,971</u>	<u>31,470,384</u>
TOTAL CAPITAL ASSETS	<u>416,010,700</u>	<u>17,262,916</u>	<u>4,114,317</u>	<u>429,159,299</u>
Accumulated Depreciation for:				
Buildings	83,678,849	8,863,488	0	92,542,337
Land Improvements	1,888,184	181,788	0	2,069,972
Furniture and Equipment	<u>20,989,627</u>	<u>3,439,176</u>	<u>900,524</u>	<u>23,528,279</u>
TOTAL ACCUMULATED DEPRECIATION	<u>106,556,660</u>	<u>12,484,452</u>	<u>900,524</u>	<u>118,140,588</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	 <u>\$ 309,454,040</u>	 <u>\$ 4,778,464</u>	 <u>\$ 3,213,793</u>	 <u>\$ 311,018,711</u>

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 5 - Capital Assets (Continued)

Business-Type Activities:

Capital Assets:

Furniture and Equipment	\$	309,484	\$	43,972	\$	0	\$	353,456
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Accumulated Depreciation for:

Furniture and Equipment		248,045		22,546		0		270,591
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BUSINESS-TYPE ACTIVITIES

CAPITAL ASSETS, NET	\$	61,439	\$	21,426	\$	0	\$	82,865
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Depreciation expense was charged to functions/programs of the School District as follows:

Governmental Activities - Unallocated	\$	12,484,452
Business-Type Activities		22,546
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$</b>	<b>12,506,998</b>

NOTE 6 - Interfund Receivables, Payables and Transfers

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 900,000	\$ 0
Capital Reserve Fund	14,447,247	0
Capital Projects Fund	<u>0</u>	<u>15,347,247</u>
	<u>\$ 15,347,247</u>	<u>\$ 15,347,247</u>



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 7 - Long-Term Debt

	Principal Outstanding July 1, 2008	Maturities/ Refinancing	Additions	Principal Outstanding June 30, 2009
General Obligation Bonds, Series A of 1998	\$ 1,545,000	\$ 1,545,000	\$ 0	\$ 0
General Obligation Note, Series B of 2000	8,416,000	876,000	0	7,540,000
General Obligation Bonds, Series of 2002	4,750,000	1,105,000	0	3,645,000
General Obligation Bonds, Series AA of 2002	8,230,000	8,230,000	0	0
General Obligation Bonds, Series of 2003	29,980,000	5,000	0	29,975,000
General Obligation Bonds, Series A of 2003	15,785,000	1,545,000	0	14,240,000
General Obligation Bonds, Series of 2004	6,190,000	6,190,000	0	0
General Obligation Bonds, Series of 2005	9,985,000	5,000	0	9,980,000
General Obligation Bonds, Series A of 2005	8,310,000	470,000	0	7,840,000
General Obligation Bonds, Series of 2006	34,990,000	5,000	0	34,985,000
General Obligation Bonds, Series A of 2006	100,800,000	5,000	0	100,795,000
General Obligation Bonds, Series AA of 2006	16,530,000	1,505,000	0	15,025,000
General Obligation Bonds, Refunding Series of 2006	22,235,000	105,000	0	22,130,000
General Obligation Bonds, Refunding Series A of 2006	37,805,000	125,000	0	37,680,000
General Obligation Bonds, Series of 2007	10,000,000	5,000	0	9,995,000
General Obligation Bonds, Series of 2009	0	0	10,700,000	10,700,000
	<u>315,551,000</u>	<u>21,721,000</u>	<u>10,700,000</u>	<u>304,530,000</u>
Deferred Amounts:				
Issuance (Discounts) Premium	5,592,770	340,516	55,489	5,307,743
Refunding Deferred Charge	<u>(1,006,442)</u>	<u>(249,645)</u>	<u>0</u>	<u>(756,797)</u>
<b>LONG-TERM DEBT</b>	<b><u>\$ 320,137,328</u></b>	<b><u>\$ 21,811,871</u></b>	<b><u>\$ 10,755,489</u></b>	<b><u>\$ 309,080,946</u></b>



**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 7 - Long-Term Debt (Continued)

	Current Outstanding Principal
General Obligation Note, Series B of 2000. Original principal amount of \$13,461,000, maturing November 25, 2001 through November 25, 2015, bearing interest at a rate not to exceed 15%. Interest is paid monthly	\$ 7,540,000
General Obligation Bonds, Series of 2002. Original principal amount of \$30,000,000, maturing April 15, 2004 through April 15, 2022, bearing interest from 3% to 5%. Interest is paid semi-annually on April 15 and October 15	3,645,000
General Obligation Bonds, Series of 2003. Original principal amount of \$30,000,000, maturing March 15, 2005 through March 15, 2022, bearing interest from 3.25% to 4.4%. Interest is paid semi-annually on September 15 and March 15	29,975,000
General Obligation Bonds, Series A of 2003. Original principal amount of \$21,995,000, maturing November 15, 2003 through November 15, 2016, bearing interest from 1% to 3.9%. Interest is paid semi-annually on May 15 and November 15	14,240,000
General Obligation Bonds, Series of 2005. Original principal amount of \$10,000,000, maturing November 15, 2005 through November 15, 2017, bearing interest from 2% to 3.7%. Interest is paid semi-annually on May 15 and November 15	9,980,000
General Obligation Bonds, Series A of 2005. Original principal amount of \$8,975,000 maturing May 15, 2006 through May 15, 2022, bearing interest from 3% to 4.15%. Interest is paid semi-annually on May 15 and November 15	7,840,000
General Obligation Bonds, Series of 2006. Original principal amount of \$35,000,000 maturing May 15, 2007 through May 15, 2030, bearing interest from 3.25% to 5%. Interest is paid semi-annually on May 15 and November 15	34,985,000
General Obligation Bonds, Series A of 2006. Original principal amount of \$100,810,000 maturing May 15, 2007 through May 15, 2030, bearing interest from 3.5% to 5%. Interest is paid semi-annually on May 15 and November 15	100,795,000
General Obligation Bonds, Series AA of 2006. Original principal amount of \$18,390,000 maturing October 1, 2006 through October 1, 2020, bearing interest from 3.75% to 4%. Interest is paid semi-annually on April 1 and October 1	15,025,000
SUBTOTAL (CARRIED FORWARD)	224,025,000



**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 7 - Long-Term Debt (Continued)

	<u>Current Outstanding Principal</u>
SUBTOTAL (BROUGHT FORWARD)	\$ 224,025,000
General Obligation Bonds, Refunding Series of 2006. Original principal amount of \$22,245,000 maturing April 15, 2007 through April 15, 2024, bearing interest from 4% to 4.25%. Interest is paid semi-annually on April 15 and October 15	22,130,000
General Obligation Bonds, Refunding Series A of 2006. Original principal amount of \$37,935,000 maturing February 1, 2007 through February 1, 2027, bearing interest from 3.5% to 4.5%. Interest is paid semi-annually on February 15 and August 15	37,680,000
General Obligation Bonds, Series of 2007. Original principal amount of \$10,000,000 maturing February 15, 2009 through February 15, 2029, bearing interest from 3.625% to 4.125%. Interest is paid semi-annually on February 15 and August 15	9,995,000
General Obligation Bonds, Series of 2009. Original principal amount of \$10,700,000 maturing September 15, 2009 through September 15, 2016, bearing interest from 1.75% to 3.00%. Interest is paid semi-annually on March 15 and September 15	<u>10,700,000</u>
<b>TOTAL</b>	<b><u>\$ 304,530,000</u></b>

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 12,017,000	\$ 12,685,148	\$ 24,702,148
2011	12,114,000	12,487,442	24,601,442
2012	12,539,000	12,057,285	24,596,285
2013	12,992,000	11,607,608	24,599,608
2014	13,492,000	11,117,673	24,609,673
2015-2019	71,671,000	45,105,830	116,776,830
2020-2024	84,745,000	27,035,944	111,780,944
2025-2029	76,710,000	8,353,348	85,063,348
2030-2034	<u>8,250,000</u>	<u>381,561</u>	<u>8,631,561</u>
<b>TOTAL MATURITIES</b>	<b>304,530,000</b>	<b>140,831,839</b>	<b>445,361,839</b>
Deferred Amounts	<u>4,550,946</u>	<u>(4,550,946)</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 309,080,946</u></b>	<b><u>\$ 136,280,893</u></b>	<b><u>\$ 445,361,839</u></b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 8 - Changes in Other Long-Term Liabilities

	(Restated) Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
Accrued Compensated Absences	\$ 1,385,453	\$ 148,036	\$ 0	\$ 1,533,489
Accrued Severance	5,059,267	0	533,110	4,526,157
<b>TOTAL</b>	<b>\$ 6,444,720</b>	<b>\$ 148,036</b>	<b>\$ 533,110</b>	<b>\$ 6,059,646</b>

NOTE 9 - Contingent Liabilities

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

NOTE 10 - Construction Commitments

At June 30, 2009, the School District's capital projects fund had outstanding construction commitments amounting to \$11,674,290 for the completion of the renovations to various schools.

NOTE 11 - Risk Management

The School District self-insures worker's compensation through the School District's Insurance Consortium. The School District's Insurance Consortium is an association consisting of school districts, intermediate units, and vocational-technical schools of the Commonwealth of Pennsylvania. The School District obtained a self-insurance exemption from the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Worker's Compensation, which allows the School District to self-insure workers' compensation.

Each year the School District is required to deposit funds into the central fund. The School District is then billed monthly for actual claims for the current year paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded.

Additionally, the School District self-insures group dental, vision and prescription coverage. The School District has accrued a three-month value for potential claims under dental, vision and prescription coverage.



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 12 - Employee Retirement Systems and Pension Plans**

School districts in the Commonwealth of Pennsylvania participate in a state-administered pension program. Under the program, contributions are made by each of three parties - the School District, the state and the employee. All full-time employees of the School District, and part-time employees who meet certain minimum employment requirements, participate in the program. The School District's contributions for the year ended June 30, 2009 totaled \$4,111,269. Total covered payroll was \$86,708,496 and total payroll was \$88,210,033 for the current year. The following is a summary of plan benefit and asset information:

**Plan Description:**

**Name of Plan** - The Public School Employees' Retirement System of Pennsylvania (the System).

**Type of Plan** - Governmental cost sharing multiple-employer defined benefit plan.

**Benefits** - Retirement and disability, legislative mandated *ad hoc* cost-of-living adjustments, health care insurance premium assistance to qualified annuitants.

**Authority** - The Public School Employee's Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535).

**Annual Financial Report** - The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0123.

**Funding Policy:**

**Authority** - The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

**Contribution Rates** - Members contribute from 5.25 to 7.50 percent of their qualifying compensation, depending on when their employment began.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2009, the rate of employer contribution was 4.76 percent of covered payroll.

**NOTE 13 - Other Post-employment Benefits**

**Plan Description:**

The School District provides a defined benefit post employment healthcare benefit, which provides medical benefits to eligible retirees and their spouses. The school district has four bargaining units which participate in this plan: the West Chester Education Support Personnel, the Custodial Bargaining Unit, the Teachers and the Administrators. In addition, the non-bargaining staff members participate in the plan. All except Administrators are eligible to receive post retirement benefits at age 50 with 15 years of service in the District. For Administrators, the eligibility requirements are age 50 with 10 years of service in the District and at least 5 years of service as an administrator. The employee must retire from service to receive the post employment benefits and not work for another school district.

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 13 - Other Post-employment Benefits (Continued)

The health insurance plan is a single employer, defined benefit OPEB plan. The medical, prescription drug, dental and vision benefits are self insured. Only the PC-65 product is fully insured. The medical benefits are administered through Blue Cross and the prescription drug benefits through Caremark. Separate financial statements are not issued for the plan. The term life insurance is purchased from US Life and the Universal Life coverage is purchased from Genworth Financial.

Funding Policy:

As established by either collective bargaining or school policy, all groups except for administrators are entitled to receive, at retirement, the single coverage provided to active employees in the Personal Choice 10/20/70 plan. Administrators receive both retiree and spousal coverage. For all other eligible retirees, the coverage is provided for the retiree only. A retiree can elect a higher coverage but the retiree must pay the difference in the premium cost. The School District is responsible for funding the balance of the benefits. Teachers hired after July 1, 2003 do not receive post retirement healthcare coverage but instead receive a \$20,000 credit to a Health Reimbursement Account at retirement.

As of July 1, 2008, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay the premium each year as it comes due.

Funding Progress

As of July 1, 2008, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$34,304,681, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$87,772,879 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.1%.

The actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made into the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents information about the actuarial value of the plan assets. In subsequent years, this schedule will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actual value of assets, consistent with the long term perspective of the calculations. In the July 1, 2008 actuarial valuation, the following actuarial assumptions were used:

Interest	4% compounded annually net of investment expenses
Amortization Method	Level dollar method at the valuation interest rate
Amortization Period	30 Years
Salary Increases	4% per year
Actuarial Valuation Cost Method	Entry Age Normal

**WEST CHESTER AREA SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2009

NOTE 13 - Other Post-employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Obligations:

The Districts annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the School's net OPEB obligation.

Annual OPEB Cost:	
Normal Cost	\$ 1,133,553
Amortization of Unfunded Actuarial Accrued Liability	1,098,092
Interest on Net OPEB Obligation	(13,139)
Funding Adjustment	<u>21,898</u>
 ANNUAL OPEB COST	 <u>\$ 2,240,404</u>
Net OPEB Obligation (Asset):	
Normal OPEB Obligation July 1, 2008	\$ (328,484)
OPEB Cost for the year ended June 30, 2009	2,240,404
Contributions for the year ended June 30, 2009	<u>(2,435,665)</u>
 NET OPEB OBLIGATION (ASSET)	 <u>\$ (523,745)</u>

NOTE 14 - Prior Period Adjustment

Net assets in the government-wide financial statements have been restated as of the beginning of the year for the net effect of the understatement of capitalized interest relating to the capital assets in the amount of \$3,535,613 and the understatement of accrued severance in the amount of \$2,262,044. The amount of the adjustment is \$1,273,569.

NOTE 15 - Subsequent Events

The District has evaluated subsequent events through January 13, 2010, which represents the date the financial statements were available to be issued.

In September 2009, the District authorized the incurrence of nonelectoral debt by the issuance of its \$10,000,000 principal amount General Obligation Note, Series of 2009, for the purpose of providing funds for and towards various capital projects.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Original Budget	Amended Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Local Revenues	\$157,735,386	\$157,735,386	\$ 155,887,322	\$ (1,848,064)
State Program Revenues	29,364,047	29,364,047	30,057,945	693,898
Federal Program Revenues	2,698,317	2,698,317	3,130,016	431,699
<b>TOTAL REVENUES</b>	<b>189,797,750</b>	<b>189,797,750</b>	<b>189,075,283</b>	<b>(722,467)</b>
<b>Expenditures:</b>				
Regular Programs	75,610,851	74,124,868	74,108,501	16,367
Special Programs	23,865,970	25,596,870	25,531,571	65,299
Vocational Programs	4,339,574	4,219,344	4,202,667	16,677
Other Instructional Programs	194,131	159,010	158,981	29
Adult Education Programs	34,172	34,385	28,867	5,518
Pupil Personnel Services	6,929,452	6,740,925	6,665,151	75,774
Instructional Staff Services	5,309,597	5,185,108	5,162,993	22,115
Administrative Services	10,890,183	10,813,894	10,729,281	84,613
Pupil Health	1,908,579	1,912,746	1,890,052	22,694
Business Services	1,591,319	1,580,702	1,565,788	14,914
Operation and Maintenance of				
Plant Services	17,195,783	17,232,053	17,212,299	19,754
Student Transportation Services	13,114,734	13,223,703	13,219,823	3,880
Central and Other Support Services	2,489,178	2,372,882	2,325,305	47,577
Student Activities	4,294,968	4,029,829	4,013,798	16,031
Community Services	127,551	143,771	122,164	21,607
Facilities Acquisition and Construction	400,000	149,468	148,832	636
Debt Service	22,561,576	22,496,576	21,547,034	949,542
<b>TOTAL EXPENDITURES</b>	<b>190,857,618</b>	<b>190,016,134</b>	<b>188,633,107</b>	<b>1,383,027</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,059,868)</b>	<b>(218,384)</b>	<b>442,176</b>	<b>660,560</b>
<b>Other Financing Sources (Uses):</b>				
Interfund Transfers In	900,000	900,000	0	(900,000)
Interfund Transfers Out	(934,000)	(934,000)	0	934,000
Refunds of Prior Years Revenues	0	(79,218)	(79,218)	0
Refunds of Prior Years Expenditures	0	0	4,662	4,662
Budgetary Reserve	(542,682)	(1,304,948)	0	1,304,948
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(576,682)</b>	<b>(1,418,166)</b>	<b>(74,556)</b>	<b>1,343,610</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,636,550)</b>	<b>(1,636,550)</b>	<b>367,620</b>	<b>2,004,170</b>
Fund Balance - July 1, 2008	6,736,550	6,736,550	7,494,323	757,773
<b>FUND BALANCE - JUNE 30, 2009</b>	<b>\$ 5,100,000</b>	<b>\$ 5,100,000</b>	<b>\$ 7,861,943</b>	<b>\$ 2,761,943</b>

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