

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.

The School District has designated the Bonds as "qualified tax-exempt obligations", for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (relating to the deductibility of interest expenses by certain financial institutions).

\$10,000,000

West Chester Area School District Chester and Delaware Counties, Pennsylvania General Obligation Bonds, Series of 2007

Dated: June 1, 2007

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

Interest Due: February 15 and August 15

First Interest Payment: August 15, 2007

The General Obligation Bonds, Series of 2007 in the aggregate principal amount of \$10,000,000 (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 Commerce Bank, National Association (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its corporate trust office in Philadelphia, Pennsylvania. Interest on the Bonds is payable initially on August 15, 2007 and thereafter semiannually on February 15 and August 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting such payments to Beneficial Owners of the Bonds.

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

The Bonds are general obligations of the West Chester Area School District, Chester and Delaware Counties, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking funds established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District within limitations provided by law. (See "Security" and "Act 1 of 2006 ("The Taxpayer Relief Act")" *infra*).

Proceeds of the Bonds will be used toward: (1) the payment of the costs of the capital improvements to facilities owned and operated by the School District as defined herein under "Purpose of the Issue"; (2) capitalizing a portion of the interest on the Bonds; and (3) paying 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.

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



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

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Pepper Hamilton LLP, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Unruh, Turner, Burke & Frees, P.C., of West Chester, Pennsylvania, School District Solicitor. Public Financial Management, Inc., of Harrisburg, Pennsylvania, will serve as the School District's Financial Advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC, on or about **June 6, 2007**.

UBS INVESTMENT BANK

\$10,000,000

West Chester Area School District
Chester and Delaware Counties, Pennsylvania
General Obligation Bonds, Series of 2007

Dated: June 1, 2007
Principal Due: February 15

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

Feb. 15	Principal	Interest	Prices
Year	Amounts	Rates	
2009	\$5,000	4.000%	100.646%
2010	340,000	4.000	100.962
2011	355,000	4.000	101.228
2012	365,000	4.000	101.449
2013	380,000	4.000	101.363
2014	395,000	3.625	99.555
2015	410,000	3.700	99.796
2016	425,000	3.750	100.000
2017	440,000	3.750	99.593
2018	460,000	3.750	99.126
2019	475,000	3.875	99.762
2020	495,000	4.000	100.207
2021	515,000	4.000	100.000
2024	580,000	4.000	99.153
2025	605,000	4.000	98.869
2028	680,000	4.125	99.650
2029	705,000	4.125	99.356

\$1,090,000 4.000% Term Bonds due February 23, 2023 @ 99.418%

\$1,280,000 4.100% Term Bonds due February 23, 2027 @ 99.593

WEST CHESTER AREA SCHOOL DISTRICT
Chester and Delaware Counties, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Rogers Vaughn	President
Jeffrey T. Seagraves	Vice President
Pauline A. Bachtle	Secretary*
Dr. Suzanne K. Moore	Treasurer*
Paul Brockett	Member
Martha Carson-Gentry	Member
Terri Clark	Member
Dr. Ricky L. Swalm.	Member
Jessie Pincus	Member
James T. Smith	Member
Gail Tomassini	Member

*Non-Member

SUPERINTENDENT
DR. ALAN G. ELKO

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
COMMERCE BANK, NATIONAL ASSOCIATION
Philadelphia, Pennsylvania

UNDERWRITER
UBS SECURITIES LLC
New York, New York

SCHOOL DISTRICT ADDRESS
829 Paoli Pike
West Chester, Pennsylvania

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

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

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OFFICIAL STATEMENT

\$10,000,000

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

General Obligation Bonds, Series of 2007

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 **\$10,000,000** aggregate principal amount of its General Obligation Bonds, Series of 2007 dated as of June 1, 2007 ("the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on **April 30, 2007** (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. Cons. Stat. §8001 *et seq.*, as amended (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used toward: (1) the financing of the costs of capital improvements to various School District buildings and facilities, including the Spellman Administration Building, the Henderson High School building and facilities, the Pierce Middle School building and facilities, the East Bradford, Fern Hill, Penn Wood, Westtown-Thornbury and Hillsdale Elementary School buildings and facilities, and various other district-wide improvements to the School District's capital facilities; (2) the financing of a portion of the interest on the Bonds for the anticipated period of construction; and (3) the financing of the costs of issuing and insuring the Bonds.

Estimated Sources and Uses

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

SOURCES:

Bond Proceeds	\$10,000,000.00
Accrued Interest	5,505.47
Capitalized Interest	
Total	<u>\$10,005,505.47</u>

USES:

Deposit to Construction Fund	\$9,297,974.27
Capitalized Interest	139,659.20
Costs of Issuance ⁽¹⁾	567,872.00
Total	<u>\$10,005,505.47</u>

⁽¹⁾Includes legal, financial advisor, municipal bond insurance, rating, bond discount, CUSIP, printing, 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 June 1, 2007, 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 August 15, 2007 and semiannually thereafter on February 15 and August 15 until the principal sum thereof is paid.

Payment of Principal and Interest

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

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of authentication of the Bond, unless: (a) such Bond is authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such succeeding interest payment date, or (c) such Bond is authenticated on or prior to the Regular Record Date preceding August 15, 2007, in which event such Bond shall bear interest from June 1, 2007, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on the Bonds shall be paid initially on August 15, 2007, and thereafter, semiannually on February 15 and August 15 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last calendar day of the month (whether or not a business day) immediately preceding each interest payment date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds at least ten (10) days preceding such special record date but not more than thirty (30) days prior to the payment date of such defaulted interest.

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

Transfer, Exchange and Registration of Bonds

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

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

Commonwealth Enforcement of Debt Service Payments

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

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

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

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking 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 has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, within limitations provided by law. (See "Security" and "Act 1 of 2006 (*The Taxpayer Relief Act*)" *infra* herein discussing legislative initiatives that may subject the School District's taxing power to certain limitations. The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" herein).

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

Sinking Fund

Sinking Fund for the payment of debt service on the Bonds, designated "Sinking Fund, West Chester Area School District General Obligation Bonds, Series of 2007" (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

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC, the School District, the Financial Advisor, and the Underwriter make no representation as to the accuracy of such information.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 an 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).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or its 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or its 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 providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or its agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the School District takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

REDEMPTION OF THE BONDS

Mandatory Redemption

The Bonds stated to mature on February 15, 2023 and February 15, 2027 are subject to redemption prior to maturity as required by the Resolution, in the amounts and on February 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

Feb. 15	
Year	Amount
2022	\$535,000
2023*	555,000

*By Maturity

Feb. 15	
Year	Amount
2026	\$625,000
2027*	6255,000

*By Maturity

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

Optional Redemption

The Bonds maturing on or after February 15, 2013, 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 as the School District shall select and within a maturity by lot), at any time on and after February 15, 2012.

Notice of Redemption

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

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions

thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

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

Manner of Redemption

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

At September 30, 2006, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,581,107,000 and its total net unearned premium reserve was approximately \$1,992,163,000 in accordance with statutory accounting principles. At September 30, 2006, Financial Security's consolidated shareholder's equity was approximately \$3,058,987,000 and its total net unearned premium reserve was approximately \$1,590,538,000 in accordance with generally accepted accounting principles.

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

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

THE SCHOOL DISTRICT

Introduction

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

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

Administration

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

School Facilities

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

TABLE 1
WEST CHESTER AREA SCHOOL DISTRICT FACILITIES

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition and/or Renovation Date</u>	<u>Grades</u>	<u>2006-07 Enrollment⁽¹⁾</u>
B. Rustin High School	2003-06	-	9-12	969
East High School	1973	1976/92/93/04	9-12	1,505
East/Fugett Athletic Fields	2004	-	-	----
Henderson High School	1951	1956/64/76/94/98/04	9-12	1,401
Henderson-North Campus Athletics	2006	-	-	----
E. N. Peirce Middle School	1963	1998/01/03	6-8	904
G. A. Stetson Middle School	1959	1961/98/03	6-8	931
J. R. Fugett Middle School	1969	-	6-8	958
Mary C. Howse Elementary	1962	1965/97	K-5	507
Exton Elementary	1940	1953/57/91/92/93/00	K-5	536
East Goshen Elementary	1955	1960/64/67/95/01	K-5	560
Fern Hill Elementary	1955	1960/89	K-5	479
Glen Acres Elementary	1966	1997	K-5	533
Westtown-Thornbury Elementary	1954	1956/89	K-5	425
Penn Wood Elementary	1966	1970/89/01	K-5	467
East Bradford Elementary	1958	1966/70/89	K-5	439
Hillsdale Elementary	1976	-	K-5	581
Sarah W. Starkweather Elementary	1991	1998	K-5	594
Facilities & Operations Center	1999	-	-	----
Spellman Administration	1924	1952/55/77/99	Admin/Gifted	----
Totals				11,789

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

⁽¹⁾As of September 30, 2006.

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>
2002-03	5,196	2,827	3,567	11,590	2007-08	5,102	2,870	3,913	11,885
2003-04	5,063	2,893	3,690	11,646	2008-09	5,106	2,885	3,924	11,915
2004-05	5,080	2,824	3,774	11,678	2009-10	5,165	2,882	3,942	11,989
2005-06	5,096	2,862	3,764	11,722	2010-11	5,165	2,870	3,961	11,996
2006-07	5,121	2,793	3,875	11,789	2011-12	5,204	2,871	3,987	12,062

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

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

Financial Reporting

The School District keeps the books and prepares the financial reports for the General Fund according to a modified accrual basis of accounting. Major accrual items are payrolls, payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Taxes are credited when received.

As of July 1, 2001, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis—For State and Local Governments, Statement No. 37, Basic Financial Statements –and Management Discussion and Analysis—For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements.

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

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 2007-08 Budget Under Act 1. The School District's preliminary budget for fiscal year 2007-08 does not require an increase to its tax rates by more than the Index. No exceptions will be needed in connection with the 2007-08 budget.

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. Table 6 shows the 2006-07 budget and the preliminary budget for 2007-08.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
ASSETS					
Current:					
Cash and Cash Equivalents	\$19,594	\$882,186	\$1,798,748	\$135,399	\$1,075,695
Investments	101,440,156	111,810,058	132,158,346	103,487,883	92,660,308
Taxes Receivable	3,711,049	3,113,264	2,836,995	2,912,087	2,574,193
Due from other Funds	-	-	-	-	-
Due from other Governments	182,541	233,629	1,651,640	2,229,903	1,881,855
Interest Receivables	-	-	-	-	121,767
Other Receivables	278,246	509,147	1,030,489	620,365	359,506
Prepaid Expenditures	38,827	40,905	289,325	1,134,246	1,154,339
Inventories	1,024,761	535,668	687,193	827,736	-
TOTAL CURRENT ASSETS	<u>\$106,695,174</u>	<u>\$117,124,857</u>	<u>\$140,452,736</u>	<u>\$111,347,619</u>	<u>\$99,827,663</u>
<i>Noncurrent Assets</i>					
Capital Assets:					
Land	2,854,869	2,854,869	23,323,507	30,510,694	30,429,426
Land Improvements	3,547,465	3,547,465	2,390,246	2,211,915	3,576,716
Buildings	140,791,840	141,856,211	80,968,745	77,620,343	149,121,904
Construction in Progress	20,150,703	35,859,161	75,030,894	124,908,690	167,050,344
Furniture and Equipment	13,184,993	16,087,996	5,200,395	7,186,253	23,656,735
Long Term Prepayments (net)	-	-	1,162,034	1,246,718	-
Less: Accumulated Depreciation	(66,581,103)	(72,114,253)	-	-	(90,812,531)
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION	<u>113,948,767</u>	<u>128,091,449</u>	<u>188,075,821</u>	<u>243,684,613</u>	<u>283,022,594</u>
Other Assets:					
Deferred Bond Issuance Costs	59,674	810,548	0	0	2,185,201
TOTAL ASSETS	<u>\$220,703,615</u>	<u>\$246,026,854</u>	<u>\$328,528,557</u>	<u>\$355,032,232</u>	<u>\$385,035,458</u>
LIABILITIES					
Current:					
Due to Component Units	-	-	-	-	-
Post Retirement Health Care Benefits	-	-	-	-	-
Payroll Accruals and Withholdings	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-
Accrued Severance Pay	-	-	-	-	-
Accounts Payable and Accrued Liabilities	11,580,444	11,650,493	29,016,582	26,892,923	25,544,736
Lease Purchase Obligations	-	-	-	-	-
Bond and Notes Payable Within One Year	7,178,000	22,342,000	8,722,000	9,914,000	8,978,000
Accrued Interest	1,535,608	1,661,810	2,071,143	-	2,753,793
Deferred Revenues	2,059	-	18,158	2,791	-
Other Current Liabilities	0	-	-	2,015,463	-
TOTAL CURRENT LIABILITIES	<u>20,296,111</u>	<u>35,654,303</u>	<u>39,827,883</u>	<u>38,825,177</u>	<u>37,276,529</u>
Long-Term:					
Bonds and Notes Payable Due After One Year	178,216,483	186,428,097	264,491,436	288,911,000	316,260,309
Accrued Severance and Compensated Absences	4,274,109	4,553,759	4,840,011	4,160,368	4,396,552
TOTAL LONG-TERM LIABILITIES	<u>182,490,592</u>	<u>190,981,856</u>	<u>269,331,447</u>	<u>293,071,368</u>	<u>320,656,861</u>
TOTAL LIABILITIES	<u>202,786,703</u>	<u>226,636,159</u>	<u>309,159,330</u>	<u>331,896,545</u>	<u>357,933,390</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	2,599,427	4,537,401	5,479,152
Unrestricted	17,916,912	19,390,695	16,769,800	-	-
Capital Project Fund - undesignated	-	-	-	-	-
Unreserved - Designated	-	-	-	18,598,283	-
Unreserved - Undesignated	-	-	-	-	21,622,916
TOTAL FUND EQUITIES	<u>17,916,912</u>	<u>19,390,695</u>	<u>19,369,227</u>	<u>23,135,684</u>	<u>27,102,068</u>
TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS	<u>\$220,703,615</u>	<u>\$246,026,854</u>	<u>\$328,528,557</u>	<u>\$355,032,229</u>	<u>\$385,035,458</u>

Source: School District Annual Financial Reports and Audit.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Projected</u> <u>2007⁽¹⁾</u>	<u>Adjusted</u> <u>Preliminary</u> <u>Budget</u> <u>2008⁽²⁾</u>
Beginning Fund Balance	\$7,608,576	\$7,986,246	\$6,469,845	\$8,287,190	\$8,794,146	\$9,031,211
Revenues over (under) Expenditure.	<u>377,670</u>	<u>(1,516,401)</u>	<u>1,817,344</u>	<u>506,956</u>	<u>237,065</u>	<u>(\$2,997,248)</u>
Ending Fund Balance	<u>\$7,986,246</u>	<u>\$6,469,845</u>	<u>\$8,287,189</u>	<u>\$8,794,146</u>	<u>\$9,031,211</u>	<u>\$6,033,963</u>

*Totals may not add due to rounding.

⁽¹⁾Unaudited, subject to change.

⁽²⁾Adjusted Preliminary Budget.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$164,843,349 in revenue in 2005-06 and has budgeted revenue of \$173,672,269 in 2006-07. Local sources increased as a share of total revenue in the past five years, from 81.6 percent in 2001-02 to 83.7 percent in 2005-06. Revenue from Commonwealth sources decreased as a share of the total revenue from 15.5 percent to 14.9 percent over this period. Federal revenue increased as a share of total revenue at 1.2 percent to 1.4 percent over this period. Other decreased as a share of total revenue.

Taxing Powers

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

The School District is empowered by the Public School Code and other statutes to levy the following taxes:

1. An *ad valorem* tax on all property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An *ad valorem* tax on all property taxable for school purposes unlimited in rate, except as described below in “Act 1 of Special Session 2006 (“Taxpayer Relief Act”)", to provide funds for:
 - a) minimum salaries and increments for the teaching and supervisory staff;
 - b) rentals due any municipality authority, or non-profit corporation, or due the State Public School Building Authority;
 - c) interest and principal on any indebtedness incurred under the Debt Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
 - d) amortization of bonds to finance construction of school facilities, if issued prior to the first Monday in July, 1959.
3. An annual per capita tax on each resident over eighteen years old of not more than \$5.00.
1. Additional taxes levied under the Local Tax Enabling Act (Act 511 of 1965), including per capita, wage and other earned income, real estate transfer and occupation taxes, subject to sharing with other political subdivisions authorized to levy similar taxes on the same person, property, transaction or income. A school district cannot levy these taxes in an amount which exceeds the equivalent of 12 mills on the market value of taxable real estate (such market value to be certified by the State Tax Equalization Board). The Local Tax Enabling Act has been recently amended by Act 166 of 2002 which authorizes all taxing authorities to increase, in their individual judgment, the exemption level for per capita, occupational, earned income or such similar taxes from \$5,000 to \$10,000. This amendment went into effect February 2003.

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

Act 1 of 2006 (“The Taxpayer Relief Act”)

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

1. to pay costs incurred in responding to or recovering from a declared emergency or disaster;
2. to pay costs incurred in implementing a court or administrative order;
3. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum; to pay interest and principal on indebtedness incurred within certain limits for academic elementary or secondary school building projects; to pay interest and principal on indebtedness for up to \$250,000 (adjusted annually by an inflationary factor) of the construction cost of a nonacademic school construction project; and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
4. to pay costs incurred in responding to conditions posing an immediate threat of serious physical harm or injury to persons;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
6. to pay costs which were incurred in the implementation of a school improvement action plan under the federal No-Child Left Behind Act and not offset by a State allocation of funds;
7. to pay costs necessary to maintain per-student local tax revenue, adjusted by the Index, if the percentage growth in average daily attendance over a defined period 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 1st and fiscal year budgets must be adopted by school boards no later than June 30th. Certain provisions of Act 1 impact all budgets for Fiscal Year 2006-07 adopted or to be adopted with a millage increase in excess of the Index permitted by 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 not Eligible for the "Grandfathered Debt" Exception from the Index under The Taxpayer Relief Act

The Bonds were not authorized before the effective date of Act 1, and therefore the Bonds cannot be granted an exception for debt incurred prior to such effective date and will not be exempt from the Act 1 referendum requirement to pay debt service on the Bonds if a tax increase greater than the Index is needed. The School District intends to include sufficient new tax millage in its 2007-08 budget to cover the full amount of the debt service on the Bonds within the limits of the 2007-08 Index.

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:

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

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

TABLE 5

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

	2002	2003	2004	2005	2006
Local Sources:					
Real Estate Taxes (Current)	\$77,896,984	\$83,996,345	\$90,363,380	\$99,863,220	\$107,927,149
Interim Real Estate Taxes	4,214,280	3,722,616	2,931,543	3,197,823	2,677,530
Total Act 511 Taxes	16,417,218	16,887,010	17,968,241	19,442,443	20,602,185
Public Utility Realty Tax	186,655	160,119	183,907	144,523	190,028
Delinquencies on Taxes Levied	2,508,503	2,845,168	2,619,049	2,348,192	2,568,469
Earnings from Temporary Deposits & Investments	1,049,956	617,631	438,057	935,569	2,250,385
PA Revenue Rec'd.-Other Intermediate Sources	9,922	44,249	11,973	-	29,002
Fed. Rev. Rec'd.-Other Intermediate/PA Sources	333,142	636,909	961,163	1,311,931	1,314,176
Tuition from Patrons	288,574	179,859	152,268	167,651	155,331
Receipts from Other LEAs	-	144,250	107,888	186,803	272,001
Refund of Prior Years' Expenditures	-	439,868	517,420	9,908	5,715
All Other Local Revenues Not Specified	-	-	155,770	9,032	58,979
Other Sources	24,083	50,740	49,532	35,848	-
Total Local Sources	<u>\$102,929,317</u>	<u>\$109,724,764</u>	<u>\$116,460,191</u>	<u>\$127,652,943</u>	<u>\$138,050,950</u>
State Sources:					
Total State Sources	<u>\$19,588,910</u>	<u>\$21,368,451</u>	<u>\$22,058,230</u>	<u>\$24,500,908</u>	<u>\$24,480,076</u>
Federal Sources:					
Total Federal Sources	<u>\$1,538,248</u>	<u>\$2,053,344</u>	<u>\$2,050,272</u>	<u>\$2,645,922</u>	<u>\$2,312,323</u>
Other Sources:					
Total Other Sources	<u>\$2,057,016</u>	<u>\$2,120,662</u>	<u>\$1,725,025</u>	<u>\$1,638,988</u>	<u>\$0</u>
TOTAL REVENUE	<u>\$126,113,491</u>	<u>\$135,267,221</u>	<u>\$142,293,718</u>	<u>\$156,438,761</u>	<u>\$164,843,349</u>
EXPENDITURES:					
Instruction	\$74,534,586	\$77,384,157	\$82,149,881	\$88,485,129	\$90,846,621
Pupil Personnel	4,468,714	4,792,719	4,955,730	5,265,077	5,695,591
Support Services - Administration	6,966,410	7,665,380	8,125,431	8,474,290	9,208,429
Support Services - Pupil Health	1,309,518	1,627,225	1,610,092	1,697,682	1,896,461
Support Services - Other	-	138,734	137,107	138,290	-
Business	992,173	1,076,993	1,372,139	1,211,178	1,256,832
Instructional Staff	4,107,506	4,329,855	4,659,849	4,825,610	4,742,351
Central Support Services	1,531,360	1,989,990	1,792,783	2,191,565	1,949,812
Pupil Transportation	8,901,161	9,234,230	9,673,711	10,512,659	11,349,906
Community Services	137,150	69,991	-	72,822	69,046
Operation & Maintenance	10,441,129	10,968,361	11,935,313	12,664,535	13,596,728
Noninstructional Services	2,075,496	2,126,779	2,413,444	2,292,187	2,452,956
Capital Outlay	525,645	349,457	228,004	189,718	270,300
Budgetary Reserves & Transfers	3,300,834	1,075,176	892,674	-	1,013,114
Debt Service	11,984,085	12,060,503	13,856,527	16,571,041	19,852,507
Refund Prior Year Expenditures	-	-	-	29,634	-
Other Support Services	-	-	7,434	-	135,739
TOTAL EXPENDITURES	<u>\$131,275,767</u>	<u>\$134,889,550</u>	<u>\$143,810,119</u>	<u>\$154,621,417</u>	<u>\$164,336,393</u>
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(\$5,162,276)</u>	<u>\$377,671</u>	<u>(\$1,516,401)</u>	<u>\$1,817,344</u>	<u>\$506,956</u>

*Totals may not add due to rounding.

⁽¹⁾Budget as adopted June 26, 2006. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financials Reports and Budget.

TABLE 6

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

REVENUE:	Projection	Preliminary
Local Sources:	2007⁽¹⁾	Budget
		2008⁽²⁾
Real Estate Taxes (Current).....	\$115,759,400	\$121,847,800
Interim Real Estate Taxes.....	2,057,500	1,981,300
Total Act 511 Taxes.....	20,905,000	21,100,000
Public Utility Realty Tax.....	145,000	145,000
Delinquencies on Taxes Levied.....	2,805,900	2,890,100
Earnings from Temporary Deposits & Investments.....	2,952,600	2,952,600
PA Revenue Rec'd.-Other Intermediate Sources.....	-	0
Fed. Rev. Rec'd.-Other Intermediate/PA Sources.....	1,228,900	1,265,800
Tuition from Patrons.....	365,000	335,000
Receipts from Other LEAs.....	-	-
Refund of Prior Years' Expenditures.....	-	-
All Other Local Revenues Not Specified.....	-	-
Other Sources.....	3,600	33,500
Total Local Sources	<u>\$146,222,900</u>	<u>\$152,551,100</u>
State Sources:		
Total State Sources	<u>\$25,991,400</u>	<u>\$26,968,900</u>
Federal Sources:		
Total Federal Sources	<u>\$2,706,100</u>	<u>\$2,787,300</u>
Other Sources:		
Total Other Sources	<u>\$0</u>	<u>\$300,000</u>
TOTAL REVENUE	<u><u>\$174,920,400</u></u>	<u><u>\$182,607,300</u></u>
 EXPENDITURES:		
Instruction.....	\$94,069,928	\$101,869,665
Pupil Personnel.....	6,021,673	6,665,412
Instructional Staff.....	5,336,171	4,952,383
Support Services - Administration.....	9,931,248	10,536,086
Support Services - Pupil Health.....	1,960,520	2,052,698
Business.....	1,347,035	1,554,506
Operation & Maintenance.....	15,413,826	16,332,825
Noninstructional Services.....	4,136,691	4,373,610
Central Support Services.....	2,066,596	2,243,614
Support Services - Other.....	143,280	148,000
Pupil Transportation.....	12,581,748	13,327,329
Capital Outlay.....	311,609	313,400
Budgetary Reserves & Transfers.....	-	-
Debt Service.....	21,363,010	21,235,020
Refund Prior Year Expenditures.....	-	-
Other Support Services.....	-	-
TOTAL EXPENDITURES	<u><u>\$174,683,335</u></u>	<u><u>\$185,604,548</u></u>
 SURPLUS (DEFICIT) OF REVENUES		
OVER EXPENDITURES	<u><u>\$237,065</u></u>	<u><u>(\$2,997,248)</u></u>

*Totals may not add due to rounding.

⁽¹⁾Unaudited, subject to change

⁽²⁾Adjusted Preliminary Budget

Source: Budget reports.

Tax Levy Trends

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

TABLE 7

WEST CHESTER AREA SCHOOL DISTRICT TAX RATES

	Chester County (mills)	Delaware County (mills)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)
2001-02	11.63	11.50	1.00	1.00
2002-03	12.11	11.13	1.00	1.00
2003-04	12.59	10.20	1.00	1.00
2004-05	13.55	10.94	1.00	1.00
2005-06.....	14.32	11.65	1.00	1.00
2006-07.....	15.16	11.02	1.00	1.00
2007-08 ⁽²⁾	15.79	11.87	1.00	1.00

Source: School District officials.

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

⁽²⁾Adjusted Preliminary budget.

TABLE 8

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
School District	12.590	13.550	14.320	15.16	15.89
East Bradford Township	0.071	0.071	0.071	0.071	0.071
East Goshen Township	0.000	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	4.440	4.440	4.610	4.610	5.200
West Goshen Township	0.850	1.500	1.500	1.500	1.500
West Whiteland Township	0.600	0.600	0.600	0.600	0.600
Westtown Township	0.500	0.700	1.500	1.500	1.500
Chester County	3.273	3.414	3.558	3.558	3.804

Source: Local Government officials.

Real Property Tax

The real property tax including interim collections (excluding delinquent collections) produced \$107,927,149 in 2005-06, approximately 65.5 percent of overall revenue.

The following tables summarize trends of assessed and market valuations of real property. Table 9 shows real property assessment data for the School District, Table 10 shows assessment by municipality and Table 11 shows assessment by land use. Table 12 summarizes recent trends in real property tax collection. The last countywide assessment in Chester County was in 1998 and for Delaware County was in 2000.

TABLE 9

WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value
2006-07.....	\$8,110,473,000	\$8,071,035,473
2005-06.....	7,160,219,000	7,904,892,743
2004-05.....	6,830,558,000	7,709,363,197
2003-04.....	6,067,532,000	7,512,832,873
2002-03.....	5,796,677,000	7,239,185,859
2001-02.....	5,148,238,000	6,642,295,082
Compound Average Annual Percentage Change	9.52%	3.97%

Source: As reported by School District officials.

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

TABLE 10

WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

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

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

WEST CHESTER AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2001	2002	2003	2004	2005
Residential	\$5,123,479,971	\$5,344,886,938	\$5,571,889,211	\$5,734,237,527	\$5,911,723,761
Lots	85,146,750	80,703,715	88,439,231	102,950,561	76,137,951
Industrial	159,545,140	161,596,880	158,580,080	158,724,310	159,985,270
Commercial	1,532,766,651	1,615,367,056	1,675,614,196	1,695,855,774	1,740,768,761
Agriculture	26,040,130	25,697,820	25,432,640	24,169,030	23,787,140
Total	<u>\$6,926,978,642</u>	<u>\$7,228,252,409</u>	<u>\$7,519,955,358</u>	<u>\$7,715,937,202</u>	<u>\$7,912,402,883</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE 12

**WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levied⁽¹⁾</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2000-01	\$6,642,295,082	11.38	\$ 75,298,979	\$72,202,462	95.9%	\$ 74,847,916	99.4%
2001-02	6,953,803,644	11.63	80,826,088	77,896,984	96.4%	80,407,487	99.5%
2002-03	7,239,185,859	12.11	88,661,237	85,388,907	96.3%	88,234,075	99.5%
2003-04	7,512,832,873	12.59	93,575,495	90,445,871	96.7%	93,064,921	99.5%
2004-05	7,709,363,197	13.55	103,253,185	99,754,954	96.6%	102,103,498	98.8%
2005-06	7,904,892,743	14.32	111,827,912	107,927,149	96.5%	110,495,618	98.8%

Source: School District officials.

⁽¹⁾Plus penalties, less discounts and exonerations.

⁽²⁾Includes real property assessments plus delinquent collections.

The ten largest real property taxpayers, together with 2006-07 assessed values, are shown on Table 13 which follows. The aggregate assessed value of these ten taxpayers totals approximately 3.9 percent of total assessed value.

TABLE 13

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

<u>Owner</u>	<u>Property</u>	<u>2007 Assessed Value</u>
Exton Square, Inc. ⁽¹⁾	Shopping Mall	\$110,168,920
QVC	Industrial Building	48,371,130
Main Street at Exton	Shopping Center	31,509,660
Exton Whiteland Dev. Co.	Shopping Center	21,460,000
National Properties	Apartment Complex	21,023,480
Whiteland Associates	Shopping Center	19,320,000
Westtown Apts. Inc.	Residential Apartments	16,636,690
Hankin Group	Residential Apartments	16,453,180
Hankin Family Ltd Prtsp	Residential Apartments	16,180,450
Walmart & Sams	Shopping	13,929,200
Total		\$315,052,710

Source: School District officials.

⁽¹⁾Includes assessment for the mall and anchor stores.

Other Taxes

Under Act 511, the School District collected \$20,602,185 in taxes in 2005-06. 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 \$96,852,426.

Real Estate Transfer. The School District levies a tax of one-half percent of the value of real estate transfers. In 2005-06 the School District's collected portion of this tax yielded \$5,197,701, or 2.8 percent of total revenue.

Wage and Income Tax. The School District levies a tax of one-half percent of the earned income of residents. In 2005-06 the collected portion of this tax yielded \$15,404,485 or 9.3 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.

DEBT AND DEBT LIMITS

Debt Statement

Table 14 which follows shows the debt of the West Chester Area School District as of May 1, 2007, and the Bonds.

TABLE 14

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of May 1, 2007)***

	Gross Outstanding
NET NONELECTORAL DEBT	
General Obligation Bonds, Series of 2007 (last maturity 2029)	\$10,000,000
General Obligation Bonds, Refunding Series of 2006 (last maturity 2029).....	22,240,000
General Obligation Bonds, Refunding Series A of 2006 (last maturity 2027).....	37,930,000
General Obligation Bonds, Series AA of 2006 (last maturity 2020).....	17,985,000
General Obligation Bonds, Series A of 2006 (last maturity 2027)	100,810,000
General Obligation Bonds, Series of 2006 (last maturity 2030)	35,000,000
General Obligation Bonds, Series A of 2005 (last maturity 2022)	8,970,000
General Obligation Bonds Series of 2005 (last maturity 2017)	9,990,000
General Obligation Bonds, Series of 2004 (last maturity 2016)	6,790,000
General Obligation Bonds, Series A of 2003 (last maturity 2016)	17,295,000
General Obligation Bonds, Series of 2003 (last maturity 2022)	29,985,000
General Obligation Bonds, Series AA of 2002 (last maturity 2011).....	12,045,000
General Obligation Bonds, Series of 2002 (last maturity 2012)	5,475,000
General Obligation Note, Series B of 2000 (last maturity 2015) Delaware Valley Regional Finance Authority	9,250,000
General Obligation Bonds, Series A of 1998 (last maturity 2017)	2,400,000
GROSS NONELECTORAL DEBT	<u>326,165,000</u>
LEASE RENTAL DEBT	
NET LEASE RENTAL DEBT	<u>\$0</u>
TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT	<u><u>\$326,165,000</u></u>

*Includes the Bonds offered through this Official Statement.

Table 15 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$326,165,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$320,328,163.

TABLE 15
WEST CHESTER AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of May 1, 2007)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$326,165,000	\$320,328,163
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	<u>\$326,165,000</u>	<u>\$320,328,163</u>
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$87,128,120	\$87,128,120
Delaware County, General Obligation ⁽³⁾	91,675,225	91,675,225
Municipal Debt.....	<u>77,497,741</u>	<u>77,497,741</u>
TOTAL OVERLAPPING DEBT	<u>\$256,301,085</u>	<u>\$256,301,085</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$582,466,085</u></u>	<u><u>\$576,629,248</u></u>
DEBT RATIOS		
Per Capita.....	\$5,755.20	\$5,697.52
Percent 2006-07 Assessed Value.....	7.22%	7.14%
Percent 2006-07 Market Value (estimated).....	7.18%	7.11%

*Includes the Bonds offered through this Official Statement.

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

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

⁽²⁾Pro rata 23.1 percent share of \$376,917,000 principal outstanding as of April 10, 2007.

⁽³⁾Pro rata 27.6 percent share of \$332,776,950 principal outstanding as of April 10, 2007.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2003-04	\$139,646,406
Total Revenues for 2004-05	152,846,577
Total Revenues for 2005-06	<u>162,135,611</u>
 Total Revenues, Past Three Years	 <u>\$454,628,594</u>
 Annual Arithmetic Average (Borrowing Base)	 <u><u>\$151,542,865</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	\$340,971,446	\$326,165,000	\$14,806,446

*Includes the 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.

Debt Service Requirements

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

Table 17 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 16

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

Year	Other General Obligation Debt	Series of 2007		Subtotal	Total Requirements
		Principal	Interest		
2006-07	\$19,969,967	\$0	\$0	\$0	\$19,969,967
2007-08	23,782,080	0	279,678	279,678	24,061,758
2008-09	24,238,868	5,000	396,394	401,394	24,640,262
2009-10	24,240,280	340,000	396,194	736,194	24,976,474
2010-11	23,896,379	355,000	382,594	737,594	24,633,973
2011-12	23,891,477	365,000	368,394	733,394	24,624,871
2012-13	23,890,073	380,000	353,794	733,794	24,623,867
2013-14	23,896,457	395,000	338,594	733,594	24,630,051
2014-15	23,896,044	410,000	324,275	734,275	24,630,319
2015-16	22,951,370	425,000	309,105	734,105	23,685,475
2016-17	22,949,357	440,000	293,168	733,168	23,682,525
2017-18	22,947,921	460,000	276,667	736,667	23,684,588
2018-19	22,951,293	475,000	259,418	734,418	23,685,711
2019-20	22,947,681	495,000	241,011	736,011	23,683,692
2020-21	22,293,881	515,000	221,211	736,211	23,030,092
2021-22	22,266,454	535,000	200,611	735,611	23,002,065
2022-23	22,263,219	555,000	179,211	734,211	22,997,430
2023-24	22,263,313	580,000	157,011	737,011	23,000,324
2024-25	22,259,251	605,000	133,811	738,811	22,998,062
2025-26	22,263,776	625,000	109,611	734,611	22,998,387
2026-27	22,268,476	655,000	83,986	738,986	23,007,462
2027-28	8,628,313	680,000	57,131	737,131	9,365,444
2028-29	8,629,313	705,000	29,081	734,081	9,363,394
2029-30	8,631,563				8,631,563
Total	\$508,216,802	\$10,000,000	\$5,390,950	\$15,390,950	\$523,607,752

*Totals may not add due to rounding.

TABLE 17

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

2005-06 Commonwealth Aid Received	\$24,480,076
2005-06 Debt Service Requirements	\$19,852,507
Maximum Future Debt Service Requirements after Issuance of Bonds.....	\$24,976,474
Coverage of 2005-06 Debt Service Requirements	1.23 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	0.98 times

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

Future Financing

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

LABOR RELATIONS

School District Employees

There are approximately 1,430 employees of the School District.

The School District has a contract which expires June 30, 2009 with the West Chester Education Association (the "Association"), which is affiliated with the Pennsylvania State Education Association (PSEA), covering the professional employees of the School District other than administrators. The PSEA acts as a bargaining agent for such employees under the conditions of Pennsylvania Law (Act 195) providing for collective bargaining. Secretarial and clerical personnel are represented by the Pennsylvania Education Association (P.E.A.) under a contract which expires June 30, 2011. Custodial and maintenance personnel are represented by P.E.A. under a contract which expires June 30, 2008.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement (PSERS) Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a recent Pennsylvania Supreme Court decision has removed the hourly de minimus requirement for part-time employees regarding participation in the program.

The PSERS Board of Trustees has set the fiscal year 2006-07 employer retirement contribution rate is 6.46 percent of payroll. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District payments have been as follows:

2001-02	.....	\$	720,000
2002-03	.....	\$	787,608
2003-04	.....	\$	2,697,472
2004-05	.....	\$	3,153,512
2005-06	.....	\$	3,604,566

Benefits for retirees are established by the Pennsylvania General Assembly, and may be changed from time to time. The Public School Employees' Retirement System (the "Fund"), as computed by an independent actuarial valuation. The most recent actuarial valuation reports that the Fund is 81.2% funded as of June 30, 2006, which decreased from 83.7%. The decrease is due to the fact that contributions in 2006 were less than the normal cost plus interest on the unfunded liability as of June 30, 2005, and also to experience losses on the assets and liabilities that occurred during the past year. The Fund's preliminary net Assets as of June 30, 2006, totaled \$57.4 billion at fair value. This represents an increase of \$5.3 billion from \$52.1 billion at June 30, 2005. The increase is primarily attributable to net investment income and member and employer contributions combined that exceeded the payment of pension benefits and administrative expenses. The financial Statements in the CAFR are presented in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The Fund's complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits ("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 estimated costs for Retiree Healthcare Board for the past two years were \$1.28 million and \$1.41 million respectively. Beginning with the July 1, 2009 to June 30, 2010 fiscal year, the School District will become subject to the requirements of GASB Statements No. 43 and 45 which require certain actuarial valuations and accounting adjustments for such post-employment benefits. The School District is aware of the pendency of GASB 43 and 45 and expects to be in compliance with both when required. The School District has not received any preliminary actuarial estimates of its OPEB liability for future years, and has not adopted or considered a program for funding OPEB payments other than from annual appropriations on a "pay-as-you-go" basis.

LITIGATION

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

DEFAULTS AND REMEDIES

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

TAX EXEMPTION

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

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

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

The School District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of subparagraph (b) (3)(B) of Section 265 of the Code and has made certain representations and covenants in the Resolution with the registered owners of the Bonds necessary to cause the Bonds to continue to be obligations described in such paragraph during the period in which the Bonds are outstanding. In the opinion of Bond Counsel, assuming the accuracy of such representations and compliance with such covenants, banks, thrift institutions and other financial institutions which purchase the Bonds may take into account as a deductible expense in calculating their federal income tax liabilities, 80 percent of their interest expense allocable to ownership of 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.

CONTINUING DISCLOSURE UNDERTAKING

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

- (i) to file annually, with each nationally recognized municipal securities information repository ("NRMSIR") and with the state information depository, if any, for the Commonwealth of Pennsylvania ("SID") (there is no SID as of the date of this Official Statement), not later than 180 days following the end of each fiscal year of the School District, beginning with the fiscal year ending June 30, 2007, the following financial information and operating data with respect to the School District:
 - the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards

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

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

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

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

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

RATING

Moody's Investors Service has assigned an underlying rate of "Aa1" to this issue of Bonds. Moody's Investors Service has assigned its municipal bond rating of "Aaa" to the Bonds and has done so with the understanding that upon delivery of the Bonds, the municipal bond insurance policy will be issued by **Financial Security Assurance Inc.** 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, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter, has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of \$9,934,390.80, equal to the par value of the Bonds less an underwriter's discount of \$45,000.00, less a net original issue discount of \$20,609.20, plus accrued interest from the dated date to the date of delivery of the Bonds.

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/ Rogers Vaughn
President, Board of School Directors

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

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)

February 2007
NONFARM JOBS

ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Feb 2007	Jan 2007	Dec 2006	Feb 2006	Jan 2007	Feb 2006
Total Nonfarm	1,896,400	1,877,500	1,930,400	1,880,070	18,900	15,700
Total Private	1,676,200	1,671,100	1,710,900	1,659,000	5,100	17,200
Goods Producing	230,500	231,500	23,830	234,100	-1,000	-3,600
Construction, Natural Resources, Mining	76,800	77,500	82,700	77,100	-700	-300
Specialty trade contractors	48,300	48,800	52,400	49,200	-500	-900
Building equipment contractors	24,600	24,700	25,800	24,700	-100	-100
Manufacturing	153,700	154,000	155,600	157,000	-300	-3,300
Durable Goods	80,400	80,500	80,300	80,800	-100	-400
Transportation equipment mfg.	14,600	14,800	14,600	15,100	-200	-500
Non Durable Goods	73,300	73,500	75,300	76,200	-200	-2,900
Chemical mfg.	27,900	27,800	28,000	28,100	100	-200
Pharmaceutical and medicine mfg.	17,500	17,400	17,600	17,600	100	-100
SERVICE-PROVIDING	1,665,900	1,656,000	1,692,100	1,646,600	9,900	19,300
PRIVATE SERVICE-PROVIDING	1,445,700	1,439,600	1,472,600	1,424,900	6,100	20,800
Trade, Transportation, and Utilities	341,400	346,200	358,400	337,000	-4,800	4,400
Wholesale trade	85,000	85,300	86,600	83,400	-300	1,600
Retail trade	196,700	201,200	210,000	193,900	-4,500	2,800
Building material and supplies dealers	11,100	11,200	11,500	11,200	-100	-100
Food and beverage stores	45,100	45,900	46,100	44,400	-800	700
Health and personal care stores	17,400	17,600	17,700	17,000	-200	400
Clothing and clothing accessories stores	21,800	23,200	25,900	22,000	-1,400	-200
Clothing stores	16,300	17,400	19,700	16,500	-1,100	-200
General merchandise stores	27,200	28,600	31,800	26,100	-1,400	1,100
Department stores	21,000	22,200	24,600	20,200	-1,200	800
Transportation, Warehousing and Utilities	59,700	59,700	61,800	59,700	0	0
Transportation and Warehousing	55,900	55,800	57,800	55,300	100	600
Trucking, couriers & messengers & warehousing	28,100	28,200	29,900	27,700	-100	400
Information	40,000	40,100	40,900	41,100	-100	-1,100
Telecommunications	13,100	13,000	13,100	13,000	100	100
Financial Activities	145,600	145,900	146,600	145,500	-300	100
Finance and Insurance	116,800	116,900	117,400	117,200	-100	-400
Credit intermediation and related activities	38,800	38,700	38,900	39,500	100	-700
Depository credit intermediation	24,700	24,700	24,700	24,500	0	200
Insurance carriers and related activities	48,300	48,500	48,700	49,000	-200	-700
Insurance carriers	3,000	3,200	3,300	3,300	-200	-300
Real estate and rental and leasing	28,800	29,000	29,200	28,300	-200	500
Professional and Business Services	287,700	286,600	293,500	281,400	1,100	6,300
Professional and technical services	154,200	153,800	155,300	151,200	400	3,000
Legal	27,600	27,600	27,900	27,500	0	100
Architectural and engineering services	19,800	19,700	20,000	19,100	100	700
Computer system design & related services	27,100	27,000	27,200	26,500	100	600
Scientific research & enterprises	21,600	21,600	21,700	21,000	0	600
Management of companies & enterprise	30,700	30,800	31,100	30,200	-100	500
Administrative and waste services	102,800	102,000	107,100	100,000	800	2,800
Administrative & support services	97,400	96,600	101,700	94,600	800	2,800
Employment services	30,200	30,000	32,000	27,900	200	2,300

TABLE A-3

PA-NJ_MD Metropolitan Statistical Area
 (Bucks, Chester, Delaware, Montgomery, and Philadelphia – PA counties)
 continued

Educational and Health Services	406,300	395,000	401,300	396,900	11,300	9,400
Educational services	116,800	104,800	110,800	113,200	12,000	3,600
Colleges and universities	79,800	68,200	73,600	74,600	11,600	5,200
Health care and social assistance	289,500	290,200	290,500	283,700	-700	5,800
Ambulatory health care services	86,200	86,400	86,700	84,800	-200	1,400
Offices of physicians	32,300	32,200	32,300	31,900	100	400
Medical & diagnostic laboratories	6,300	6,300	6,300	6,200	0	100
Hospitals	97,700	97,800	97,600	94,500	-100	3,200
General medical & surgical hospitals	81,100	81,100	81,100	79,600	0	1,500
Nursing & residential care facilities	62,300	62,700	62,800	61,400	-400	900
Residential mental health facilities	16,800	16,800	16,800	16,500	0	300
Social assistance	43,300	43,300	43,400	43,000	0	300
Leisure and Hospitality	141,200	142,200	147,400	138,900	-1,000	2,300
Accommodation and food service	118,300	118,500	121,900	115,800	-200	2,500
Food services and drinking places	104,300	104,500	107,400	102,300	-200	2,000
Full-service restaurants	48,700	48,600	50,000	49,400	100	-700
Limited-service eating places	35,200	35,400	36,300	33,900	-200	1,300
Other Services	83,500	83,600	84,500	84,100	-100	-600
Government	220,200	216,400	219,500	221,700	3,800	-1,500
Federal Government	42,300	41,800	41,700	44,200	500	-1,900
State Government	23,200	23,000	23,200	23,200	200	0
Local Government	154,700	151,600	154,600	154,300	3,100	400
Local government educational services	89,200	86,400	89,400	89,700	2,800	-500
Other Local Government	65,500	65,200	65,200	64,600	300	900
Data benchmarked to March 2006						
Data changes of 100 may be due to rounding						

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

The largest employers located within the School District include:

<u>Name</u>	<u>Product or Service</u>	<u>Employment</u>
Chester County	County Government	2,589
Chester County Hospital	Health Care Services	2,074
QVC Publishing, Inc.	Div. QVC Network	2,048
West Chester University	Education	1,591
QVC Network, Inc.	Home Shopping Network	1,443
West Chester Area School District	Education	1,431
People 2.0, Inc.	Staffing Agencies	1,319
Therakos	Health Care Products	1,285
United Parcel Service, Inc.	Delivery Services	1,232
Synthes Spine Co. LP	Medical Technologies	1,231

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	Compound Average Annual % Rate
<i>Chester County</i>							
Civilian Labor Force (000)	246.5	248.1	251.4	254.0	259.5	257.2	0.85%
Employment (000)	236.5	238.0	242.2	244.9	250.5	249.2	1.05%
Unemployment (000)	10.0	10.1	9.2	9.1	9.0	8	-4.36%
Unemployment Rate	4.0	4.1	3.7	3.7	3.5	3.1	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,218.0	6,169.0	6,229.0	6,279.0	6,306.0	6,235.0	0.05%
Employment (000)	5,869.0	5,818.0	5,890.0	5,966.0	6,010.0	5,948	0.27%
Unemployment (000)	349.0	351.0	339.0	313.0	296.0	287	-3.84%
Unemployment Rate	5.6	5.7	5.4	5.0	4.7	4.6	

*Residence Data.

⁽¹⁾As of February 2007.

*Data may not add to totals due to rounding.

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

Income

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

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

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

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

Source: 1990 and 2000 Census: Pennsylvania.

Commercial Activity

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

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

Table A-6 shows retail sales for the 2001-2005 period for the County and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

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

Source: Sales and Marketing Management Magazine

Financial Institutions

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

Housing

Housing construction has progressed in an orderly fashion during the past decade as former agricultural land has been developed in accordance with strict zoning guidelines. The School District contains some of the finest single-family residential housing in the Delaware Valley area. Most new home construction taking place in the School District is in the \$350,000 to \$400,000 range. The average selling price of all housing within the School District during 2000 was \$234,000, as compared with Chester County as a whole of \$224,900, according to the Chester County Planning Commission.

Educational Institutions

West Chester University and Cheyney University are located within the School District. Both universities are run by the Commonwealth of Pennsylvania. West Chester University, which is located in the Borough and West Goshen Township, is a multi-purpose university. Cheyney University is located in Thornbury Township, Delaware and Chester Counties. Both universities provide a liberal arts education.

Medical Facilities

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

Transportation

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

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

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

Recreation

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

Utilities

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

Water: Aqua Pennsylvania, Inc. and other private water companies supply water service to the Borough and developed portions of the various Townships. Other residents of the Townships are served by on-site wells.

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

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

Municipal Services

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

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APPENDIX B
Specimen of “Municipal Bond Insurance Policy”



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)