

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

The Bonds are "qualified tax-exempt obligations", for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$9,930,000

AVON GROVE SCHOOL DISTRICT

Chester County, Pennsylvania

General Obligation Bonds, Series A of 2007

Dated: December 1, 2007

Principal Due: November 15, as shown
on inside cover

Interest Due: May 15 and November 15

First Interest Payment: May 15, 2008

The Bonds described herein are in the aggregate principal amount of \$9,930,000 General Obligation Bonds, Series A of 2007 (the "Bonds"). 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 of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Avon Grove School District, Chester County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District (But see "Security" and "The Taxpayer Relief Act" herein).

Interest on each of the Bonds is payable initially on May 15, 2008, and thereafter semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed U.S. Bank National Association (the "Paying Agent"), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its principal corporate trust office presently located in Philadelphia, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

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

Proceeds of the Bonds will be applied towards: (1) payment of the costs of the acquisition of land, (2) the costs of the acquisition, design, construction, furnishing and equipping of additions, alterations and renovations and other improvements to the School District's other facilities; and (3) payment of the costs of issuing and insuring the Bonds.

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

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 YIELDS

As Shown on Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Kegel Kelin Almy & Grimm LLP, Lancaster, Pennsylvania, 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., Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about December 4, 2007.



\$9,930,000
AVON GROVE SCHOOL DISTRICT
 Chester County, Pennsylvania
 General Obligation Bonds, Series A of 2007

Dated: December 1, 2007
Interest Due: May 15 and November 15

Principal Due: November 15, as shown below
First Interest Payment: May 15, 2008

<u>Nov. 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yields</u>
2008	\$ 340,000	4.000%	3.350%
2009	350,000	4.000	3.375
2010	365,000	4.000	3.400
2011	380,000	4.000	3.430
2012	395,000	4.000	3.450
2013	410,000	3.500	3.500
2014	425,000	3.500	3.520
2015	440,000	3.550	3.550
2016	460,000	3.600	3.600
2017	475,000	3.625	3.625
2018	490,000	3.650	3.680
2019	510,000	3.700	3.730
2020	530,000	3.700	3.750
2021	550,000	4.000	4.030
2023*	1,170,000	4.050	4.070
2025*	1,265,000	4.050	4.100
2027*	1,375,000	4.050	4.100

*Term Bonds.

AVON GROVE SCHOOL DISTRICT
Chester County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

William Pew	President
Lynn Klingensmith	Vice President
James A. Ascitutto	Treasurer *
Wendi Lee Foltz	Secretary *
Daniel Black	Member
Dennis Gerber	Member
Debra L'Heureux	Member
Pattie Lyons	Member
Gary Moore	Member
Robert Weidenmuller	Member
Bonnie Wolff	Member

*Non-voting members

SUPERINTENDENT
AUGUSTUS J. MASSARO, Ed.D.

BUSINESS MANAGER
JAMES A. ASCIUTTO

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

BOND COUNSEL
KEGEL KELIN ALMY & GRIMM LLP
Lancaster, Pennsylvania

FINANCIAL ADVISOR
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

PAYING AGENT
U.S. BANK NATIONAL ASSOCIATION
Philadelphia, Pennsylvania

UNDERWRITER
PNC CAPITAL MARKETS LLC
Philadelphia, Pennsylvania

SCHOOL DISTRICT ADDRESS
375 South Jennersville Road
West Grove, Pennsylvania 19390

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

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OFFICIAL STATEMENT

\$9,930,000
AVON GROVE SCHOOL DISTRICT
Chester County, Pennsylvania
General Obligation Bonds, Series A of 2007

INTRODUCTION

This Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by Avon Grove School District, Chester County, Pennsylvania (the "School District"), in connection with the offering of its Bonds consisting of the \$9,930,000 General Obligation Bonds, Series A of 2007 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October 25, 2007 (the "Resolution"), and pursuant to the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Act") of the Commonwealth of Pennsylvania (the "Commonwealth").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be applied towards: (1) payment of the costs of the acquisition of land, (2) the costs of the acquisition, design, construction, furnishing and equipping of additions, alterations and renovations and other improvements to the School District's other facilities; and (3) payment of the costs of issuing and insuring the Bonds.

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

<u>Sources of Funds</u>	<u>Total</u>
Bond Proceeds	\$9,930,000.00
Accrued Interest	3,204.11
Total Sources of Funds	<u>\$9,933,204.11</u>
<u>Uses of Funds</u>	
Project Fund Deposit	\$9,827,653.36
Issuance Costs ⁽¹⁾	105,550.75
Total Uses of Funds	<u><u>\$9,933,204.11</u></u>

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

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$9,930,000, will be dated as of December 1, 2007 and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable initially on May 15, 2008, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to U. S. Bank National Association (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository for the Bonds, at its specified corporate trust office in Philadelphia, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and 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 registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding May 15, 2008 in which event such Bond shall bear interest from December 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 each Bond will be 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 fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such 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 for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit 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, or sinking fund deposit due 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. These 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 this withholding provision 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, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power. (See "**The Taxpayer Relief Act**" herein). 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).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund - General Obligation Bonds, Series A of 2007" (the "Sinking Fund"), created under the Resolution shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

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

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

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the laws of the State of New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. So long as the Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Bonds.

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

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

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

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

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

THE SCHOOL DISTRICT AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

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

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on November 15, 2023, November 15, 2025 and November 15, 2027 (the "Term Bonds") are subject to mandatory redemption prior to maturity, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date, on November 15 of the following years in the following aggregate principal amounts:

<u>Bonds due November 15, 2023</u>		<u>Bonds due November 15, 2025</u>	
2022\$575,000		2024	\$620,000
2023*	\$595,000	2025*	\$645,000
<u>Bonds due November 15, 2029</u>			
2026	\$675,000		
2027*	\$700,000		

*Principal Maturity

Such mandatory redemption shall be made by application of money in the Mandatory Sinking Fund established under the Resolution upon payment of the redeemed principal, plus accrued interest to the date fixed for redemption.

Optional Redemption

The Bonds maturing on or after November 15, 2013, are subject to redemption prior to maturity, at the option of the School District, as a whole on November 15, 2012 or on any date thereafter, or from time to time, in part, by lot, in any order of maturity, on November 15, 2012 or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount plus accrued interest to the redemption date.

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 are authorized or required 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 or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and 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.

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 June 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,642,612,000 and its total net unearned premium reserve was approximately \$2,116,401,000 in accordance with statutory accounting principles. At June 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$3,072,828,000 and its total net unearned premium reserve was approximately \$1,660,356,000 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 is a School District of the third class organized under State law and located in Chester County in the southeast corner of Pennsylvania. It covers approximately 67.2 square miles with New Garden Township to the east, West Marlborough and Londonderry Townships to the north, Big Elk Creek to the west, and the Maryland and Delaware state lines to the south.

The School District is comprised of the boroughs of Avondale and West Grove and the townships of Franklin, London Britain, London Grove, New London and Penn. 2000 Census indicates that the population served by the School District was 23,067.

Administration

The School District is governed by a nine-member Board of School Directors (the "School Board"), 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 and finance. The Business Manager is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

School Facilities

The School District presently operates two elementary schools, one middle school and one senior high school, all as described in the following table. Students in grade 10-12 also attend the Center for Arts and Technology Brandywine Campus in Coatesville, Pennsylvania.

TABLE 1
AVON GROVE SCHOOL DISTRICT FACILITIES

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date(s)</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2007-08 Enrollment</u>
Penn London.....	1991	2002	K-2	900	1,068
Avon Grove Intermediate School.....	2002	-	3-6	1,650	1,676
Fred S. Engle Middle.....	1970	-	7-8	978	872
Avon Grove High.....	1957	1995, 1997	9-12	1,500	1,826
Avon Grove Admin. Bldg.....	1991	-	-	-	-

Source: School District officials.

Enrollment Trends

Table 2 presents recent trends in school enrollment and projections of enrollment for the next three years, as prepared by the School District's administrative officials.

TABLE 2
AVON GROVE SCHOOL DISTRICT ENROLLMENT TRENDS

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>School</u> <u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School</u> <u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2003-04	2,496	2,350	4,846	2008-09	2,948	2,787	5,735
2004-05	2,563	2,442	5,005	2009-10	3,057	2,885	5,942
2005-06	2,626	2,580	5,206	2010-11	3,113	3,029	6,142
2006-07	2,754	2,633	5,387				
2007-08	2,744	2,698	5,442				

Source: School District officials and Pennsylvania Department of Education estimates.

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 Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). The School District financial statements are audited by an independent certified public account, as required by State law. The firm of Barbacane, Thornton & Company of Wilmington, Delaware serves as the School District's Auditor.

Changes to the Budgeting Process of Pennsylvania School Districts Mandated by the 2006 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, 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 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 such 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 (for a description of the Index, see "**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 or more 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 "**The Taxpayer Relief Act**" herein), the 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, the 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 or more 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.

Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past five years, and the 2007-08 budget. The School District adopted a balanced budget of \$66,114,119 in revenue and expenditures, which includes a budgetary reserve of \$807,956.

TABLE 3

AVON GROVE SCHOOL DISTRICT SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET

ASSETS	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Cash and Cash Equivalents.....	\$1,561,916	\$900,723	\$2,270,212	\$717,758	\$973,378
Investments.....	5,946,769	6,795,604	9,700,625	15,094,156	17,718,083
Taxes Receivable.....	1,587,569	1,482,762	1,887,494	1,660,476	1,611,127
Intergovernmental Receivables.....	674,454	613,205	611,453	1,297,922	706,940
Interfund Receivables.....	1,325,199	1,677,569	0	54,233	22,958
Other Receivables.....	12,980	6,310	16,723	13,651	8,228
Other.....	0	0	0	0	0
TOTAL ASSETS	<u>\$11,108,887</u>	<u>\$11,476,173</u>	<u>\$14,486,507</u>	<u>\$18,838,196</u>	<u>\$21,040,714</u>
LIABILITIES					
Accounts Payable.....	\$424,764	\$633,786	\$1,097,289	\$1,074,688	\$1,140,198
Accrued Payroll/Salaries and Benefits.....	2,590,543	2,437,730	3,443,567	3,828,678	4,355,530
Interfund Payables.....	0	0	67,242	0	0
Contracts Payable.....	0	0	0	0	0
Payroll Deducts & Withholding.....	9,145	45,730	48,097	76,738	0
Deferred Revenues.....	1,327,259	1,193,266	1,402,968	1,413,597	1,187,995
Other.....	7	0	0	132,855	17,085
TOTAL LIABILITIES	<u>\$4,351,718</u>	<u>\$4,310,512</u>	<u>\$6,059,163</u>	<u>\$6,526,556</u>	<u>\$6,700,808</u>
FUND EQUITIES					
TOTAL FUND EQUITIES	<u>\$6,757,169</u>	<u>\$7,165,661</u>	<u>\$8,427,344</u>	<u>\$12,311,640</u>	<u>\$14,339,906</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$11,108,887</u>	<u>\$11,476,173</u>	<u>\$14,486,507</u>	<u>\$18,838,196</u>	<u>\$21,040,714</u>

Source: School District Annual Financial Reports.

TABLE 4
AVON GROVE SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>Actual</u>				<u>Unaudited</u>	<u>Budget</u>
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007⁽¹⁾</u>	<u>2008⁽²⁾</u>
Beginning Fund Balance	\$6,757,169	\$7,165,660	\$8,427,344	\$12,311,640	\$14,339,906	\$19,904,247
Surplus (Deficit) of Revenue over Expenditures	408,491	1,261,684	3,884,296	2,028,266	5,564,341	0
Other	0	0	0	0	0	0
Ending Fund Balance	<u>\$7,165,660</u>	<u>\$8,427,344</u>	<u>\$12,311,640</u>	<u>\$14,339,906</u>	<u>\$19,904,247</u>	<u>\$19,904,247</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted February 8, 2007.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$65,667,716 in General Fund revenue in 2005-06 and budgeted revenue of \$66,114,119 for 2007-08. Local sources decreased as a share of total revenue in the past five years, from 70.3 percent in 2001-02 to an unaudited 69.5 percent in 2006-07. Revenue from State sources increased as a share of the total revenue from 28.9 percent to an unaudited 29.9 percent over this period. Federal revenue and other sources remained constant at .7 percent during this period.

Pennsylvania Public School Code

See “The Taxpayer Relief Act” herein for a discussion of recent limitations placed on the School District taxing powers.

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, to provide funds for:
 - a) minimum salaries and increments for the teaching and supervisory staff;
 - b) rentals due any municipal 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.

But see “The Taxpayer Relief Act” below.

3. An annual per capita tax on each resident over eighteen years old of not more than \$5.00.
4. Additional taxes levied under the Local Tax Enabling Act (Act 511 of 1965), including per capita, earned income and net profits, 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).
5. The Local Tax Enabling Act was amended in 2004 and 2007 to authorize 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 and other changes.

The Taxpayer Relief Act (Act 1 of 2006)

Pennsylvania Act No. 1 of 2006 (“The Taxpayer Relief Act” or “Act 1”), became effective on June 27, 2006. Under the provisions of Act 1, 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 the Pennsylvania Department of Education (PDE) (in the case of all other exceptions below):

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.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 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.

In accordance with the Taxpayer Relief Act, the Board of School Directors of the School District placed a referendum on the ballot for the May 15, 2007 primary election seeking voter approval to levy (or increase the rate of) an earned income tax or personal income tax and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by a majority of the voters at the primary election.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any odd year thereafter seeking approval to levy or increase the rate of an earned income tax (EIT) or a personal income tax (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, is required to provide the maximum homestead and farmstead exclusions allowable under law.

There can be no assurance; however, that approval will be given by the board of school directors to utilize a further referendum question to the voters in any future fiscal year or years.

The Bonds are not “Grandfathered” under the Taxpayer Relief Act

The Bonds were not authorized before effective date of Act 1, therefore, the Bonds are not “Grandfathered” and the School District cannot be granted an exception to the Act 1 referendum requirement on the basis of the debt service due and payable on the Bonds if a tax increase greater than the Index is needed. The School District has included sufficient new tax millage in its 2007/08 budget to cover the full amount of the debt service on the Bonds without exceeding the 2007/08 Index (although the actual tax increase may exceed the 2007/08 Index as a result of the other available and approved exceptions to the Index).

State Law Authorizing Replacement of the School District’s Occupation Tax With an Increase in the Local Earned Income Tax

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

The School District presently does not levy an occupation tax.

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 \$19,000,000 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%

*The School District is not currently subject to this limitation as there was no tax increase in the 2006-07 school year.

“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
AVON GROVE SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

REVENUE:	Actual					Unaudited	Budget
	2002	2003	2004	2005	2006	2007⁽¹⁾	2008⁽²⁾
Local Sources:							
Real Estate Taxes	\$24,844,027	\$28,681,589	\$31,960,740	\$34,551,907	\$36,355,570	\$38,995,485	\$40,582,392
Interim Real Estate	1,983,114	1,385,958	2,538,733	1,559,516	2,328,707	1,044,274	1,400,000
Total Act 511 Taxes	853,604	974,810	1,485,352	1,564,441	1,543,010	1,237,191	1,100,000
Public Utility Tax	47,136	42,859	52,735	43,392	62,849	63,902	39,000
Delinquent Taxes	1,320,528	1,500,357	1,828,650	1,420,120	1,749,812	1,821,018	1,680,000
Earnings – Temporary							
Deposits & Investments	339,229	178,013	146,482	501,191	1,211,068	1,644,789	900,000
State Revenue Rec'd from							
Other Intern. Sources	0	463,154	9,858	556,542	571,221	635,478	554,000
Rentals	0	123,517	48,335	23,803	22,158	19,476	2,000
Tuition from Patrons	20,162	38,962	5,695	39,295	28,743	15,852	10,000
Refund of Prior							
Years' Expenditures	24,924	44,192	8,879	166,486	2,376	0	0
Other Sources	14,654	25,910	410,411	159,030	93,788	161,445	0
Total Local Sources	\$29,447,378	\$33,459,321	\$38,495,870	\$40,585,722	\$43,969,300	\$45,638,910	\$46,267,392
State Sources:							
Instructional Subsidy	\$6,667,833	\$6,884,680	\$7,358,025	\$7,856,007	\$8,556,379	\$10,391,775	\$10,391,859
Charter School Reimbursement	1,794	13,328	13,328	657,406	934,086	1,159,886	1,098,832
Safe Schools	19,730	11,471	5,360	24,827	27,495	0	0
Tuition for Orphans &							
Children in Pvt. Homes	31,939	39,586	26,177	16,212	87,582	125,981	16,000
Special Education	2,048,675	1,978,010	2,074,962	2,088,184	2,146,891	2,240,157	2,138,124
Transportation	1,301,600	1,556,736	1,670,407	2,047,243	1,921,461	1,903,395	1,921,000
Rentals and Sinking Fund							
Reimbursements	811,116	875,706	818,221	1,019,678	895,120	919,979	968,724
Health Services	95,811	97,826	96,116	100,932	101,501	104,755	101,000
Technology Grant	200,916	1,467	0	0	0	0	0
Extra Grants	0	3,825	28,870	0	4,358	0	0
PA Accountability Grant	0	0	0	548,974	548,974	683,639	684,000
Revenue for Social Security	821,248	886,385	994,202	954,573	990,507	1,003,785	1,073,000
Revenue for Retirement	112,302	123,318	483,858	525,828	632,225	872,735	1,061,000
Other	5,503	0	16,922	15,368	14,955	218,389	0
Total State Sources	\$12,118,467	\$12,472,337	\$13,586,448	\$15,855,232	\$16,861,533	\$19,624,476	\$19,453,539
Federal Sources:							
Total Federal Sources	\$298,449	\$205,367	\$455,732	\$399,300	\$405,894	\$395,830	\$393,188
Other Sources:							
Total Other Sources	\$1,497	\$0	\$1,225,694	\$0	\$663	\$8,500	\$0
TOTAL REVENUE	\$41,865,791	\$46,137,025	\$53,763,744	\$56,840,254	\$61,237,390	\$65,667,716	\$66,114,119
EXPENDITURES:							
Instruction	\$20,387,882	\$23,293,632	\$26,184,417	\$29,823,319	\$31,338,703	\$32,902,320	\$38,334,963
Pupil Personnel	1,580,732	1,981,418	2,056,240	2,255,654	2,169,428	2,248,427	2,577,890
Instructional Staff	1,151,390	1,272,297	1,499,064	1,581,262	1,300,666	1,434,827	1,475,863
Administration	2,491,533	2,887,552	2,753,358	2,767,026	2,724,223	2,863,521	3,263,711
Pupil Health	607,413	660,270	924,697	505,771	536,706	575,448	716,471
Business	785,190	851,499	919,665	509,610	536,020	547,627	555,510
Operation and Maintenance	2,973,390	3,382,179	4,167,570	4,068,482	4,048,119	4,685,024	5,124,057
Student Transportation	3,350,115	3,728,856	4,128,046	4,235,057	4,541,866	4,957,007	5,053,954
Central	849,545	1,461,118	680,698	1,155,567	1,260,102	992,369	1,099,996
Other Support Services	28,432	28,539	29,391	30,912	34,891	31,516	32,000
Operation of Non-instructional							
Services	111,775	153,645	255,134	1,246,096	1,226,687	1,223,060	1,254,757
Debt Service	4,685,142	4,810,886	4,496,513	4,581,946	5,438,733	5,742,229	5,816,991
Facilities, Acquisition & Construction	0	7,306	4,684	0	0	0	0
Fund Transfers	1,709,850	1,209,337	4,402,583	195,256	4,052,979	1,900,000	0
Budgetary Reserve	n/a	n/a	n/a	n/a	n/a	n/a	807,956
TOTAL EXPENDITURES	\$40,712,389	\$45,728,534	\$52,502,060	\$52,955,958	\$59,209,124	\$60,103,375	\$66,114,119
SURPLUS (DEFICIT) OF							
REVENUES OVER							
EXPENDITURES	\$1,153,402	\$408,491	\$1,261,684	\$3,884,296	\$2,028,266	\$5,564,341	\$0

*Totals may not add due to rounding.

⁽¹⁾Budgeted, as adopted February 8, 2007.

Source: School District Annual Financial Reports and Budget.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the two boroughs and five townships comprising the School District, and Chester County.

**TABLE 6
AVON GROVE SCHOOL DISTRICT TAX RATES**

	<u>Real Estate (mills)</u>	<u>Real Estate Transfer (%)</u>
2003-04.....	23.82	0.5
2004-05.....	23.82	0.5
2005-06.....	23.82	0.5
2006-07.....	23.82	0.5
2007-08.....	23.82	0.5

Source: School District Officials.

**TABLE 7
AVON GROVE 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>
<i>School District</i>	23.820	23.820	23.820	23.820	23.820
Avondale Borough.....	1.545	2.250	2.250	4.000	4.000
Franklin Township.....	1.495	1.495	3.2450	3.245	3.245
London Britain Township.....	1.940	2.400	2.450	2.451	2.661
London Grove Township.....	1.350	1.350	1.350	1.250	1.250
New London Township.....	0.300	1.000	1.000	1.000	1.000
Penn Township.....	0.530	0.530	0.530	0.530	0.530
West Grove Borough.....	2.000	2.000	2.000	2.000	3.000
Chester County.....	3.178	3.414	3.558	3.699	3.804

Source: Local Government website.

Real Property Tax

The real property tax (excluding delinquent collections) produced an unaudited \$38,995,485 in 2006-07, or approximately 59.4 percent of total revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment was in 1998.

TABLE 8
AVON GROVE SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Common Level Ratio
2001-02*	\$1,490,873,478	\$1,200,153,150	80.50%
2002-03*	1,764,349,673	1,305,618,758	74.00%
2003-04*	2,034,338,838	1,383,350,410	68.00%
2004-05	1,541,521,900	1,466,262,848	95.12%
2005-06	1,643,256,900	1,552,955,618	94.50%
2006-07	1,920,917,900	1,661,586,498	86.50%
Compound Average Annual Percentage Change	5.20%	6.72%	

*Market values based on Common Level Ratio as reported by the Pennsylvania State Tax Equalization Board.
Source: Pennsylvania State Tax Equalization Board.

TABLE 9
AVON GROVE SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2005 Market Value	2005 Assessed Value	2006 Market Value	2006 Assessed Value
<i>Avon Grove School District</i>	\$ 1,541,521,900	\$ 1,466,262,848	\$ 1,643,256,900	\$ 1,552,955,618
Avondale Borough.....	4,494,800	37,656,370	44,856,200	37,571,280
Franklin Township.....	264,117,300	259,945,458	273,741,200	267,747,648
London Britain Township.....	242,256,800	222,591,875	253,615,600	231,950,705
London Grove Township.....	347,527,800	332,627,270	378,221,200	358,834,420
New London Township	286,311,000	279,710,495	307,400,100	298,267,605
Penn Township	271,718,200	24,668,740	300,450,100	271,317,810
West Grove Borough.....	84,642,800	87,041,640	84,972,500	87,266,150
Chester County	34,870,200,200	33,138,284,122	36,164,705,600	34,199,284,554

Source: Pennsylvania State Tax Equalization Board.

TABLE 10
AVON GROVE SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2002	2003	2004	2005	2006
Residential	\$979,910,060	\$1,063,773,438	\$1,125,930,898	\$1,209,262,763	\$1,301,178,843
Lots.....	54,749,870	44,820,050	51,164,415	47,369,525	49,063,155
Industrial.....	10,238,070	10,329,920	11,330,290	10,834,560	10,834,560
Commercial	105,697,960	137,220,140	145,903,187	148,912,020	141,307,610
Agriculture.....	49,557,190	49,475,210	49,021,620	49,883,980	50,571,450
Total	<u>\$1,200,153,150</u>	<u>\$1,305,618,758</u>	<u>\$1,383,350,410</u>	<u>\$1,466,262,848</u>	<u>\$1,552,955,618</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

**AVON GROVE SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Total Flat Billing</u>	<u>Current Year Collections (July-June)⁽¹⁾</u>	<u>Current Collections as Percent of Total Flat Billing</u>	<u>Total Current Plus Delinquent Collections⁽²⁾</u>	<u>Total Collections as Percent of Total Flat Billing</u>
2002-03.....	\$29,535,070	\$28,681,591	97.11%	\$30,510,241	103.30%
2003-04.....	33,421,591	31,960,740	95.63%	33,380,086	99.88%
2004-05.....	36,212,217	34,551,907	95.42%	36,301,719	100.25%
2005-06.....	38,332,913	36,355,570	94.84%	38,036,908	99.23%
2006-07.....	40,883,919	38,995,485	95.38%	40,675,485	99.49%

⁽¹⁾Flat billing plus penalties, less discounts and exonerations.

⁽²⁾Includes delinquent realty taxes collected only.

Source: School District Officials.

The ten largest real property taxpayers, together with 2007 assessed values are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 5.23 percent of total assessed value.

TABLE 12

**AVON GROVE SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2007-08**

<u>Owner</u>	<u>Property</u>	<u>2007 Assessed Value</u>
Jenners Pond	Commercial	\$36,435,390
West Grove Hospital	Health Services	15,832,430
Penn Devco	Commercial/Developer	9,121,160
Inniscrone Golf Club	Commercial	4,642,570
Vincent J. Santucci	Commercial/Residential	3,519,690
Cabot Realty Trust	Commercial Property	2,351,840
Individual	Residential	2,260,460
Chatham Acres Realty Corp.	Commercial	1,977,430
Gourmets Delight	Commercial	1,789,120
Eckman Ltd.	Commercial	1,785,300
Chester County Industrial Development ⁽¹⁾	Commercial	1,496,230
Total		\$81,211,620

⁽¹⁾Chester County Industrial Development Authority holds legal title to a number of parcels of real estate on behalf of other beneficial owners for whom it may have provided financing and has no direct responsibility for the payment of taxes.

Source: School District officials.

Other Taxes

Under Act 511, the School District collected an unaudited \$1,237,191 in other taxes in 2006-07. Among the taxes authorized by Act 511, the Real Estate Transfer Tax is the only tax levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property was \$23,051,015.

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.

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

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 shows the debt of the School District as of October 25, 2007, including the issuance of the Bonds.

TABLE 13

AVON GROVE SCHOOL DISTRICT DEBT STATEMENT* (As of October 25, 2007)

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series A of 2007 (last maturity 2027)	\$ 9,930,000
General Obligation Bonds, Series of 2007 (last maturity 2022)	2,645,000
General Obligation Bonds, Series of 2006 (last maturity 2028) ⁽¹⁾	60,000,000
General Obligation Bonds, Series A of 2005 (last maturity 2014)	9,620,000
General Obligation Bonds, Series of 2005 (last maturity 2021)	8,760,000
General Obligation Bonds, Series C of 2004 (last maturity 2012)	2,325,000
General Obligation Bonds, Series B of 2004 (last maturity 2014)	2,455,000
General Obligation Bonds, Series A of 2004 (last maturity 2021)	6,915,000
General Obligation Bonds, Series of 2003 (last maturity 2020)	8,925,000
General Obligation Bonds, Series AAA of 2002 (last maturity 2009)	1,720,000
General Obligation Bonds, Series AA of 2002 (last maturity 2015)	9,480,000
TOTAL NONELECTORAL DEBT	<u>\$122,775,000</u>
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	<u>\$ 0</u>
TOTAL PRINCIPAL OF DIRECT DEBT	<u>\$122,775,000</u>

⁽¹⁾Incurred debt, but not yet issued.

*Includes the Bonds offered through this Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$122,775,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$109,103,669.

TABLE 14
AVON GROVE SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of October 25, 2007)*

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$122,775,000	\$109,103,669
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$122,775,000	\$109,103,669
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$17,126,407	\$17,126,407
Municipal Debt.....	12,203,360	12,203,360
TOTAL OVERLAPPING DEBT	\$29,329,766	\$29,329,766
TOTAL DIRECT AND OVERLAPPING DEBT	\$152,104,766	\$138,433,435
DEBT RATIOS		
Per Capita	\$6,594.04	\$6,001.36
Percent 2006-07 Assessed Value.....	9.15%	8.33%
Percent 2006-07 Market Value.....	7.92%	7.21%
Debt retired within 10 years (est.)		---

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Gives effect to current appropriations for payment of debt service, and expected future Commonwealth reimbursement of School District sinking fund payments based on current Aid Ratio. "See "State Aid to School Districts. The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by state sources.

⁽²⁾Pro rata 4.54% share of \$376,917,000 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2004-05.....	\$ 55,820,576
Total Revenues for 2005-06.....	60,337,249
Total Revenues for 2006-07(unaudited).....	<u>64,747,737</u>
 Total	 \$ <u>180,905,562</u>
Annual Arithmetic Average (Borrowing Base)	\$ 60,301,854

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 and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$135,679,171	\$ 122,775,000	\$ 12,889,171

*Includes the Bonds described herein.

Debt Service Requirements

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

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

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

TABLE 15

**AVON GROVE SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Other General Obligation Debt⁽¹⁾</u>	<u>Series A of 2007</u>			<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2007-08	\$ 5,734,349	\$ 0	\$ 175,158	\$ 175,158	\$ 5,909,507
2008-09	9,670,328	340,000	377,694	717,694	10,388,022
2009-10	10,746,171	350,000	363,894	713,894	11,460,064
2010-11	10,760,954	365,000	349,594	714,594	11,475,547
2011-12	10,762,515	380,000	334,694	714,694	11,477,209
2012-13	10,752,488	395,000	319,194	714,194	11,466,682
2013-14	10,760,702	410,000	304,119	714,119	11,474,821
2014-15	10,750,323	425,000	289,506	714,506	11,464,829
2015-16	8,865,733	440,000	274,259	714,259	9,579,992
2016-17	7,237,255	460,000	258,169	718,169	7,955,424
2017-18	7,243,605	475,000	241,279	716,279	7,959,885
2018-19	7,242,489	490,000	223,728	713,728	7,956,217
2019-20	7,238,371	510,000	205,350	715,350	7,953,721
2020-21	7,245,783	530,000	186,110	716,110	7,961,893
2021-22	6,450,223	550,000	165,305	715,305	7,165,528
2022-23	4,880,076	575,000	142,661	717,661	5,597,737
2023-24	4,646,203	595,000	118,969	713,969	5,360,172
2024-25	4,646,583	620,000	94,365	714,365	5,360,948
2025-26	4,645,860	645,000	68,749	713,749	5,359,609
2026-27	4,649,239	675,000	42,019	717,019	5,366,258
2027-28	4,646,063	700,000	14,175	714,175	5,360,238
2028-29	4,650,643	0	0	0	4,650,643
Total	<u>\$164,225,954</u>	<u>\$9,930,000</u>	<u>\$4,548,989</u>	<u>\$14,478,989</u>	<u>\$178,704,943</u>

⁽¹⁾Includes the debt service on the \$60 million, Series of 2006 which has been incurred, but has not yet been issued.

*Totals may not add due to rounding.

TABLE 16

**AVON GROVE SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID***

2006-07 Unaudited Commonwealth Aid Received	\$19,624,476
2006-07 Unaudited Debt Service Requirements	5,742,229
Maximum Future Debt Service Requirements after Issuance of Bonds	11,477,209
Coverage of 2006-07 Unaudited Debt Service Requirements	3.42 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	1.71 times

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

Future Financing

The School District plans to issue additional long-term debt within the next 2-3 years for capital projects in the amount of approximately \$60,000,000.

LABOR RELATIONS

School District Employees

There are presently 487 full-time employees of the School District, including 396 full-time teachers and administrators as well as 91 full-time support personnel, including secretaries, custodial, maintenance, cafeteria staff and teachers aides. In addition, the School District employs 165 part-time teachers and support personnel.

The School District's teachers are represented by the Avon Grove Education Association (the "Association") and the support staff is represented by the Avon Grove Educational Support Personnel Association, both are affiliates of the Pennsylvania State Education Association (PSEA). The teachers are under a contract which expires on June 30, 2012, which calls for an average 4.5% increase over the next four years. Support staff employees are under a contract which expires on June 30, 2009.

Pension Program

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

The PSERS Board of Trustees has set the fiscal year 2007-08 employer retirement contribution rate at 7.13 percent of payroll. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District pension contributions to PSERS have been as follows:

2002-03	.....	\$ 233,401
2003-04	.....	\$ 657,752
2004-05	.....	\$ 957,597
2005-06	.....	\$ 1,184,502
2006-07	.....	\$ 1,560,548

The School District is current in all payments.

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

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future eligible retired employees, and to provide retirement severance pay for existing eligible employees. The School District will become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2008.

LITIGATION

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds or the security therefor.

The School District might incur a loss with respect to certain investments. The School District currently has \$52,518,000 in invested funds. Of this amount, the School District invested \$2,970,000 through Bentley Financial Services, Inc. ("Bentley"), a certificate of deposit broker, to purchase \$100,000 or less federally insured certificates of deposit. As to these investments, the amount was scheduled to mature and be repaid to the School District in varying amounts over the period from December 14, 2001 to June 14, 2002. On October 23, 2001, the Securities and Exchange Commission filed a complaint in the Federal District Court for the Eastern District of Pennsylvania alleging that Bentley had engaged in a fraudulent scheme under which investors thought they were buying federally insured certificates of deposit but instead received only an obligation of Bentley or related affiliates. On October 24, 2001, the Court entered a restraining order freezing all assets held by Bentley and affiliates and appointing a receiver to take control of the assets and develop a plan for distribution to investors. In the Spring of 2003, the receiver released a plan for a partial distribution to investors. Consequently, the School District has received six distributions from the receiver totaling approximately 91.5% or \$2,718,938.80 of the funds it had invested with Bentley. There is no certainty as to if and when additional distributions will occur and as to the amount to be distributed. As to the School District's cash flow, the School District Business Manager projects that the School District has sufficient funds to meet all obligations through June 30, 2008, even without receiving any return of funds invested through Bentley. The budget previously adopted for the fiscal year ending June 30, 2008, projected an ending surplus of \$16,428,992.00. The School District Business Manager currently projects that, even without receiving any return of funds invested through Bentley, the School District will have a surplus on hand at June 30, 2008. For future fiscal years, the School District will fix its tax levy at whatever level is required to ensure payment of all School District obligations. The School District is taking every possible step to minimize any loss from investments made through Bentley.

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, as the same becomes due and payable, 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 an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides 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 herein before described.

TAX EXEMPTION

In the opinion of Kegel Kelin Almy & Grimm LLP, Lancaster, Pennsylvania, Bond Counsel, interest on the Bonds (a) is excludable from the gross income of the registered owners thereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining "adjusted current earnings" of corporations (as defined for federal income tax purposes) for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") and any regulations thereunder, now or hereafter enacted, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the registered owners thereof retroactive to the date of issuance of the Bonds. The issuer has covenanted to comply with all such requirements. Except for the discussion of original issue discount below, Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is of the opinion, based on existing law, that the original issue discount in the selling price of Bonds, if any, to the extent properly allocable to each holder of such Bonds, is excluded from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. Original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to holders of such Bonds who acquire the Bonds in this offering during any accrual period generally equals (i) the issue price of such Bonds plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bonds (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bonds during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's tax basis in such Bonds. Any gain realized by the holder from a sale, exchange, payment or redemption of a Bond would be treated as gain from the sale or exchange of such Bond.

Prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832 (b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) for taxable years beginning after December 31, 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

The Bonds are "qualified tax exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

In the opinion of Bond Counsel, under the existing statutes, regulations and decisions, the interest on the Bonds is exempt from taxation for state and local purposes within the Commonwealth of Pennsylvania. Such exemption, however, does not extend to profits, gains or income derived from the sale, exchange or other disposition of the Bonds, nor to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds. Under the laws of the Commonwealth profits, gains, or income derived from the sale, exchange, or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania. Pennsylvania Act 68 of 1993 enacted a statutory provision allowing taxation of such profits, gains or income; although the statute is unclear as to its applicability to obligations of political subdivisions, the Pennsylvania Department of Revenue interprets the statute as applicable to obligations of political subdivisions.

The issuer of the Bonds will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103 (b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended, or as contemplated by the United States Treasury regulations relating to "arbitrage bonds".

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the School District (being an "obligated person" with respect to \$10,000,000 or more of outstanding securities, including the Bonds, within the meaning of the Rule) will agree:

- (i) to file annually, with each nationally recognized municipal securities information repository ("NRMSIR") and with the state information depository, if any, for the Commonwealth of Pennsylvania ("SID") (there is no SID as of the date of this Official Statement), not later than 180 days following the end of each fiscal year of the School District, beginning with the fiscal year ending June 30, 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 current fiscal year
 - the assessed value and aggregate market value of all taxable real estate for the current fiscal year
 - the taxes and millage rates imposed for the current 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 current 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; and (11) rating changes.
- (iii) in a timely manner, to provide to each NRMSIR or the MSRB and to the SID, if any, notice of a failure to provide required annual financial information, on or before the date specified above.

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

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

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

RATING

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

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$9,901,749.25, equal to the par value of the Bonds less an underwriters’ discount of \$30,286.50 plus a net original issue premium of \$2,035.75, plus accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered with the approving legal opinion of Kegel Kelin Almy & Grimm LLP, Bond Counsel of Lancaster, Pennsylvania. 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 had 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.

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.

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

AVON GROVE SCHOOL DISTRICT
CHESTER COUNTY, PENNSYLVANIA

By: /s/ William Pew
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Avon Grove School District

Introduction

The School District is in West Grove, in southwestern Chester County. It is located in the southeast corner of Pennsylvania. The School District is approximately 15 miles northwest of Wilmington, Delaware, approximately 35 miles southwest of Philadelphia and approximately 30 miles southeast of Lancaster. It is a residential community with some agricultural activity. Chester County is in the Philadelphia, PA-NJ MSA (the "MSA"), a statistical area including Bucks, Chester, Delaware, Montgomery and Philadelphia Counties in Pennsylvania.

Population

Table A-1 which follows shows recent population trends for the School District, Chester County and the State of Pennsylvania. The School District's population increased by 5,640 between 1990 and 2000. Table A-2 shows 1990 age composition and average number of persons per household in Chester County and for the State. Average household size was slightly 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	17,427	23,067	2.84%
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	25.0%	64.1%	10.9%	2.73
Pennsylvania.....	23.5%	61.1%	15.4%	2.57

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

Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the MSA, which includes Chester County.

Table A-3 shows the distribution of employment for the MSA for December 2006.

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

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Dec. 2006	Nov. 2006	Oct. 2006	Dec. 2005	Nov. 2006	Dec. 2005
Total Non-farm	2,853,400	2,846,200	2,832,400	2,821,500	7,200	31,900
Total Private	2,493,200	2,485,500	2,474,000	2,460,300	7,700	32,900
Goods Producing	353,200	356,200	357,300	355,300	-3,000	-2,100
Construction, Natural Resources, Mining	128,200	130,700	131,700	126,600	-2,500	1,600
Manufacturing	225,000	225,500	225,600	228,700	-500	-3,700
Durable Goods	119,400	119,800	119,600	120,200	-400	-800
Non Durable Goods	105,600	105,700	106,000	108,500	-100	-2,900
SERVICE-PROVIDING	2,500,200	2,490,000	2,475,100	2,466,200	10,200	34,000
PRIVATE SERVICE-PROVIDING	2,140,000	2,129,300	2,116,700	2,105,000	10,700	35,000
Trade, Transportation, and Utilities	561,800	553,400	543,000	557,000	8,400	4,800
Wholesale trade	132,800	132,100	131,900	131,400	700	1,400
Retail trade.....	333,000	325,600	314,800	330,500	7,400	2,500
General merchandise stores	51,500	49,300	45,300	52,400	2,200	-900
Transportation, Warehousing and Utilities ...	96,000	95,700	96,300	95,100	300	900
Transportation and Warehousing	85,100	84,600	85,200	84,000	500	1,100
Information	56,400	56,200	55,500	55,600	200	800
Financial Activities	219,700	218,800	218,800	219,400	900	300
Finance and Insurance	178,400	177,900	177,900	178,100	500	300
Credit intermediation and related activities	81,700	81,000	81,300	81,800	700	-100
Depository credit intermediation	41,700	41,600	41,500	41,700	100	0
Real estate and rental and leasing	41,300	40,900	40,900	41,300	400	0
Professional and Business Services	424,300	424,300	423,900	416,200	0	8,100
Professional and technical services.....	211,500	210,100	209,400	206,500	1,400	5,000
Administrative and waste services.....	166,000	167,800	168,200	162,600	-1,800	3,400
Employment services.....	58,100	57,700	56,700	58,500	400	-400
Educational and Health Services	524,900	525,200	522,200	512,600	-300	12,300
Health care and social assistance	396,800	395,100	393,600	390,800	1,700	6,000
Ambulatory health care services	123,200	122,700	121,800	121,100	500	2,100
Hospitals	131,300	131,000	131,000	130,300	300	1,000
Leisure and Hospitality	222,500	221,500	223,800	216,200	1,000	6,300
Accommodation and food service	182,400	180,900	180,600	177,600	1,500	4,800
Full-service restaurants	63,400	63,300	63,000	64,100	100	-700
Limited-service eating places	51,500	51,000	50,800	49,100	500	2,400
Other Services	130,400	129,900	129,500	128,000	500	2,400
Government	360,200	360,700	358,400	361,200	-500	-1,000
Federal Government	58,400	58,200	58,100	60,000	200	-1,600
State Government	59,800	59,700	59,500	58,900	100	900
Local Government	242,000	242,800	240,800	242,300	-800	-300
Data benchmarked to March 2005						
Data changes of 100 may be due to rounding						

Source: Pennsylvania State Employment Service.

Major employers located within Chester County include:

Name	Product or Service	Approximate Employment
The Vanguard Group	Financial Services	5,800
Shared Medical Systems	Computer Services	3,200
QVC	Televised Merchandising	2,200
Lukens, Inc.	Steel Mfg.	2,000
Providian Financial Corp.	Financial Services	1,400
Unisys	Computer Services	1,200
Devereaux Foundation	Private Special Education Svcs.	1,000
Johnson Matthey, Inc.	Mfg. R&D /Testing	1,000
Decision One Corp.	Computer Maintenance Svcs.	1,000

Source: Chester County Council of Business and Industry.

Additional employers located within surrounding counties to which the School District residents have access to by commuting:

Name	Product or Service	Approximate Employment
DuPont	Corporate Headquarters	12,000
Bank of America	Financial Services	10,000
Christiana Care Health Services	Health Care	7,700
AstraZeneca, Inc.	Pharmaceuticals	7,500
Crozier-Keystone Health System	Non-profit Health Care	4,000
Lancaster General	Regional Teaching Hospital	3,300
R R Donnelley & Sons, Inc.	Commercial Printing	3,200
General Motors Saturn	Assembly Plant	3,100
DaimlerChrysler Corp.	Automotive Assembly	3,000
First USA Bank	Financial Services	2,400
W.L. Gore & Associates, Inc.	Specialty Textiles Mfg.	1,700

Source: County Chambers of Commerce.

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

TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006⁽¹⁾</u>	Compound Average Annual % Rate
<i>Chester County</i>							
Civilian Labor Force (000)	240.4	249.3	248.1	251.4	254.0	257.9	1.42%
Employment (000)	233.3	239.8	238.0	242.2	244.9	250.6	1.44%
Unemployment (000)	7.1	9.5	10.1	9.2	9.1	7.3	0.56%
Unemployment Rate	3.0	3.8	4.1	3.7	3.6	2.8	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,073.0	6,290.0	6,169.0	6,229.0	6,279.0	6,329.0	0.83%
Employment (000)	5,786.0	5,934.0	5,818.0	5,890.0	5,966.0	6,068.0	0.96%
Unemployment (000)	287.0	356.0	351.0	339.0	313.0	261.0	-1.88%
Unemployment Rate	4.7	5.7	5.7	5.4	5.0	4.1	

*Residence Data.

⁽¹⁾As of December 2006.

*Data may not add to totals due to rounding.

Source: Pennsylvania State Employment Service.

Income

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

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>1990</u>	<u>2000</u>	Percentage Change <u>1990-2000</u>
School District	\$17,593	\$26,577	4.21%
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: 2000 Census, Pennsylvania State Data Center, 1990 & 2000 General Income Characteristics: Pennsylvania.

Commercial Activity

Table A-6 shows recent trends for retail sales in Chester County, MSA and the State.

TABLE A-6
TOTAL RETAIL SALES
(Millions of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Chester County	\$ 7,527.70	\$ 7,579.6	\$ 7,794.8	\$ 8,193.3	\$ 9,179.2
Pennsylvania.....	147,087.9	145,019.3	149,811.4	155,423.4	166,183.0

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 \$907,298,000, 30 FDIC Savings Banks with deposits of \$1,334,175,000, and 5 credit unions with deposits of \$1,074,726,000.

Educational Institutions

Chester County contains West Chester University, Immaculata College, Lincoln University, Penn State Great Valley Campus and Valley Forge Christian College.

The Wilmington, Delaware area contains the University of Delaware and 4 other colleges, with combined enrollments of over 27,000 students.

In nearby Philadelphia area there are approximately 31 institutions of higher education with a total enrollment of over 110,000 students. Included among these institutions are the University of Pennsylvania, Villanova University, Swarthmore College, La Salle College, St. Joseph's University, Temple University and Drexel University.

Medical Facilities

Chester County has 11 hospitals with bed capacity of approximately 4,600 to serve the School District residents.

The Wilmington, Delaware area has 5 acute care hospitals with bed capacity of over 1,500 beds and employ over 4,000 people.

The nearby city of Philadelphia is one of the largest health care centers in the world, with 53 hospitals employing over 37,000 people. There are 7 medical schools and 2 dental schools in Philadelphia.

Utilities

Those utilities serving the major portions of the County include Verizon, which provide telephone services, and the PECO Energy Company, which provides electric and gas service to the area. There are several local municipal authorities serving the area.

Transportation

U.S. Route 1 is the main highway traveling through the School District. State routes 10, 41, 52, 82, 162, 472, 841, 896 and 926 also traverse the School District. Chester County contains a portion of the Pennsylvania Turnpike, and is served by 6 commercial airports. Wilmington, Delaware is the nearest major transportation center, providing a Regional Airport, all bus, rail and port services.

In nearby Philadelphia is the Philadelphia International Airport, along with all major rail, bus and trucking lines. The Philadelphia Port is one of the largest fresh water ports in the world.

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APPENDIX B
Specimen of Municipal Bond Insurance Policy