

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: _____(Insured)
 S&P: _____(Underlying)
 (See Ratings herein)

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain covenants, the interest on and accruals of original issue discount with respect to the Bonds are excluded from gross income for federal income tax purposes and are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted that, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The School District has designated each of the Bonds as a "qualified tax-exempt obligation", for purposes and effect contemplated by Section 265 of the Code (concerning interest expense related to tax-exempt income of certain financial institutions).

The Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania corporate net income tax and from personal income taxation by the Commonwealth of Pennsylvania, or by any of its political subdivisions, under present statutory and case law (see "TAX MATTERS" herein).

\$7,355,000*

Curwensville Area School District
Clearfield County, Pennsylvania
General Obligation Bonds, Series of 2011

Dated: Date of Delivery

Principal Due: September 1, as shown on inside cover

Interest Due: March 1 and September 1

First Interest Payment: September 1, 2011

The Bonds described herein are in the aggregate principal amount of \$7,355,000* General Obligation Bonds, Series of 2010 (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 Curwensville Area School District, Clearfield 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 pledged its full faith, credit and taxing power, within the limits provided by law (*But see "Security" and "Taxpayer Relief Act" herein*).

Interest on each of the Bonds is payable initially on September 1, 2011, and thereafter semiannually on March 1 and September 1 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 TD 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 specified corporate trust office presently located in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check 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 optional redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to provide funds for and towards payment of the costs of planning, designing, constructing, furnishing, and equipping alterations, additions, renovations and/or other improvements to the Curwensville Elementary School, the Curwensville Junior-Senior High School, the District Administration Office and related facilities and grounds, capitalizing interest on a portion of the Bonds and payment of related costs and expenses, including the costs and expenses of issuing the Bonds (collectively, the "Capital Project").

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 _____.

MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES
 {As shown on inside 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 Eckert Seamans Cherin & Mellott, LLC, of Pittsburgh, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Andrews & Beard, of Altoona, Pennsylvania, School District Solicitor. Public Financial Management, Inc. serves as the School District's Financial Advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 1, 2011.

Public Financial Management, Inc.
Financial Advisor to the School District

Dated: _____

*Estimate, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement 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 such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$7,355,000*
Curwensville Area School District
Clearfield County, Pennsylvania
General Obligation Bonds, Series of 2011

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown below
First Interest Payment: September 1, 2011

BOND MATURITY SCHEDULE FOR:

Maturity Date (September 1) Year	Principal Amounts	Interest Rates	Initial Offering Yields
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			

(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

*Estimate, subject to change.

Curwensville Area School District

Clearfield County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Mr. Kenneth Veihdeffer	President
Mrs. Donna McGary.....	Secretary*
Mrs. Donna B. Lash.....	Treasurer*
Mr. Robert Deluccia Sr.....	Member
Mrs. Peggy K. Barrett.....	Member
Mr. Jeffrey N. Shaffer.....	Member
Mrs. Cheryl Johnston.....	Member
Mr. Glenn Pentz.....	Member
Mrs. Mary Ann Rafferty.....	Member
Mr. Jim Thorp.....	Member
Mrs. Darlene Wriglesworth	Member

*Non-Board Member

DISTRICT SUPERINTENDENT

MR. NORMAN E. HATTEN

BUSINESS MANAGER

MR. PAUL S. CARR

SCHOOL DISTRICT SOLICITOR

ANDREWS & BEARD

Altoona, Pennsylvania

BOND COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC

Pittsburgh, Pennsylvania

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.

Harrisburg, Pennsylvania

PAYING AGENT

TD BANK, NATIONAL ASSOCIATION

Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS

650 Beech Street

Curwensville, Pennsylvania 16833

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 Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary 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 Preliminary 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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PRELIMINARY OFFICIAL STATEMENT

\$7,355,000*

Curwensville Area School District

Clearfield County, Pennsylvania
General Obligation Bonds, Series of 2011

INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof and Appendices hereto, is furnished by Curwensville Area School District (the "School District"), located in Clearfield County, Pennsylvania, in connection with the offering of its Bonds consisting of the \$7,355,000* General Obligation Bonds, Series of 2011 (the "2011 Bonds"), all dated as the date of delivery (collectively referred to as the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on January 17, 2011 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act of July 12, 1972, No. 185, P.L. 781, as re-enacted, amended and revised by Act No. 1978-52, as amended, supplemented and codified by Act No. 177 of 1996, 53 Pa. C.S.A. §8001 *et seq.* (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to provide funds for and towards payment of the costs of planning, designing, constructing, furnishing, and equipping alterations, additions, renovations and/or other improvements to the Curwensville Elementary School, the Curwensville Junior-Senior High School, the District Administration Office and related facilities and grounds, capitalizing interest on a portion of the Bonds and payment of related costs and expenses, including the costs and expenses of issuing the Bonds (collectively, the "Capital Project").

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

<u>SOURCES OF FUNDS</u>	Total
Bond Par Amount	
Net Original Issue Premium (Discount).....	
Total.....	
<u>USES OF FUNDS</u>	
Construction Fund Deposit	
Capitalized Interest	
Costs of Issuance	
Total.....	

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

*Estimate, subject to change.

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 \$7,355,000*, will be dated as of the date of delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover of the Preliminary Official Statement. Interest on the Bonds will be payable initially on September 1, 2011, and thereafter, semiannually on March 1 and September 1, until the principal sum is paid.

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 Bonds certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation, and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District, within the limits provided by law (see SCHOOL DISTRICT FINANCES - "*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 "State Enforcement of Debt Service Payments" herein).

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bond, 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 redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds TD Bank, National Association (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its corporate trust office in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is 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 September 1, 2011, in which event such Bond shall bear interest from the date of delivery, 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 shall be paid initially on September 1, 2011, and thereafter, semiannually on March 1 and September 1, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding the applicable interest payment date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date.

*Estimate, subject to change.

If the date for payment of the principal of, premium, if any, or interest on such Bond shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or on a day on which such banking institutions are authorized to close (a "Business Day"), and payment on such subsequent Business Day 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, at its designated corporate trust office duly endorsed by, or accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his duly authorized agent or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required to issue, or register the transfer or exchange of, any Bond (a) in the case of 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) once selected for redemption in whole or in part 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.

State Enforcement of Debt Service Payments

Section 633 of the Public School Code presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or any 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 Commonwealth of Pennsylvania (the "Commonwealth") 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 provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 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 and unpaid charter school tuition. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Curwensville Area School District, Series of 2011 Bonds Sinking Fund" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by 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.

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, is the right of holders of the Bonds to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas. 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 hereinbefore described.

BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating, "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the redemptions proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

REDEMPTION OF BONDS

Mandatory Redemption

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid (subject to adjustment as permitted therein), upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

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

Optional Redemption

The Bonds stated to mature on or after September 1, 2016 shall be subject to redemption prior to maturity, at the option of the School District, as a whole, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), on March 1, 2016, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice in 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 the 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 so called for redemption as to which proper notice has been given.

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

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

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

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 the number of Bonds that is equal to the principal amount thereof divided 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 a Bond of 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.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

THE SCHOOL DISTRICT

Introduction

The School District covers 104.8 square miles and includes Curwensville Borough, Ferguson Township, Grampian Borough, Greenwood Township, Lumber City Borough, Penn Township and Pike Township. It is situated in the west-central portion of Clearfield County with the most prevalent resources being land and water and the most important minerals being coal, clay and gas. The population estimate for 2000 was 7,670.

Administration

The School District is governed by a board of nine School Directors (the “School Board”) who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The daily operations and management of the School District are performed by the administrative staff of the School District, which is headed by the School District Superintendent who is elected by the Board of School Directors. The Business Manager is responsible for budget and financial operations and is appointed by the Board of School Directors.

School Facilities

The School District presently operates two elementary schools and one junior-senior high school, all as described on the following table.

**TABLE 1
CURWENSVILLE AREA SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades Housed	Number of Classrooms	Student Capacity	2010-11 Enrollment
Elementary:						
Penn Grampian Elementary School	1956	1991	K-4	9	280	96
Curwensville Elementary School ⁽¹⁾	1961	1972/1991	K-6	29	1,085	477
Secondary:						
Curwensville Junior-Senior High School ⁽¹⁾	1954	1972/1991	7-12	34	900	590

⁽¹⁾The Curwensville Elementary School is an addition to the Curwensville Junior-Senior High School and is a single facility housing both elementary and high school students.
Source: School District officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for over the next five years, as prepared by School District officials. The table shows a projected trend of decreasing enrollments.

**TABLE 2
CURWENSVILLE AREA SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2006-07	651	605	1,256	2011-12	591	557	1,148
2007-08	591	604	1,195	2012-13	601	562	1,163
2008-09	589	611	1,200	2013-14	622	520	1,142
2009-10	583	545	1,128	2014-15	641	504	1,145
2010-11	573	590	1,163	2015-16	651	510	1,161

Source: Actual enrollments as provided by School District officials; projected enrollments as provided by the Pennsylvania Department of Education.

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 Board of School Directors for approval prior to the beginning of the School District's fiscal year, which begins on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by an independent certified public accountant, as required by Commonwealth Law. The firm of Walter Hopkins & Co., LLP, CPA, currently serves as the auditor for the School District.

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 which follows shows revenues and expenditures for the past 4 years, 2009-10 unaudited and the 2010-11 Budget. The School District's budget for the 2010-11 school year as adopted June 15, 2010, projects revenue of \$14,702,695 and expenditures of \$16,279,874. The 2010-11 budget did include an increase in mills from 72.2496 to 75.3563.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Unaudited 2010⁽¹⁾</u>
ASSETS					
Cash and Cash Equivalents.....	\$90,853	\$18,559	\$131,657	\$216,660	\$1,280,347
Investments.....	4,340,416	5,266,597	5,037,276	4,030,437	3,471,573
Taxes Receivable.....	150,175	133,552	126,576	103,316	115,894
Interfund Receivable.....	6,638	4,056	7,049	25,937	0
Intergovernmental Receivable.....	308,915	427,171	316,865	282,037	76,759
Federal Revenue Receivable.....	0	0	0	0	545,238
State Revenue Receivable.....	0	0	0	0	100,003
Inventories.....	7,000	7,000	7,000	7,000	7,000
Other Receivables.....	177,223	194,510	262,699	315,741	196,302
TOTAL ASSETS	<u>\$5,081,220</u>	<u>\$6,051,445</u>	<u>\$5,889,122</u>	<u>\$4,981,128</u>	<u>\$5,793,116</u>
LIABILITIES					
Accounts Payable.....	\$470,225	\$1,050,793	\$381,382	\$339,512	\$181,851
Accrued Salaries and Benefits.....	988,229	1,135,393	1,166,710	1,191,204	976,588
Deferred Revenues.....	64,217	42,851	55,141	45,419	42,929
TOTAL LIABILITIES	<u>\$1,522,671</u>	<u>\$2,229,037</u>	<u>\$1,603,233</u>	<u>\$1,576,135</u>	<u>\$1,201,368</u>
FUND EQUITIES					
Standard Fund Balance Reserves.....	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Unreserved – Undesignated.....	3,551,549	3,815,408	4,278,889	3,397,993	4,584,748
TOTAL FUND EQUITIES	<u>\$3,558,549</u>	<u>\$3,822,408</u>	<u>\$4,285,889</u>	<u>\$3,404,993</u>	<u>\$4,591,748</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$5,081,220</u>	<u>\$6,051,445</u>	<u>\$5,889,122</u>	<u>\$4,981,128</u>	<u>\$5,793,116</u>

*Totals may not add due to rounding.

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

Source: School District Annual Financial Reports.

**TABLE 4
CURWENSVILLE AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE***

	Actual				Unaudited	Budget
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
Beginning Fund Balance	\$3,023,322	\$3,558,549	\$3,822,406	\$4,285,887	\$3,404,992	\$4,591,748
Revenues over (under) Expenditure	535,229	263,860	463,480	(880,896)	1,186,756	(1,577,179)
Other.....	(2)	(3)	1	1	0	0
Ending Fund Balance	<u>\$3,558,549</u>	<u>\$3,822,406</u>	<u>\$4,285,887</u>	<u>\$3,404,992</u>	<u>\$4,591,748</u>	<u>\$3,014,569</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted June 15, 2010. See "Summary and Discussion of Financial Results" herein.

Source: School District Financial Reports and Budget.

Revenue

The School District received \$14,765,565 in revenue in 2009-10 (unaudited) and has budgeted revenue of \$14,702,695 in 2010-11. Local sources have contributed a decreasing share of revenue in the past five years, from 28.4 percent in 2005-06 to 24.8 percent in 2009-10 (unaudited). Revenue from Commonwealth sources have increased as a share of total revenue from 68.2 percent to 71.3 percent (unaudited) over this period. Revenue from Federal and Other sources have increased as a share of total revenue from 3.5 percent to 4.0 percent (unaudited) over this period.

**TABLE 5
CURWENSVILLE AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(For years ending June 30)**

	Actual				Unaudited	Budget
	2006	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾
REVENUE:						
Local Sources:						
Total Local Sources.....	\$3,833,880	\$3,734,037	\$3,756,172	\$3,506,278	\$3,777,702	\$3,553,812
State Sources:						
Total State Sources.....	\$8,948,700	\$9,456,797	\$9,852,247	\$10,090,450	\$9,475,834	\$10,777,959
Federal Sources:						
Total Federal Sources.....	\$480,546	\$499,721	\$499,848	\$561,433	\$1,512,029	\$370,924
Other Sources:						
Total Other Sources.....	\$1,780	\$10,757	\$1,637	\$0	\$0	\$0
TOTAL REVENUE	<u>\$13,264,906</u>	<u>\$13,701,312</u>	<u>\$14,109,904</u>	<u>\$14,158,161</u>	<u>\$14,765,565</u>	<u>\$14,702,695</u>
EXPENDITURES:						
Instruction.....	\$7,436,069	\$7,439,515	\$7,646,997	\$7,796,175	\$7,449,919	\$8,956,872
Pupil Personnel.....	323,476	335,888	378,154	332,455	347,344	449,069
Instructional Staff.....	426,442	432,442	628,354	514,992	481,570	524,247
Administration.....	1,039,384	975,560	1,026,530	1,026,776	1,084,591	1,154,696
Pupil Health.....	105,157	118,653	121,685	120,082	120,091	92,686
Business.....	186,664	202,793	259,793	265,112	268,655	281,044
Operation and Maintenance	959,515	1,037,734	1,057,107	1,159,945	1,016,189	1,193,302
Student Transportation	653,031	699,361	652,332	649,196	690,198	775,400
Central	4,288	4,491	4,774	5,050	4,858	6,074
Community Services	304,381	316,484	316,079	319,470	309,062	342,175
Debt Service	1,079,698	1,076,988	1,075,865	826,310	887,251	1,494,309
Facilities, Acquisition, Construction.....	209,223	780,667	247,067	268,494	36,438	210,000
Refund of Prior Year Receipts	2,349	16,876	24,975	0	0	0
Other Support Services.....	0	0	0	0	75,585	0
Fund Transfers.....	0	0	206,712	1,755,000	807,059	800,000
Budgetary Reserve	0	0	0	0	0	0
TOTAL EXPENDITURES	<u>\$12,729,677</u>	<u>\$13,437,452</u>	<u>\$13,646,424</u>	<u>\$15,039,057</u>	<u>\$13,578,810</u>	<u>\$16,279,874</u>
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$535,229</u>	<u>\$263,860</u>	<u>\$463,480</u>	<u>(880,896)</u>	<u>\$1,186,756</u>	<u>(1,577,179)</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted June 15, 2010. See "Summary and Discussion of Financial Results" herein.

Source: School District Financial Reports and Budget.

Taxing Powers

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

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

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

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

The Taxpayer Relief Act

Pennsylvania Special Session Act No. 1 of 2006 became effective June 27, 2006, as amended by Act 114 of 2006 (the “Taxpayer Relief Act”). Under the provisions of the Taxpayer Relief, 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 2005-2006 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 or more 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 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 Commonwealth 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 equals or 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 Commonwealth and special education funding allocations from the Commonwealth, 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.

The board of school directors of a school district must submit a referendum question to the voters at the primary elections of 2007 seeking voter approval allowing the school district to levy, assess and collect an earned income and net profits tax ("EIT") or a personal income tax ("PIT") for the purpose of annually funding homestead and farmstead exclusions from real property taxes. The proposed rate of such EIT or PIT may not exceed the rate required to provide the maximum exclusion for homestead and farmstead property allowable under Pennsylvania law, nor may it be less than the rate required to provide 50% of the maximum allowable exclusion. Nevertheless, no school district is required to propose an EIT increase that is greater than 1% or a PIT equivalent to an EIT of 1%. At its meeting on February 5, 2007, the Board of School Directors accepted the recommendation of the Local Tax Study Commission and adopted a resolution authorizing the publication of its intent to adopt a resolution authorizing the ballot question for voter approval of an additional 0.4% EIT. Adding the increase in the EIT to the 0.5% collected by the School District and the 0.5% collected by the municipality in which the taxpayer resides would have increased the total EIT rate paid by School District residents from the current rate of 1% to a rate of 1.4%. At the May 15, 2007 Primary Election, the voters "rejected" the Act 1 ballot question pertaining to the property tax reduction and the 0.4% EIT increase.

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

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 the 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 believes that it has included sufficient new tax millage in its 2010/11 budget to cover the full amount of the debt service on the Bonds without exceeding the 2010/11 Index (although the actual tax increase may exceed the 2010/11 Index as a result of the other available and approved exceptions to the Index).

Commonwealth 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 does not levy the occupation tax, therefore, has not placed a referendum question on the ballot as it relates to Act 24 of 2001.

Legislation Limiting Unreserved Fund Balances

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

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

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district. The School District’s estimated ending unreserved fund balance as a percentage of total budgeted expenditures for the 2010-11 budget is shown in Table 4 on Page 15 herein under “Summary and Discussion of Financial Results”.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, and the four townships and three boroughs located in the School District, and Clearfield County.

**TABLE 6
CURWENSVILLE AREA SCHOOL DISTRICT
TAX RATES**

	Real Estate (mills)	Real Estate Transfer (%)	Wage and Income (%)
2006-07	64.0000	1.00	1.00
2007-08	68.1600	1.00	1.00
2008-09	68.1600	1.00	1.00
2009-10	72.2496	1.00	1.00
2010-11	75.3563	1.00	1.00

Source: School District officials.

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<i>School District</i>	64.0000	68.1600	68.1600	72.2496	75.3563
Curwensville Borough	30.0000	30.0000	30.0000	30.0000	30.0000
Grampian Borough	14.0000	14.0000	14.0000	14.0000	14.0000
Lumber City Borough	3.9000	3.9000	3.9000	3.9000	3.9000
Pike Township	4.0000	4.0000	4.0000	4.0000	4.0000
Penn Township	6.5000	6.5000	6.5000	6.5000	6.5000
Ferguson Township	4.0000	4.0000	4.0000	4.0000	4.0000
Greenwood Township	3.0000	3.0000	3.0000	3.0000	3.0000
Clearfield County	21.0000	21.0000	21.0000	21.0000	21.0000

Source: Local Government officials.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$2,479,722 in 2009-10 (unaudited), approximately 16.79 percent of revenue. The tax is levied on July 1 of each year. Taxpayers who remit prior to August 31 receive a 2 percent discount, and those who remit between September 1 and October 31 pay at 100% of the face amount. Taxes remitted after November 1 are assessed a 10% penalty. Unpaid taxes are turned over to the Tax Claim Bureau for collection on April 15 of the year following the initial levy

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Clearfield County was completed in 1989.

**TABLE 8
CURWENSVILLE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Ratio
2005-06.....	\$188,227,800	\$40,567,169	21.55%
2006-07.....	208,611,300	41,627,830	19.95%
2007-08.....	214,182,800	42,508,473	19.85%
2008-09.....	220,388,400	42,735,321	19.39%
2009-10.....	224,615,600	42,940,326	19.12%
Compound Average Annual Percentage Change.....	3.60%	1.14%	

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9
CURWENSVILLE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2008-09 Market Value	2008-09 Assessed Value	2009-10 Market Value	2009-10 Assessed Value
<i>School District</i>	\$ 220,388,400	\$ 42,735,321	\$ 224,615,600	\$ 42,940,326
Curwensville Borough.....	67,482,800	13,890,796	71,740,200	13,871,139
Ferguson Township.....	15,920,100	2,992,672	16,207,500	3,024,623
Grampian Borough.....	6,756,000	1,419,765	6,597,600	1,416,024
Greenwood Township.....	14,995,200	2,690,533	14,880,300	2,701,714
Lumber City Borough.....	2,129,400	510,126	2,192,900	510,306
Penn Township.....	40,106,500	7,196,628	40,258,200	7,193,479
Pike Township.....	72,998,400	14,034,801	72,738,900	14,223,041
Clearfield County.....	3,129,153,800	729,124,665	3,112,074,100	735,135,683

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10
CURWENSVILLE AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2005-06	2006-07	2007-08	2008-09	2009-10
Residential.....	\$26,614,336	\$27,358,282	\$27,825,466	\$27,988,421	\$28,337,822
Lots.....	498,994	491,595	492,109	493,035	495,815
Industrial.....	1,110,225	1,035,600	1,168,550	838,375	838,375
Commercial.....	5,028,347	5,153,967	5,175,508	5,158,194	5,136,412
Agriculture.....	5,421,739	5,717,982	5,944,939	6,047,662	6,213,632
Land.....	1,460,443	1,431,094	1,459,330	1,493,638	1,463,288
Mineral.....	433,085	439,310	442,571	444,614	454,982
Trailers.....	0	0	0	271,382	0
Total	<u>\$40,567,169</u>	<u>\$41,627,830</u>	<u>\$42,508,473</u>	<u>\$42,735,321</u>	<u>\$42,940,326</u>

Source: Pennsylvania State Tax Equalization Board.

**TABLE 11
CURWENSVILLE AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Total Flat Billing	Total Adjusted Flat Billing⁽¹⁾	Current Year Collections (July-June)	Current Year Collections as Percent of Total Adjusted Flat Billing	Current Year Plus Delinquent Collections	Current Year Plus Delinquent as Total Collections as Percent
2005-06	\$2,587,724	\$2,328,952	\$2,325,620	99.86%	\$2,577,506	110.83%
2006-07	2,655,613	2,390,052	2,392,457	100.10%	2,655,376	110.99%
2007-08	2,711,968	2,440,771	2,422,509	99.25%	2,664,480	109.99%
2008-09	2,903,708	2,613,337	2,314,624	88.57%	2,542,283	109.84%
2009-10	3,070,959	2,763,863	2,479,721	89.72%	2,734,633	110.02%

⁽¹⁾Includes delinquent realty taxes collected only.

Source: School District officials.

The ten largest real property taxpayers, together with 2010 assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers totals approximately 6.70 percent of total assessed value.

**TABLE 12
CURWENSVILLE AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2010-11**

Owner	Property	2010 Assessed Value
Curwensville Nursing Home	Health Care Facility	\$ 585,950
Clearfield Foundation (Wickett & Craig)	Processing Plant	530,000
H.L. Tannery Co.	Processing Plant	456,450
Curwensville House Associates	Apartments	225,650
Curwensville Park Associates	Apartments	223,525
Cathie Wiggins, c/o Lezzer Lumber	Lumber Sales	189,975
John J. Errigo & Sharon Errigo (Errigo Distributing)	Beer Distributor	187,500
Susquehanna Recreation Corp. (Grandview Golf Course)	Recreational	166,675
Kent Sportswear, Inc.	Clothing Industry	165,450
Lezzer Cash & Carry	Lumber Sales	146,250
Total		\$2,877,425

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$503,298 in other taxes in 2009-10 (unaudited). Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Wage and Income Tax, and Per Capita Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$2,695,387.

Real Estate Transfer. The School District levies a tax of 1.0% (subject to sharing) of the value of real estate transfers. In 2009-10 (unaudited) collected portion of this tax yielded \$25,353 or less than one percent of total revenue.

Wage and Income. The School District levies a tax of 1.0% (subject to sharing) of the value of the amount of earned income. In 2009-10 (unaudited) the collected portion of this tax yielded \$477,945 or 3.2 percent of total revenue.

State Aid to School Districts

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

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

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds after the Bonds financed have received final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 46.76 percent. The School District Aid Ratio for the 2010-11 school year is currently 76.77 percent. The product of these two factors is 35.90 percent which is the percentage of debt service which will be reimbursed by the State. In future years, this percentage may change as the School District's Aid Ratio changes, or by future legislation. Aid Ratio is a function of the market value per weighted average daily membership of the School District relative to other school districts of the State.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 shows the debt of the School District as of January 5, 2011, including the issuance of the Bonds.

**TABLE 13
CURWENSVILLE AREA SCHOOL DISTRICT
DEBT STATEMENT*
(As of January 5, 2011)**

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2011 (last maturity 2031)	\$ 7,355,000
General Obligation Note, Series of 2010	
Renewable Energy Program Loan (last maturity 2021)	644,280
School Revenue Bonds, Series of 2010 (last maturity 2030)	13,150,000
TOTAL NONELECTORAL DEBT	\$21,149,280
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	\$ 0
TOTAL PRINCIPAL OF DIRECT DEBT	\$21,149,280

*Includes the estimated Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios \$21,149,280. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$13,788,466.

TABLE 14
CURWENSVILLE AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of January 5, 2011)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$21,149,280	\$13,788,466
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$21,149,280	\$13,788,466
OVERLAPPING DEBT		
Municipal Debt.....	\$8,467,848	\$8,467,848
Clearfield County, General Obligation ⁽²⁾	141,170	141,170
TOTAL OVERLAPPING DEBT	\$8,609,018	\$8,609,018
 TOTAL DIRECT AND OVERLAPPING DEBT	 \$29,758,298	 \$22,397,484
DEBT RATIOS		
Per Capita	\$3,879.83	\$2,920.14
Percent 2009-10 Assessed Value	69.30%	52.16%
Percent 2009-10 Market Value	13.25%	9.97%
Debt retired within 10 years.....	%	---

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾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 Commonwealth sources.

⁽²⁾Pro rata 7.2% percent share of \$1,955,924 principal outstanding.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2007-08.....	\$13,445,441
Total Revenues for 2008-09.....	13,640,564
Total Revenues for 2009-10 (unaudited)	<u>14,226,138</u>
Total	<u><u>\$41,312,143</u></u>
Annual Arithmetic Average (Borrowing Base)	<u>\$13,770,714</u>

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

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$30,984,107	\$21,149,280	\$9,834,827

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

Debt Service Requirements

Table 15 presents the debt service requirements on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service.

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

**TABLE 15
CURWENSVILLE AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Other Outstanding General Obligation Debt</u>	<u>Series of 2011</u>		<u>Subtotal</u>	<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>		
2010-11	\$ 1,397,613				
2011-12	1,006,745				
2012-13	1,006,945				
2013-14	1,004,420				
2014-15	1,006,645				
2015-16	1,005,350				
2016-17	1,006,761				
2017-18	1,005,728				
2018-19	1,007,763				
2019-20	1,007,988				
2020-21	938,748				
2021-22	940,655				
2022-23	936,254				
2023-24	940,580				
2024-25	938,515				
2025-26	939,655				
2026-27	939,055				
2027-28	936,850				
2028-29	937,923				
2029-30	937,120				
2030-31	939,320				
Total	\$20,780,631				

*Totals may not add due to rounding.

**TABLE 16
CURWENSVILLE AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE
REQUIREMENTS BY STATE AID***

2009-10 State Aid Received	\$9,475,834
2009-10 Debt Service Requirements	887,251
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2009-10 Debt Service Requirements	10.68 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	

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

Future Financing

The School District does not contemplate issuing additional debt in the immediate future.

LABOR RELATIONS

School District Employees

There are currently 142 full-time employees of the School District. The total includes 91 teachers, 2 librarians, 3 guidance counselors, 1 nurse, 1 maintenance superintendent, 27 teacher's aides, 2 reading specialists, 6 administrators, 9 secretaries, 6 custodians, 2 maintenance workers and 4 cafeteria employees. There are also approximately 33 part-time employees who perform various secretarial, cleaning, cafeteria and health paraprofessional, and instructional assistants.

The School District's teachers are represented by the Curwensville Area Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract which expires on June 30, 2013. The Curwensville Area School District's Support Personnel Association, another PSEA affiliate, represents the custodial and cafeteria employees under a contract that expires June 30, 2012. All prior contracts were negotiated under Pennsylvania's Act 195 of 1970 and were not subject to binding interest arbitration. All future contracts will be negotiated under Pennsylvania Act 88 of 1992, which provides for last best offer non-binding arbitration. The School District categorized its labor relations as amicable.

One strike has occurred in the School District.

Pension Program

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

The PSERS Board of Trustees has set the fiscal year 2010-11 employer retirement contribution rate at 5.64 percent of payroll. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District pension contributions to PSERS have been as follows:

2005-06	\$ 142,656
2006-07	\$ 202,514
2007-08	\$ 224,515
2008-09	\$ 286,855
2009-10	\$ \$359,614
2010-11 (Budget).....	\$ \$381,471

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

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 retired employees, and to provide retirement severance pay for existing employees. The School District has 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, 2010.

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 the Bonds. Currently, there is no such litigation pending or threatened.

TAX MATTERS

Federal Tax Exemption

In the opinion of Bond Counsel, the interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes, and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of original issue discount with respect to a Bond allocable to an owner of the Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption or other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

The School District has covenanted to comply with all such requirements.

Pennsylvania Tax Exemption

Bond Counsel is also of the opinion that the Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth, or by any of its political subdivisions, under present statutory and case law.

Original Issue Discount

The difference between the final offering price to the public of the Bonds maturing on September 1, _____ through September 1, _____ (the "OID Bonds") and the maturity amount of such OID Bonds is treated as original issue discount (sometimes referred to herein as "OID").

Because of the possibility of transfers, redemption or other disposition prior to maturity, the Code provides rules for the accrual of OID on any tax-exempt obligation, such as the Bonds. Original issue discount on the OID Bonds is treated as accruing in the manner provided by the Code with respect to original issue discount on taxable securities, except that the rules with respect to *de minimis* OID and acquisition premium that apply to taxable securities will not apply to tax-exempt securities. Generally, an appropriate portion (depending on the holding period of the OID Bond by each purchaser) of the total amount of OID payable at the maturity of the OID Bond will, upon disposition or payment of a OID Bond, be treated as a return of capital, rather than as taxable gain, for federal income tax purposes. The portion so treated will be determined by allocating the total OID over the term of each Bond through a series of adjustments to the issue price for each accrual period. The adjustment to the issue price for each accrual period is determined by multiplying the issue price at the beginning of such accrual period (the issue price as increased by adjustments for all prior accrual periods) by the appropriate fraction of such OID Bond's original yield to maturity and subtracting any current interest payment thereon during such accrual period.

Owners of OID Bonds should consult their professional tax advisors as to the precise determination for federal income tax purposes for interest accrued on and original issue discount accrued with respect to such OID Bonds upon any purchase, sale, redemption or other disposition or payment of such OID Bonds, and as to the state and local tax consequences of owning such OID Bonds.

Branch Profits Tax

Interest on and accruals of original issue discount with respect to the Bonds held by a foreign corporation could be subject to a branch profits tax imposed by Section 884 of the Code.

A prospective foreign corporate purchaser of the Bonds may wish to consult its professional tax advisors as to the impact of the branch profits tax on its United States tax liability.

Financial Institutions, Cost of Carrying Tax-Exempt Obligations

Under the Code, financial institutions will be denied 100% of their interest expense deductions that are allocable, by formula, to tax-exempt obligations acquired after August 7, 1986 except for obligations designated Qualified Tax-Exempt Obligations under Section 265(b)(3) of the Code; a 20% disallowance applies with respect to Qualified Tax-Exempt Obligations.

The Bonds described in this Preliminary Official Statement have been designated by the School District as “Qualified Tax-Exempt Obligations” for purposes and effect contemplated by Section 265 of the Code (concerning expenses and interest relating to tax-exempt income of certain financial institutions).

A financial institution purchasing or holding the Bonds may wish to consult its professional tax advisors to determine the effect on the interest expense disallowance related to tax-exempt obligations upon its federal income tax liability.

Property and Casualty Insurance Company Income Taxes

Under the Code, a reduction in the loss reserve deduction for property and casualty insurers are required to take account of the fact that deductible additions or reserves may come out of income not subject to income tax.

In addition, a portion of the dividends received by a property and casualty insurer attributable to tax-exempt income is not deductible by the insurer for federal income tax purposes.

The Code provides generally that these provisions are effective for tax years beginning after December 31, 1986, and with respect to obligations acquired after August 7, 1986, but a property and casualty insurer should consult its professional tax advisors for a full explanation of the effect of these provisions upon its income tax liability.

Tax on Excess Passive Net Income of S Corporations

An S corporation may be subject to federal income taxation on passive investment income, including interest on the Bonds, if the S corporation has subchapter C earnings and profits at the close of the taxable year and the S corporation's passive investment income exceeds 25% of its gross receipts for the taxable year.

A prospective purchaser of the Bonds which is an S corporation may wish to consult its professional tax advisors as to the effect of interest derived from the Bonds on its tax liability.

Not Arbitrage Bonds

The School District has covenanted in the Resolution that it will make no use of the proceeds of such issue which would cause the Bonds to be arbitrage bonds, and has further covenanted in the Resolution to comply with the rebate and other requirements of Section 148 of the Code, and the regulations thereunder, during the term of such issue. Proper officers of the School District will execute a certificate concerning the use of the proceeds of the Bonds in conformity with Section 148 of the Code and the regulations thereunder.

Interest Reporting Requirements

Under the Code, all taxpayers are required to report on their federal income tax returns the amount of interest received or accrued during the year that is exempt from federal income tax. This provision applies to interest on all tax-exempt obligations including the Bonds.

Taxable Social Security and Railroad Retirement Benefits Calculations

Interest on and accruals of original issue discount with respect to the Bonds are included in modified adjusted gross income in determining the portion of Social Security or railroad retirement benefits to be included in an individual taxpayer's gross income for federal income tax purposes.

A prospective purchaser of the Bonds who is receiving Social Security or railroad retirement benefits may wish to consult his professional tax advisor as to the effect interest income derived from the Bonds may have upon his income tax liability.

Market Discount

A tax-exempt bond such as a Bond, if acquired by purchase after April 30, 1993 other than at original issuance, is a “market discount bond” if the bond is purchased at a price less than its stated principal amount (or, in the case of a bond issued with original issue discount, its issue price increased for accruals of original issue discount), with such difference being the amount of “market discount”. If a holder recognizes gain on the disposition of a market discount bond (including by early redemption or gift) a portion of the gain (up to the amount of market discount that accrued while the bond was held by such holder) will be treated as ordinary income and not as capital gain. For this purpose, market discount accrues on a straight-line

basis or, if elected by the holder, on a constant interest rate basis; the election, on a bond-by-bond basis, is irrevocable once made.

The holder of a market discount bond may elect to include the market discount in income as taxable interest income as the market discount accrues. The current inclusion election, once made, applies to all market discount obligations acquired by such holder on or after the first day of the first taxable year in which the election applies and may not be revoked without the permission of the Internal Revenue Service. If the current inclusion election is made, the holder's tax basis in the market discount bond is increased by the amount of market discount accruals included in income.

Tax Treatment of Premium

The Bonds that mature on September 1, of the years _____ are being offered and sold to the public at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE UNDERTAKING

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

- (i) to provide at least annually to the Municipal Securities Rulemaking Board (the "MSRB"), the following annual financial information and operating data with respect to the School District for each of its fiscal years, beginning with the fiscal year ending June 30, 2011, within 180 days following the end of such fiscal year:
 - the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards;
 - a summary of the budget for the new fiscal year;
 - the aggregate assessed value and aggregate market value of all taxable real estate for the new fiscal year;
 - the taxes and millage rates imposed for the new fiscal year;
 - the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount);
 - a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the new fiscal year; and
 - pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible);

- (ii) in a timely manner not in excess of ten business days after the occurrence of the event, to file with the MSRB, notice of the occurrence of any of the following events with respect to the Bond: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the School District; (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (iii) to provide, in a timely manner, to the MSRB, notice of the failure of the School District to provide the information set forth in subparagraph (i) above on or before the date specified above.

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

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

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

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

The School District unintentionally failed to file its June 30, 2008 and June 30, 2009 audited financial statements and other financial and operating data for such years. All, along with the School District’s PDE 2057 for FYE June 30, 2010, were filed through the MSRB’s EMMA System on December 21, 2010. The June 30, 2010 Audited Financial Statements are expected to be filed in February 2011.

RATINGS

Standard & Poor’s Ratings Group has assigned an underlying rating of “_____” on the Bonds due to the Commonwealth state-aid intercept program. Standard & Poor’s Ratings Group has assigned its municipal bond rating of “_____” to this issue and has done so with the understanding that upon delivery of the Bonds, the municipal bond insurance policy will be issued by_____. 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: 55 Water Street, 38th Floor, New York, New York 10041. 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 \$_____, equal to the par value of the Bonds less an underwriters' discount of \$_____ less a net original issue discount of \$_____, plus accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered subject to the receipt of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the School District by Andrews & Beard, Law Offices, of Altoona, 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

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

CURWENSVILLE AREA SCHOOL DISTRICT
Clearfield County, Pennsylvania

By: /s/ Kenneth Veihdeffer
President, Board of School Directors

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**APPENDIX A - Demographic and
Economic Information Relating to the
Curwensville Area School District**

Population

Table A-1 which follows shows recent population trends for the School District, Clearfield County and the Commonwealth. The School District's population increased from 7,670 to 7,646 between 2000 and 2009 (est.), which is an increase of approximately 153 persons in that period. Table A-2 shows 2000 age composition and average number of persons per household in Clearfield County and for the Commonwealth. Average household size for Clearfield County was slightly lower than the statewide average.

TABLE A-1

RECENT POPULATION TRENDS

	<u>1990</u>	<u>2000</u>	<u>2009 (est.)</u>	Compound Average Annual Percentage Change 2000-2009 (est.)
<i>School District</i>	7,670	7,646	7,799	0.20%
Clearfield County.....	78,097	83,382	82,324	-0.13%
Pennsylvania.....	11,881,643	12,281,054	12,604,767	0.26%

Source: U.S. Bureau of the Census and the Pennsylvania State Data Center.

TABLE A-2

AGE COMPOSITION

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	Persons Per Household
Clearfield County.....	22.69%	60.40%	16.90%	2.4
Pennsylvania.....	23.79%	60.58%	15.63%	2.5

Source: U.S. Bureau of the Census, Pennsylvania State Data Center-2000 General Housing and Population: Pennsylvania.

Employment

Overall employment data are not compiled for the School District or municipalities, but such data is compiled for the Clearfield Labor Market Area ("LMA").

Table A-3 shows the distribution of employment for the LMA for October 2010.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT
CLEARFIELD LABOR MARKET AREA

<u>ESTABLISHMENT DATA</u>	<u>Industry Employment</u>				<u>Net Change From:</u>	
	<u>Oct. 2010</u>	<u>Sept. 2010</u>	<u>Aug. 2010</u>	<u>Oct. 2009</u>	<u>Sept. 2010</u>	<u>Oct. 2009</u>
Total Nonfarm	31,100	31,000	30,600	30,400	100	700
Total Private	26,000	26,000	26,200	25,500	0	500
Goods-Producing	3,800	4,000	4,100	3,800	-200	0
Mining, Logging, and Construction	1,500	1,600	1,600	1,400	-100	100
Manufacturing	2,300	2,400	2,500	2,400	-100	-100
Service-Providing	27,300	27,000	26,500	26,600	300	700
Trade, Transportation, and Utilities	8,200	8,000	8,000	8,100	200	5,300
Transportation, Warehousing & Utilities	3,000	2,900	2,800	2,900	100	-2,200
Trade	5,200	5,100	5,200	5,200	100	4,400
Wholesale Trade	800	800	800	800	0	-3,600
Retail Trade	4,400	4,300	4,400	4,400	100	3,300
Financial Activities	1,100	1,100	1,100	1,100	0	-600
Professional and Business Services	1,800	1,800	1,800	1,700	0	-4,900
Education and Health Services	6,900	6,900	6,900	6,700	0	4,700
Leisure and Hospitality	2,300	2,300	2,400	2,200	0	
Other Services	1,600	1,600	1,600	1,600	0	
Government	5,100	5,000	4,400	4,900	100	200
Local Government	3,200	3,100	2,600	3,000	100	200
Data benchmarked to March 2009	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania State Employment Service.

The larger employers located within or near the School District include:

Name

DuBois Regional Medical Center
Wal-Mart Associates, Inc.
State Government
DuBois Area School District
Clearfield Hospital
Clearfield Area School District
Cen-Clear Child Services, Inc.
Christ The King Manor
Clearfield County controller
Paris Cleaners Inc.

Source: Center for Workforce Information & Analysis – 1st Quarter 2010.

Table A-4 shows recent trends in employment and unemployment for Clearfield County and the Commonwealth. Overall labor force and employment opportunities have increased in the County over the past five years. The unemployment rate has been higher than the statewide average for the past five years.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽¹⁾	Compound Average Annual % Rate
Clearfield County							
Civilian Labor Force (000) ...	40.7	40.9	40.5	40.4	40.7	40.7	0.00%
Employment (000)	38.3	38.7	38.3	37.6	36.6	36.9	-0.74%
Unemployment (000).....	2.4	2.2	2.2	2.7	4.1	3.8	9.63%
Unemployment Rate	5.8	5.3	5.4	6.8	10.2	9.4	
Pennsylvania							
Civilian Labor Force (000) ...	6,270.0	6,309.0	6,330.0	6,441.0	6,414.0	6,382.0	0.35%
Employment (000)	5,958.0	6,022.0	6,055.0	6,099.0	5,895.0	5,848.0	-0.37%
Unemployment (000).....	312.0	286.0	275.0	342.0	519.0	534.0	11.35%
Unemployment Rate	5.0	4.5	4.3	5.3	8.1	8.4	

⁽¹⁾As of October 2010.

Source: Labor Market Analysis, Pennsylvania Office of Employment Security.

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

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

	<u>1990</u>	<u>2000</u>	Compound Average Annual Percentage Change <u>1990-2000</u>
<i>School District</i>	\$ 6,108	\$14,827	9.27%
Clearfield County.....	6,027	16,010	10.26%
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 and the U.S. Bureau of the Census, Pennsylvania State Data Center-1990 & 2000 General Housing and Population: Pennsylvania.

Commercial Activity

Most of the residential shopping is done in shopping malls in and around the borough of Clearfield or in nearby DuBois.

Table A-6 presents total retail sales over the five years 2005-2009 for Clearfield County and for the Commonwealth.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Clearfield County.....	1,022,657	1,175,989	1,271,998	1,304,358	1,151,646
Pennsylvania.....	166,183,066	185,507,879	195,558,005	N/R	180,948,327

N/R: Not Reported.

Source: Sales and Marketing Management Magazine

Housing

According to 2000 census figures there were 3,383 housing units in School District, as opposed to 3,180 in 1990. This represents an increase of 203 housing units within the School District. 2000 census figures for Clearfield County showed 37,855 housing units, as opposed to 34,300 in 1990. This represents an increase of 3,555 housing units within the County.

Transportation Facilities

Clearfield County is served by about 42 miles of Interstate Highway 80, about 890 miles of State and Federal Highways, and about 570 miles of secondary and municipal roads. Interstate 80, U.S. Route 322, state routes 153, 879, and 970 traverse the School District. The Clearfield Airport accommodates charter and company aircraft. Capital Trailways buses connect daily with several major metropolitan areas.

Medical Facilities

Three hospitals serve the local area: Clearfield Hospital in Clearfield, DuBois Regional Medical Center (DRMC East) and DuBois Regional Medical Center (DRMC West) in DuBois. The DRMC East and West Medical Center hospitals employ approximately 400 area residents.

Educational Institutions

Located in Clearfield is the Clearfield Campus of Lock Haven University. Located in Clearfield County is the Pennsylvania State University's DuBois Campus in DuBois, Pennsylvania, about 20 miles west of the School District. Pennsylvania State University's main campus in State College, Pennsylvania is about 45 miles east of the School District. Clarion State University in Clarion, Pennsylvania is about 40 miles west of the County. Indiana University of Pennsylvania in Indiana, Pennsylvania is about 40 miles southwest of the County.

Utilities

Electric: Electrical services are provided by GPU Energy.

Telephone: Residents of the School District receive their telephone service from Verizon.

Water and Sewer: Residents are served primarily by on site water wells and sewer systems.

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APPENDIX B
Opinion of Bond Counsel

FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Eckert Seamans Cherin & Mellott, LLC, has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

We have acted as Bond Counsel in connection with the issuance by the Curwensville Area School District (the "Issuer") located in the County of Clearfield, Pennsylvania, of \$7,355,000* aggregate principal amount General Obligation Bonds, Series of 2011 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, except to the extent, if any, stated in the Official Statement, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Issuer.
2. The Issuer has effectively covenanted to include the amount of the debt service on the Bonds for each fiscal year in which such sums are due in its budget for that year, to appropriate such amounts to the payment of debt service, and to punctually pay or cause to be paid the principal of the Bonds and the interest thereon at the dates and places and in the manner stated in the Bonds.
3. The interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of original issue discount with respect to a Bond allocable to an owner of the Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption or other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. The Issuer has designated the Bonds as Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of

the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from Pennsylvania state and local personal income tax.

5. Under the Probate, Estates and Fiduciaries Code of Pennsylvania (the “PEF Code”), the Bonds are authorized investments for fiduciaries and personal representatives, as defined in said PEF Code, in Pennsylvania.

6. The offering and sale of the Bonds is exempt from registration under the Securities Act of 1933 and Pennsylvania securities law, and neither the Issuer’s Resolution adopted January 17, 2011 authorizing the issuance of the Bonds nor any other document relating to the issuance of the Bonds need be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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APPENDIX C
Audited Financial Statement

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

AUDITOR'S REPORT
June 30, 2009

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

JUNE 30, 2009

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Walter Hopkins 1927 - 1981
Frank W. Fulton, CPA 1947 - 1978
Robert L. Mitchell, CPA 1951 - 1993
Samuel P. Bachelier 1957 - 1995

Francis H. Elensky, CPA
Fred C. Lucas, Jr., CPA
John H. Musser, CPA

Katherine B. Eckley, CPA
Erik J. Elensky, CPA
Matthew T. Foster, CPA, MBA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Curwensville Area School District
Curwensville, Pennsylvania

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010, on our consideration of the Curwensville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on the compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 22 and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Curwensville Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Curwensville Area School District. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Walter Hopkins & Company, L.L.P.
WALTER HOPKINS & COMPANY, L.L.P.

Clearfield, Pennsylvania
January 25, 2010

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CURWENSVILLE AREA SCHOOL DISTRICT
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EXHIBIT B
GT

NORMAN E. HATTEN
Superintendent

PAUL S. CARR
Business Manager

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2009

The discussion and analysis of Curwensville Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; although readers should review the independent Auditor's transmittal letter and notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Funds analyzed in this audit include:

- Major governmental activities including:
 - General Fund
 - Capital Project Fund #1432
- Major business-type activities:
 - Food Service fund
- Fiduciary funds:
 - Agency fund- Student activity accounts

Financial Highlights

The assets of the Curwensville Area School District exceeded its liabilities at the close of the most recent fiscal year by 5,729,083 (net assets government-wide). Of this amount, \$1,914,894 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. A reserve of the general fund unreserved fund balance in the amount of \$855,000 has been established to cover increases from special education \$75,000, health care coverage \$670,000 and transportation/energy related expenses \$110,000.

The governments total net assets increased by \$1,714,391. An increase in total net assets is one of the key indicators that a district is financially healthy.

As of the close of the current fiscal year, the Curwensville Area School district's governmental funds reported a combined ending fund balance of \$5,363,132, an increase of \$877,182 from the prior year. Approximately \$2,542,993 of this amount is available for spending at the government's discretion while \$1,958,139 must be used for capital projects in accordance with section 1432 of the municipal code and \$855,000 is reserved for increases in Special education, health care and transportation/energy related expenses.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The remaining statements are fund financial statements that focus on individual parts of the Districts Operations in more detail than the government-wide financial statements. The governmental fund statements tell how general District services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates similar to a business in the private sector, which for this District is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District act solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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

Government-wide Statements

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

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

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

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

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

Governmental Activities – All of the District’s basic services are included here, such as instruction, administration and student activities. Property taxes and state and federal subsidies as well as grants finance most of these activities.

Business-type Activities – The District operates a food service program and charges fees to staff, students and visitors to help cover the costs of operation.

Fund Financial Statements

The Districts fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond issue requirements.

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

Proprietary Funds – These funds are used to account for the District activities that are similar to business operations in the private sector: or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary Funds – The District is the trustee, or fiduciary, for the student activity funds maintained in the District. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations.

Government – Wide Financial Analysis

Assets, Liabilities and Net Assets – Government-Wide

The Districts total net assets were \$5,729,083 at June 30, 2009 compared to \$4,014,692 at June 30, 2008. Current assets represented approximately 72.0% of the total assets comprised primarily of cash and investments of \$6,399,534. Fixed assets including land, site and building improvements, furniture and equipment in the amount of \$2,786,050 represents 28.0% of total assets of \$9,933,382.

The total liability amount of \$4,204,299 consists primarily of bonds payable of \$1,785,000 and compensated absences of \$825,152 (62.08%).

Table 1 summarizes the net assets (Government Wide) of the district at June 30, 2009.

(See Attached Table 1)

Of the District's \$5,729,083 net assets, approximately \$1,001,050 (17.47%) is invested in capital assets (buildings, land, land improvements and equipment net of related debt). The remaining net assets are a combination of designated and undesignated amounts. The District has the following designated balances as of June 30, 2009 \$1,958,139 (34.18%) as restricted per capital projects and \$855,000 (14.92%) is to cover expected increases in special education, health coverage and transportation/energy related costs. Unrestricted funds decreased due to the transfer to the capital project fund. The unrestricted funds of \$1,914,894 (33.42%) can be used at the District's discretion.

Financial Analysis of the Government's Funds

As noted earlier, the Curwensville Area School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Curwensville Area School District's governmental funds is to provide information on the near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the Curwensville Area School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Curwensville Area School District's governmental funds reported combined ending fund balances of \$5,363,132 which is an increase of \$877,182, from the prior year.

The General Fund is the chief operating fund of the Curwensville Area School District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,542,993. As a measure of the General Fund's liquidity, it may be useful to compare the General Fund to total budgeted expenditures of the next fiscal year.

Revenue – Fund Financials

The revenue for the school district comes from local, state, and federal sources. During the 2008-09 fiscal year, \$3,506,278 local funds (24.8%), \$10,090,450 state funds (71.3%), and \$561,433 federal funds (3.9%) were received by the general fund. This is a total of \$14,158,161 as of June 30, 2009.

Local funding is primarily from real estate taxes, \$2,314,623 (66.01%), and earned income taxes, \$506,672 (14.45%). Delinquent taxes in the amount of \$227,659 (6.49%) were collected during the fiscal year.

Basic Educational Subsidy of \$7,088,370 makes up 70.2% of the total state subsidies received. It also represents 50.1% of the total revenue received by the school district.

Other significant receipts from the state include Transportation Subsidy, \$539,381; Special Education, \$722,765; Rental and Sinking fund Payments, \$517,597; Revenue for Social Security \$282,631; Retirement \$176,886; Accountability block Grant of \$233,911; Classrooms of the Future \$45,413; State Property Tax Reduction Allocation \$352,081.

Title I revenue for the education of disadvantaged children makes up the most significant portion of federal funds received in the amount of \$283,210.

Expenses

The receipt of the Accountability Block Grant has enabled us to maintain full-day kindergarten and small classroom size in our primary elementary grades. At the end of the 2008-2009 school year, we had six teachers retire from service and replaced them with younger teachers at a lower pay scale which helped to slow overall professional salaries.

Expenses for the 2008-2009 school year have remained approximately the same as the previous 2007-2008 school year.

Table 2 summarizes the changes in net assets (Government Wide) of the district for the year ended June 30, 2009:

(See Attached Table 2)

General Fund Budget

Table 3 breaks out expenditures per the fund financial statements with a comparison to the prior year as well as current year budget variances.

(See Attached Table 3)

Local revenues were budgeted conservatively due to the economy. However; collection during the 2008-2009 school year they have surpassed the projections in some area of \$153,070.

State revenue funding increase was due to the increase in basic education and special education funding for the 2008-2009 school year.

Federal revenue funding increased in title funding and the medical access reimbursement claimed for the 2008-2009 school year.

Regular educational programs decreased due to the retirement of teachers and replacing with younger staff. The change in vocational education and debt service are due to the reclassification of expenses on a debt at the Clearfield County Career and Technology Center. The decrease in the cost of fuel was a big factor in the estimation of the budget in this area. Land improvements occurred at Penn-Grampian with the roof replacement.

Capital Assets

The District completed a roof replacement with a warranty of 30 years at the Penn-Grampian Elementary at cost of \$179,000.

Debt Administration

As of July 1, 2008 the district had a total of bonds payable of \$2,540.00. During the year the district paid \$755,000 in principal and \$71,310 interest, with a balance due on the bonds payable of \$1,785,000 as of June 30, 2009.

Contacting the District Financial Management

The Curwensville Area School District financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report, please contact Paul S. Carr, Business Manager, Curwensville Area School District, 650 Beech Street, Curwensville, PA 16833, phone 814-236-1101 or email pcarr@curwensville.org.

TABLE 1 - NET ASSETS (GOVERNMENT WIDE) AS OF JUNE 30, 2009

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	
Assets							
Current Assets	\$ 6,930,201	\$ 6,079,651	\$ 217,131	\$ 179,087	\$ 7,147,332	\$ 6,258,738	\$ 888,594
Capital Assets	\$ 2,769,719	\$ 2,673,115	\$ 16,331	\$ 19,043	\$ 2,786,050	\$ 2,692,158	\$ 93,892
Total assets	\$ 9,699,920	\$ 8,752,766	\$ 233,462	\$ 198,130	\$ 9,933,382	\$ 8,950,896	\$ 982,486
Liabilities							
Current Liabilities	\$ 2,392,597	\$ 2,338,967	\$ 31,550	\$ 12,519	\$ 2,424,147	\$ 2,351,486	\$ 72,661
Long-term liabilities	\$ 1,762,022	\$ 2,568,608	\$ 18,130	\$ 16,110	\$ 1,780,152	\$ 2,584,718	\$ (804,566)
Total liabilities	\$ 4,154,619	\$ 4,907,575	\$ 49,680	\$ 28,629	\$ 4,204,299	\$ 4,936,204	\$ (731,905)
Net Assets							
Invested in capital assets net							
of related debt	\$ 984,719	\$ 133,115	\$ 16,331	\$ 19,043	\$ 1,001,050	\$ 152,158	\$ 848,892
Capital Projects	\$ 1,958,139	\$ 200,061	\$ -	\$ -	\$ 1,958,139	\$ 200,061	\$ 1,758,078
Other Restrictions - Rate							
Stablization	\$ 855,000	\$ 886,000	\$ -	\$ -	\$ 855,000	\$ 886,000	\$ (31,000)
Unrestricted	\$ 1,747,443	\$ 2,626,015	\$ 167,451	\$ 150,458	\$ 1,914,894	\$ 2,776,473	\$ (861,579)
Total Net Assets	\$ 5,545,301	\$ 3,845,191	\$ 183,782	\$ 169,501	\$ 5,729,083	\$ 4,014,692	\$ 1,714,391

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TABLE 2 - CHANGES IN NET ASSETS (GOVERNMENT WIDE) AS OF JUNE 30, 2009

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	
Program Revenues:							
Charges for services	\$ 86,292	\$ 77,653	\$ 259,575	\$ 257,888	\$ 345,867	\$ 335,541	\$ 10,326
Operating grants and contributions	\$ 2,916,163	\$ 3,034,692	\$ 292,506	\$ 281,288	\$ 3,208,669	\$ 3,315,980	\$ (107,311)
Capital grants and contributions	\$ 517,597	\$ 662,827	\$ -	\$ -	\$ 517,597	\$ 662,827	\$ (145,230)
General Revenues:							
Property taxes	\$ 2,888,978	\$ 2,684,475			\$ 2,888,978	\$ 2,684,475	\$ 204,503
Public Utility, Earned Income and per capita taxes	\$ 544,052	\$ 521,488			\$ 544,052	\$ 521,488	\$ 22,564
Grants, subsidies, contributions not restricted	\$ 7,088,370	\$ 6,882,170			\$ 7,088,370	\$ 6,882,170	\$ 206,200
Investment earnings	\$ 102,222	\$ 222,115	\$ 5,245	\$ 9,085	\$ 107,467	\$ 231,200	\$ (123,733)
Other	\$ 12,305	\$ 43,362	\$ -	\$ 752	\$ 12,305	\$ 44,114	\$ (31,809)
Total Revenues	\$ 14,155,979	\$ 14,128,782	\$ 557,326	\$ 549,013	\$ 14,713,305	\$ 14,677,795	\$ 35,510
Program Expenses:							
Instruction	\$ 8,001,933	\$ 7,402,588			\$ 8,001,933	\$ 7,402,588	\$ 599,345
Support Services:							
Instructional student support	\$ 864,939	\$ 1,098,942			\$ 864,939	\$ 1,098,942	\$ (234,003)
Administrative and Financial support services	\$ 1,343,500	\$ 1,307,998			\$ 1,343,500	\$ 1,307,998	\$ 35,502
Operation and maintenance	\$ 1,186,878	\$ 1,060,026			\$ 1,186,878	\$ 1,060,026	\$ 126,852
Pupil transportation	\$ 664,542	\$ 665,168			\$ 664,542	\$ 665,168	\$ (626)
Student activities	\$ 310,749	\$ 303,264			\$ 310,749	\$ 303,264	\$ 7,485
Community Services	\$ 2,810	\$ 5,285			\$ 2,810	\$ 5,285	\$ (2,475)
Depreciation Expense	\$ 9,208	\$ 7,701			\$ 9,208	\$ 7,701	\$ 1,507
Interest on long-term debt	\$ 71,310	\$ 120,840			\$ 71,310	\$ 120,840	\$ (49,530)
Food Service			\$ 543,045	\$ 593,059	\$ 543,045	\$ 593,059	\$ (50,014)
Total Expenses	\$ 12,455,869	\$ 11,971,812	\$ 543,045	\$ 593,059	\$ 12,998,914	\$ 12,564,871	\$ 434,043
Increase in net assets before transfers	\$ 1,700,110	\$ 2,156,970	\$ 14,281	\$ (44,046)	\$ 1,714,391	\$ 2,112,924	\$ (398,533)
Transfers	\$ -	\$ 6,712	\$ -	\$ (6,712)	\$ -	\$ -	\$ -
Increase in net assets	\$ 1,700,110	\$ 2,150,258	\$ 14,281	\$ (37,334)	\$ 1,714,391	\$ 2,112,924	\$ (398,533)

TABLE 3 - CURRENT & PRIOR YEAR BUDGET VARIANCES AS OF JUNE 30, 2009						
Function	Description	2008-2009		2007-2008		Amount (Over)/Under Budget
		Expenditures	Expenditures	Expenditures	From P/Y	
						% Change
1100	Regular Educational Program	\$ 5,248,293	\$ 5,215,867	\$ 32,426		0.6%
1200	Special Programs	\$ 1,655,106	\$ 1,517,132	\$ 137,974		9.1%
1300	Vocational Education	\$ 780,159	\$ 763,757	\$ 16,402		2.1%
1400	Other Instructional Programs	\$ 112,617	\$ 150,241	\$ (37,624)		-25.0%
2100	Support Services - Pupil	\$ 332,455	\$ 378,154	\$ (45,699)		-12.1%
2200	Support Services - Instr. Staff	\$ 514,992	\$ 628,354	\$ (113,362)		-18.0%
2300	Support Services - Admin.	\$ 1,026,776	\$ 1,026,530	\$ 246		0.0%
2400	Support Services - Pupil Health	\$ 120,082	\$ 121,685	\$ (1,603)		-1.3%
2500	Support Services - Business	\$ 265,112	\$ 259,793	\$ 5,319		2.0%
2600	Operation and Maintenance	\$ 1,159,945	\$ 1,057,107	\$ 102,838		9.7%
2700	Student Transportation Ser.	\$ 649,196	\$ 652,331	\$ (3,135)		-0.5%
2800	Support Services - Central	\$ 5,050	\$ 4,774	\$ 276		5.8%
3200	Student Activities	\$ 319,910	\$ 310,794	\$ 9,116		2.9%
3300	Community Services	\$ 2,810	\$ 5,285	\$ (2,475)		-46.8%
3400	Scholarships and Awards	\$ (3,250)	\$ -	\$ (3,250)		100.0%
4200	Land Improvements	\$ 202,957	\$ 139,628	\$ 63,329		45.4%
4400	Architect & Engineer Services	\$ 61,037	\$ 9,439	\$ 51,598		546.6%
4600	Building Improvements	\$ 4,500	\$ 98,000	\$ (93,500)		-95.4%
5100	Debt Service	\$ 826,310	\$ 1,075,865	\$ (249,555)		-23.2%
5130	Refund Prior Yr. Receipts	\$ -	\$ 24,975	\$ (24,975)		-100.0%
	Total	\$ 13,284,057	\$ 13,439,711	\$ (155,655)		-1.2%
6000	Local Sources	\$ 3,506,278	\$ 3,756,172	\$ (249,894)		-6.7%
7000	State Sources	\$ 10,090,450	\$ 9,852,247	\$ 238,203		2.4%
8000	Federal Sources	\$ 561,433	\$ 499,848	\$ 61,585		12.3%
	Total	\$ 14,158,161	\$ 14,108,267	\$ 49,894		0.4%
	Inter Fund Transfers	\$ (1,755,000)	\$ 206,712	\$ (1,961,712)		-949.0%
	Sale of Assets	\$ -	\$ (1,637)	\$ 1,637		-100.0%
	Net Change	\$ 2,629,104	\$ 463,481	\$ 2,165,623		-467.2%
						\$ 1,033,916
						\$ 153,070
						\$ 159,808
						\$ 206,306
						\$ (519,184)
						\$ 5,000
						\$ 1,548,100

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Current assets:			
Cash and cash equivalents	\$ 216,660	\$ 17,594	\$ 234,254
Investments	5,988,576	176,704	6,165,280
Taxes receivable - net	101,250	0	101,250
Internal balances	25,937	0	25,937
State revenue receivable	95,312	370	95,682
Federal revenue receivable	186,725	3,441	190,166
Other receivables	315,741	184	315,925
Inventories	0	18,838	18,838
	<u>6,930,201</u>	<u>217,131</u>	<u>7,147,332</u>
Total Current Assets			
Noncurrent Assets:			
Site improvements (net of accumulated depreciation)	381,430	0	381,430
Building and building improvements (net of accumulated depreciation)	2,071,554	0	2,071,554
Furniture and equipment (net of accumulated depreciation)	316,735	16,331	333,066
	<u>2,769,719</u>	<u>16,331</u>	<u>2,786,050</u>
Total Noncurrent Assets			
<u>TOTAL ASSETS</u>	<u>\$ 9,699,920</u>	<u>\$ 233,462</u>	<u>\$ 9,933,382</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>LIABILITIES:</u>			
Current liabilities:			
Internal balances	\$ 0	\$ 25,937	\$ 25,937
Accounts payable	339,512	0	339,512
Current portion of long-term debt (net)	830,000	0	830,000
Accrued salaries and benefits	1,191,204	0	1,191,204
Deferred revenues	31,881	5,613	37,494
	<u>2,392,597</u>	<u>31,550</u>	<u>2,424,147</u>
Total Current Liabilities			
Noncurrent liabilities:			
Bonds payable (net)	955,000	0	955,000
Long-term portion of compensated absences	807,022	18,130	825,152
	<u>1,762,022</u>	<u>18,130</u>	<u>1,780,152</u>
Total Noncurrent Liabilities			
	<u>4,154,619</u>	<u>49,680</u>	<u>4,204,299</u>
<u>TOTAL LIABILITIES</u>			
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	984,719	16,331	1,001,050
Restricted	1,958,139	0	1,958,139
Unrestricted	2,602,443	167,451	2,769,894
	<u>5,545,301</u>	<u>183,782</u>	<u>5,729,083</u>
<u>TOTAL NET ASSETS</u>			
	<u>\$ 9,699,920</u>	<u>\$ 233,462</u>	<u>\$ 9,933,382</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>			

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges For Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 8,001,933	\$ 0	\$ 49,011	\$ 2,024,047	\$ 0
Instructional student support	864,939	0	0	241,028	0
Administrative and financial support services	1,343,500	0	0	68,839	0
Operation and maintenance of plant services	1,186,878	0	1,680	32,166	0
Pupil transportation	664,542	0	0	539,382	0
Student activities	310,749	0	35,601	9,191	0
Community services	2,810	0	0	1,510	0
Interest on long-term debt	71,310	0	0	0	517,597
Unallocated depreciation expense	9,208	0	0	0	0
Total Governmental Activities	12,455,869	0	86,292	2,916,163	517,597
Business-Type Activities:					
Food services	543,045	0	259,575	292,506	0
Total Primary Government	\$ 12,998,914	\$ 0	\$ 345,867	\$ 3,208,669	\$ 517,597
General Revenues:					
Taxes:					
Property taxes, levied for general purposes, net					
Public utility realty, earned income and per capita taxes levied for general purposes, net					
Grants, subsidies, and contributions not restricted					
Investment earnings					
Miscellaneous income					
Transfers					
Total General Revenues, Special Items, Extraordinary Items and Transfers					
Changes in Net Assets					
Net Assets - July 1, 2008					
Net Assets - June 30, 2009					

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (5,928,875)	\$ 0	\$ (5,928,875)
(623,911)	0	(623,911)
(1,274,661)	0	(1,274,661)
(1,153,032)	0	(1,153,032)
(125,160)	0	(125,160)
(265,957)	0	(265,957)
(1,300)	0	(1,300)
446,287	0	446,287
(9,208)	0	(9,208)
<u>(8,935,817)</u>	<u>0</u>	<u>(8,935,817)</u>
0	9,036	9,036
<u>(8,935,817)</u>	<u>9,036</u>	<u>(8,926,781)</u>
2,888,978	0	2,888,978
		0
		0
544,052	0	544,052
		0
7,088,370	0	7,088,370
102,222	5,245	107,467
12,305	0	12,305
<u>0</u>	<u>0</u>	<u>0</u>
<u>10,635,927</u>	<u>5,245</u>	<u>10,641,172</u>
1,700,110	14,281	1,714,391
3,845,191	169,501	4,014,692
<u>\$ 5,545,301</u>	<u>\$ 183,782</u>	<u>\$ 5,729,083</u>

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Major Fund Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 216,660	\$ 0	\$ 216,660
Investments	4,030,437	1,958,139	5,988,576
Taxes receivable (net)	103,316	0	103,316
Due from other funds	25,937	0	25,937
State revenue receivable	95,312	0	95,312
Federal revenue receivable	186,725	0	186,725
Other receivables	315,741	0	315,741
Inventories	7,000	0	7,000
	<u>4,981,128</u>	<u>1,958,139</u>	<u>6,939,267</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,981,128</u>	<u>\$ 1,958,139</u>	<u>\$ 6,939,267</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 339,512	\$ 0	\$ 339,512
Accrued salaries and benefits	1,191,204	0	1,191,204
Deferred revenues	45,419	0	45,419
	<u>1,576,135</u>	<u>0</u>	<u>1,576,135</u>
<u>TOTAL LIABILITIES</u>	<u>1,576,135</u>	<u>0</u>	<u>1,576,135</u>
<u>FUND BALANCES:</u>			
Reserve for inventories	7,000	0	7,000
Reserve for capital projects	0	1,958,139	1,958,139
Unreserved - designated	855,000	0	855,000
Unreserved-undesignated	2,542,993	0	2,542,993
	<u>3,404,993</u>	<u>1,958,139</u>	<u>5,363,132</u>
<u>TOTAL FUND BALANCES</u>	<u>3,404,993</u>	<u>1,958,139</u>	<u>5,363,132</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 4,981,128</u>	<u>\$ 1,958,139</u>	<u>\$ 6,939,267</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		\$ 5,363,132
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$12,764,873, and the accumulated depreciation is \$9,995,154.		2,769,719
Property taxes receivable were not collected this year and available to pay for the current period's expenditures, and therefore were deferred in the funds.		13,538
Establish allowance for doubtful accounts - property taxes receivable		(2,066)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$ (1,785,000)	
Compensated absences	<u>(807,022)</u>	(2,592,022)
The governmental funds had previously booked a constant inventory of \$7,000. However, the district feels the inventory will be immaterial in amount and has decided to remove it from the statement of net assets.		<u>(7,000)</u>
<u>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</u>		<u>\$ 5,545,301</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Major Fund Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>			
Local sources	\$ 3,506,278	\$ 3,078	\$ 3,509,356
State sources	10,090,450	0	10,090,450
Federal sources	561,433	0	561,433
	<u>14,158,161</u>	<u>3,078</u>	<u>14,161,239</u>
<u>EXPENDITURES:</u>			
Current:			
Instruction	7,796,175	0	7,796,175
Support services	4,073,608	0	4,073,608
Noninstructional services	319,470	0	319,470
	<u>12,189,253</u>	<u>0</u>	<u>12,189,253</u>
Capital Outlay:			
Facilities acquisitions, construction and improvement services	268,494	0	268,494
Debt Service:			
Principal	755,000	0	755,000
Interest and fiscal charges	71,310	0	71,310
	<u>826,310</u>	<u>0</u>	<u>826,310</u>
<u>TOTAL EXPENDITURES</u>	<u>13,284,057</u>	<u>0</u>	<u>13,284,057</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>874,104</u>	<u>3,078</u>	<u>877,182</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Major Fund Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (BROUGHT FORWARD)</u>	874,104	3,078	877,182
<u>OTHER FINANCING SOURCES (USES):</u>			
Interfund transfers	<u>(1,755,000)</u>	<u>1,755,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	(880,896)	1,758,078	877,182
FUND BALANCE - JULY 1, 2008	<u>4,285,889</u>	<u>200,061</u>	<u>4,485,950</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 3,404,993</u>	<u>\$ 1,958,139</u>	<u>\$ 5,363,132</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Total net change in fund balance - governmental funds	\$	877,182
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeds depreciation

expense in the period. Capital outlays	\$ 403,531	
Depreciation expense	\$ (306,927)	96,604

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.

(5,262)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

755,000

In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

(23,414)

Change in net assets of governmental activities

\$ 1,700,110

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	<u>Food Service</u>
<u>ASSETS:</u>	
Current assets:	
Cash	\$ 17,594
Investments	176,704
State revenue receivable	370
Federal revenue receivable	3,441
Other receivables	184
Inventories	<u>18,838</u>
Total Current Assets	<u>217,131</u>
Noncurrent assets:	
Furniture and equipment (net of accumulated depreciation)	<u>16,331</u>
<u>TOTAL ASSETS</u>	<u>\$ 233,462</u>
<u>LIABILITIES:</u>	
Current liabilities:	
Due to other funds	\$ 25,937
Deferred revenues	<u>5,613</u>
Total Current Liabilities	<u>31,550</u>
Long-term liabilities:	
Long-term portion of compensated absences	<u>18,130</u>
<u>TOTAL LIABILITIES</u>	<u>49,680</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	16,331
Unrestricted	<u>167,451</u>
<u>TOTAL NET ASSETS</u>	<u>183,782</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 233,462</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Food Service</u>
<u>OPERATING REVENUES:</u>	
Food service revenue	\$ <u>259,575</u>
<u>OPERATING EXPENSES:</u>	
Salaries	195,345
Employee benefits	67,178
Purchased property services	7,565
Other purchased service	133
Supplies	260,580
Depreciation	2,712
Dues and fees	479
Other operating expenditures	<u>9,053</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>543,045</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(283,470)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Earnings on investments	5,245
State sources	37,657
Federal sources	<u>254,849</u>
<u>TOTAL NONOPERATING REVENUES (EXPENSES)</u>	<u>297,751</u>
<u>CHANGE IN NET ASSETS</u>	14,281
<u>TOTAL NET ASSETS - JULY 1, 2008</u>	<u>169,501</u>
<u>TOTAL NET ASSETS - JUNE 30, 2009</u>	<u>\$ <u>183,782</u></u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Food Service</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received from users	\$ 265,935
Cash payments to employees for services	(260,503)
Cash payments to suppliers for goods and services	<u>(266,119)</u>
<u>NET CASH (USED FOR) OPERATING ACTIVITIES</u>	<u>(260,687)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
State sources	37,657
Federal sources	<u>254,849</u>
<u>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</u>	<u>292,506</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Earnings on investments	5,245
Withdrawal of investments	<u>(21,319)</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>(16,074)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	15,745
<u>CASH - JULY 1, 2008</u>	<u>1,849</u>
<u>CASH - JUNE 30, 2009</u>	<u>\$ 17,594</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Food Service</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
<u>OPERATING INCOME (LOSS)</u>	\$ <u>(283,470)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	2,712
Other adjustments	2,020
(Increase) decrease in accounts receivable	6,217
(Increase) decrease in inventories	(7,197)
Increase (decrease) due to other funds	18,888
Increase (decrease) in deferred revenue	<u>143</u>
<u>TOTAL ADJUSTMENTS</u>	<u>22,783</u>
<u>NET CASH (USED FOR) OPERATING ACTIVITIES</u>	\$ <u><u>(260,687)</u></u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Activity Fund</u>
<u>ASSETS:</u>	
Cash	\$ 4,918
Investments	<u>20,012</u>
<u>TOTAL ASSETS</u>	<u>\$ 24,930</u>
<u>LIABILITIES</u>	<u>\$ 24,930</u>
<u>NET ASSETS</u>	<u>0</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 24,930</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Local sources	\$ 3,353,208	\$ 3,353,208	\$ 3,506,278	\$ 153,070
State program sources	9,930,642	9,930,642	10,090,450	159,808
Federal program sources	355,127	355,127	561,433	206,306
	<u>13,638,977</u>	<u>13,638,977</u>	<u>14,158,161</u>	<u>519,184</u>
<u>TOTAL REVENUES</u>				
<u>EXPENDITURES:</u>				
Current:				
Regular programs	6,063,966	6,063,966	5,248,293	815,673
Special programs	1,637,163	1,637,163	1,655,106	(17,943)
Vocational programs	681,722	681,722	780,159	(98,437)
Other instructional programs	82,221	82,221	112,617	(30,396)

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Support services:				
Pupil personnel services	\$ 323,091	\$ 325,887	\$ 332,455	\$ (6,568)
Instructional staff services	470,667	470,667	514,992	(44,325)
Administrative services	1,067,195	1,067,195	1,026,776	40,419
Pupil health	108,578	108,578	120,082	(11,504)
Business services	238,924	238,924	265,112	(26,188)
Operation and maintenance of plant services	1,257,837	1,257,837	1,159,945	97,892
Student transportation services	765,400	765,400	649,196	116,204
Central and other support services	8,591	5,795	5,050	745
Operation of noninstructional services:				
Student activities	343,846	343,846	319,910	23,936
Community services	6,500	6,500	2,810	3,690
Scholarships and awards	0	0	(3,250)	3,250
Facility acquisition, constr. and improv.	349,000	349,000	268,494	80,506
Debt service	913,272	913,272	826,310	86,962
<u>TOTAL EXPENDITURES</u>	<u>14,317,973</u>	<u>14,317,973</u>	<u>13,284,057</u>	<u>1,033,916</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>(678,996)</u>	<u>(678,996)</u>	<u>874,104</u>	<u>1,553,100</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Interfund transfers	(1,750,000)	(1,750,000)	(1,755,000)	(5,000)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,755,000)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCES	1,071,004	1,071,004	2,629,104	1,548,100
FUND BALANCE - JULY 1, 2008	3,469,730	3,469,730	4,285,889	4,285,889
FUND BALANCE - JUNE 30, 2009	\$ <u>4,540,734</u>	\$ <u>4,540,734</u>	\$ <u>6,914,993</u>	\$ <u>5,833,989</u>

The accompanying notes are an integral part of these financial statements.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – REPORTING ENTITY:

The Board of Directors, a nine member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the local independent school district. The board receives funding from local, state and federal government sources and must comply within the concomitant requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Curwensville Area School District provides public education services to residents of Clearfield County. The district operates a junior-senior high school located in Curwensville, Pennsylvania and two elementary schools located in Curwensville and Grampian, Pennsylvania, respectively. Total enrollment for grades K – 12 for the 2008 – 2009 school year approximated 1,159 students.

Jointly Governed Organizations:

Curwensville Area School District and five neighboring districts jointly participate in the operation of the Clearfield County Career and Technology Center. The purpose of the Clearfield County Career and Technology Center (CCCTC) is to provide students with training in various fields of education. The Clearfield County Career and Technology Center Board is comprised of one member from each sponsoring school for a total of six with another member from each school as alternates. This board, called the Joint Operating Committee is the governing board for policy making decisions. The Clearfield County Career and Technology Center receives its funding for operations from the member schools based on the number of students in attendance times the money needed to operate. During the year ended June 30, 2009, the Curwensville Area School District paid the Clearfield County Career and Technology Center \$363,580 for operating expenses. The results of the operation of the Clearfield County Career and Technology Center are not included with the audit report of the Curwensville Area School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Curwensville Area School District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Fund Accounting:

The accounts of the school district are organized on the basis of fund or account groups each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenue and expenditures or expenses. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the school district:

Governmental Funds:

General Fund -

The General Fund is the general operating fund of the school district. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Special Revenue Fund -

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This fund type includes the Capital Reserve Fund. The Capital Reserve Fund is a major fund.

Capital Project Fund -

The acquisition or construction of major capital facilities and the receipt and disbursements of monies for the same are accounted for in the Capital Project Fund(s).

Capital Project Funds are used when projects are financed partially or wholly by bond issues, intergovernmental revenues or major private donation. They are also useful for projects financed by current revenues from more than one fund or extending longer than a year.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal and interest.

Proprietary Funds:

Enterprise Fund -

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services to the general public are financed or recovered primarily through user charges. The enterprise fund is used to account for the operation of the cafeteria.

Fiduciary Funds:

Agency Funds -

Agency Funds are used to account for assets held by the school district in a trustee capacity or as an agency for individuals, private organizations, other governmental units and funds. The agency fund is used to account for the operation of the student activity accounts of the district.

B. Basis of Presentation:

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school district. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds, if applicable, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

The general fund is the district's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The capital reserve fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

C. Measurement Focus and Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets and Budgetary Accounting:

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The budget for the year ended June 30, 2009 was approved by the Board of Directors on June 16, 2008 in the amount of \$16,067,973 with a tax millage of 68.1600 mills for Clearfield County.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

E. Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

F. Inventories:

On government-wide financial statements, the district feels the inventory will be immaterial in amount and has decided to remove it from the statement of net assets.

Inventories in governmental funds are stated at cost by the first-in first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has an inventory balance as of June 30, 2009.

A physical inventory of the Cafeteria Fund food and supplies was taken as of June 30, 2009. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

G. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
-----	-----
Buildings	50
Building improvements	20 to 50
Land improvements	20
Furniture	20
Equipment	5 to 20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years at the rate of 8.33% per year.

H. Long-Term Obligations:

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

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

I. Statement of Cash Flows:

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

J. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Proprietary Fund FASB Usage:

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

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2009 as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 239,172
Carrying amount of investments	<u>6,185,292</u>
Total cash and investments	<u>\$6,424,464</u>
General fund	\$4,247,097
Capital reserve fund	1,958,139
Proprietary fund	194,298
Fiduciary fund	<u>24,930</u>
Total cash and investments	<u>\$6,424,464</u>

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposits. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the District adheres to state statutes and prudent business practice. Governmental Funds amounts are either maintained in demand deposits, highly liquid money market funds, or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and are captioned as "Cash and cash equivalents" and "Investments" in the Balance Sheet. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

Deposits:

At June 30, 2009 the District's carrying amount of bank deposits was \$239,047 and the bank balance was \$454,894. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$204,894 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the financial institutions to pool collateral for all government deposits and have the deposits held by an approved custodian in the financial institutions name.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk for deposits.

Investments:

At June 30, 2009 the investments of the District can be separated into two different categories. Category 1 is investments that are insured or registered, or held by the District's agent in the District's name. Category 2 is investments that are not insured or collateralized in the District's name but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by investing in instruments that provide a reasonable rate of return.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its exposure to credit risk by selecting investments that are either insured or collateralized under Act 72 of the Pennsylvania State Legislature.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy states that all shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as well as having a high priority of safety of principal. The District currently has no other restrictions or limits on the amount it may invest in any one user.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with its policy of only investing in investments as defined in Section 440.1 of the school code as amended. The District places no other limits on the amount of investments held by counterparties.

NOTE 4 – REAL ESTATE AND PER CAPITA TAXES AND DEFERRED REVENUE:

Real Estate Property Taxes:

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are collected at a 2% discount through October 15; face amount due from October 16 through December 15; and 10% penalty added after December 15. The County Assessment Office calculates the yearly tax levy and distributes the individual tax duplicates to the school district's appointed tax collectors. The tax collectors are responsible for tax collections. Tax revenues are recognized in the period in which they are remitted by the tax collectors.

The school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the government-wide financial statements.

The balances at June 30, 2009 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible
	<u> </u>	<u> </u>	<u> </u>
Real Estate	\$103,316	\$2,066	\$101,250

The deferred revenue balance in the governmental activities consists entirely of deferred taxes in the amount of \$31,881.

The deferred revenue balance in business-type activities of \$5,613 consists entirely of prepaid student and adult meals.

NOTE 5 – CHANGES IN CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital Assets Being Depreciated				
Site Improvements	\$ 1,243,766	17,700	\$ 0	\$ 1,261,466
Building and Building Improvements	9,121,524	250,794	0	9,372,318
Furniture and Equipment	<u>1,996,052</u>	<u>135,037</u>	<u>0</u>	<u>2,131,089</u>
Total Assets Being Depreciated	<u>12,361,342</u>	<u>403,531</u>	<u>0</u>	<u>12,764,873</u>
Less Accumulated Depreciation For:				
Site Improvements	858,944	21,092	0	880,036
Building and Building Improvements	7,155,363	145,401	0	7,300,764
Furniture and Equipment	<u>1,673,920</u>	<u>140,434</u>	<u>0</u>	<u>1,814,354</u>
Total Accumulated Depreciation	<u>9,688,227</u>	<u>306,927</u>	<u>0</u>	<u>9,995,154</u>
Total Capital Assets Being Depreciated, Net	<u>2,673,115</u>	<u>96,604</u>	<u>0</u>	<u>2,769,719</u>
Governmental Activities, Capital Assets, Net	<u>\$ 2,673,115</u>	<u>\$ 96,604</u>	<u>\$ 0</u>	<u>\$ 2,769,719</u>
Business-Type Activities:				
Capital Assets Being Depreciated				
Equipment	\$ 136,805	\$ 0	\$ 0	\$ 136,805
Total Capital Assets Being Depreciated	<u>136,805</u>	<u>0</u>	<u>0</u>	<u>136,805</u>
Less Accumulated Depreciation For:				
Equipment	<u>117,762</u>	<u>2,712</u>	<u>0</u>	<u>120,474</u>
Total Accumulated Depreciation	<u>117,762</u>	<u>2,712</u>	<u>0</u>	<u>120,474</u>
Total Capital Assets Being Depreciated, Net	<u>19,043</u>	<u>(2,712)</u>	<u>0</u>	<u>16,331</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,043</u>	<u>\$ (2,712)</u>	<u>\$ 0</u>	<u>\$ 16,331</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instructional services	\$196,434
Support services	101,285
Unallocated depreciation expense	<u>9,208</u>
Total depreciation expense – governmental activities	<u>\$306,927</u>
Business-type Activities:	
Cafeteria	\$ <u>2,712</u>
Total Depreciation expense – business-type activities	<u>\$ <u>2,712</u></u>

NOTE 6 – GENERAL LONG-TERM DEBT:

On December 3, 2002 the School District issued the General Obligation Bonds, Series of 2002, in the principal amount of \$6,845,000. Proceeds of the bonds were used to refund the School District's outstanding General Obligation Bonds, Series A of 1998, in the amount of \$6,335,000 and the General Obligation Bonds, Series AA of 1998, in the amount of \$465,000 as well as pay the costs and expenses related to the issuance of the bonds. The Series of 2002 Bonds have a scheduled maturity of September 1, 2010 and have varying interest rates ranging from 2.00 to 3.50 percent depending upon maturity.

The following is the bond maturity schedule and the applicable interest rates:

\$6,845,000 – General Obligation Bonds, Series of 2002

September 1	Amount	Interest Rate
2009	\$830,000	3.20
2010	\$955,000	3.50

The following is a schedule of the debt activity during fiscal year ended June 30, 2009:

	G.O.B. Series of 2002
Balance July 1, 2008	\$2,540,000
Debt issued	0
Principal paid	<u>(755,000)</u>
Balance June 30, 2009	<u>\$1,785,000</u>

The following is a schedule of the annual requirements to amortize the school district's debt, including interest:

Year Ending June 30	Principal	Interest	Total
2010	\$ 830,000	\$46,705	\$ 876,705
2011	<u>955,000</u>	<u>16,712</u>	<u>971,712</u>
	<u>\$1,785,000</u>	<u>\$63,417</u>	<u>\$1,848,417</u>

Compensated Absences:

Under the system of financial accounting and reporting for Pennsylvania School Systems, the School District accrues for certain accumulated employee benefits, such as unpaid vacation and sick pay. Calculation of this amount is determined by the appropriate vacation, sick and retirement lump-sum payments which would be available to employees if they would leave or retire from the School District and is adjusted for expected turnover rates of employees. Accrued benefit days, multiplied by appropriate salary amounts, are reflected as a noncurrent liability unless retirements are likely within the upcoming fiscal year. Those costs are reflected as a liability of the General Fund under Governmental Activities and the Cafeteria Fund under Business-Type Activities at June 30, 2009 and totaled \$807,022 and \$18,130, respectively.

NOTE 7 – RETIREMENT PLAN:

Substantially all employees of the school are participating members of the Public School Employees' Retirement System (P.S.E.R.S.), a multiple-employer public employee retirement system. Total school contribution for the year ended June 30, 2009, was \$292,278.

The following is a summary of the benefit and contribution provision of the retirement system as required by GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers.

Plan Description:

Name of Plan:

The Public School Employees' Retirement System (the System).

Type of Plan:

Governmental cost sharing multiple-employer defined benefit plan.

Benefits:

Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority:

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

Annual Financial Report:

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P. O. Box 125, Harrisburg PA 17108-0125. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy:

Authority:

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

Contribution Rates:

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive

as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2009, the rate of employer's contribution was 4.76 percent of covered payroll. The 4.76 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .76 percent for healthcare insurance premium assistance.

NOTE 8 – COMMITMENTS AND CONTINGENCIES:

Litigation:

The District is the defendant in a tax appeal litigation arising principally in the normal course of operations. In the opinion of the District, the outcome of this lawsuit will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for loss has been recorded.

Grant Programs:

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2009 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Risk Management:

The District is exposed to various losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. It is the policy of the Curwensville Area School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded coverage.

NOTE 9 – FUND BALANCE RESERVATIONS:

Management has designated a portion of its general fund balance in the amount of \$855,000 due to known anticipated increases in special education, healthcare benefit costs, and transportation and energy costs. The district also has restricted \$1,958,139 in its capital reserve fund for future capital improvements.

NOTE 10 – SUBSEQUENT EVENTS:

At its December 16, 2009 meeting, the Curwensville Area School District board of directors approved the resolution accepting the bid proposals for the alterations and additions to the Curwensville Area Elementary and High School and for the rehabilitation of the Penn-Grampian Elementary School as presented. The board further authorized the execution of the contracts with the successful bidders upon receipt of PlanCon Part F approval from the Pennsylvania Department of Education. The project is expected to cost approximately \$26,000,000. The District expects to finance this project through a bond issue of between \$20,000,000 and \$23,000,000 with a \$644,280 general obligation note for 10 years at 1% from the local government debt account with the remainder of the monies to come from the District's Capital Reserve Fund. The District anticipates that this project will increase the taxpayers' real estate taxes by 21.15 mills over the next five years.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Curwensville Area School District
Curwensville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Curwensville Area School District, as of and for the year ended June 30, 2009, which collectively comprise the Curwensville Area School District's basic financial statements and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Curwensville Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Curwensville Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Curwensville Area School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Curwensville Area School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Curwensville Area School District's financial statements that is more than inconsequential will not be prevented or detected by the Curwensville Area School District's internal control. We consider finding number 2009-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Curwensville Area School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider finding number 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Curwensville Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


WALTER HOPKINS & COMPANY, L.L.P.

Clearfield, Pennsylvania
January 25, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Curwensville Area School District
Curwensville, Pennsylvania

Compliance

We have audited the compliance of Curwensville Area School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Curwensville Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Curwensville Area School District's management. Our responsibility is to express an opinion on Curwensville Area School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Curwensville Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Curwensville Area School District's compliance with those requirements.

In our opinion, Curwensville Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Curwensville Area School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Curwensville Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Curwensville Area School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a

federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walter Hopkins & Company, L.L.P.
WALTER HOPKINS & COMPANY, L.L.P.

Clearfield, Pennsylvania
January 25, 2010

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

Grantor Program Title	Federal Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date
<u>U. S. DEPARTMENT OF EDUCATION:</u>				
(Passed through the Pennsylvania Department of Education):				
Title I	Indirect	84.010	013-090110	July 1, 2008/ Sept. 30, 2009
Title I	Indirect	84.010	013-080110	July 1, 2007/ Sept. 30, 2008
Title I	Indirect	84.010	077-070110	July 1, 2007/ Sept. 30, 2008
Title I	Indirect	84.010	077-090110	July 1, 2008/ Sept. 30, 2009
Title II	Indirect	84.367	055-080110	July 1, 2007/ June 30, 2008
Title II	Indirect	84.367	020-090110	July 1, 2008/ Sept. 30, 2009
Title IIA	Indirect	84.367	020-080110	July 1, 2007/ Sept. 30, 2008
Title IID	Indirect	84.318	055-090110	July 1, 2008/ Sept. 30, 2009
Drug Free School	Indirect	84.186	100-090110	July 1, 2008/ Sept. 30, 2009
(Passed through C.I.U. #10):				
Special Education - IDEA	Indirect	84.027	062-09-0-010	July 1, 2008/ June 30, 2009
(Passed through C.I.U. #10):				
Special Education - IDEA	Indirect	84.027	062-08-0-010	July 1, 2007/ June 30, 2008
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>				

SCHEDULE 3

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
\$ 280,762	\$ 205,892	\$ 0	\$ 235,967	\$ 235,967	\$ 30,075
257,945	68,769	22,175	46,594	46,594	0
4,152	0	(649)	649	649	0
6,000	2,000	0	0	0	(2,000)
28,600	17,160	11,221	5,939	5,939	0
64,336	51,493	0	63,522	63,522	12,029
62,581	12,516	9,319	3,197	3,197	0
35,000	35,000	0	35,000	35,000	0
4,824	<u>4,824</u>	<u>0</u>	<u>4,824</u>	<u>4,824</u>	<u>0</u>
	<u>397,654</u>	<u>42,066</u>	<u>395,692</u>	<u>395,692</u>	<u>40,104</u>
161,438	121,080	0	161,438	161,438	40,358
155,035	<u>38,758</u>	<u>38,758</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>159,838</u>	<u>38,758</u>	<u>161,438</u>	<u>161,438</u>	<u>40,358</u>
	<u>557,492</u>	<u>80,824</u>	<u>557,130</u>	<u>557,130</u>	<u>80,462</u>

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

Grantor Program Title	Federal Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date
<u>U. S. DEPARTMENT OF AGRICULTURE:</u>				
(Passed through the Pennsylvania Department of Education):				
National School Lunch	Indirect	10.555		July 1, 2008/ June 30, 2009
National School Lunch	Indirect	10.555		July 1, 2007/ June 30, 2008
National School Lunch	Indirect	10.553		July 1, 2008/ June 30, 2009
National School Lunch	Indirect	10.553		July 1, 2007/ June 30, 2008
National School Lunch (State)	Indirect	N/A		July 1, 2008/ June 30, 2009
National School Lunch (State)	Indirect	N/A		July 1, 2007/ June 30, 2008
(Passed through the Pennsylvania Department of Agriculture):				
Value of USDA Donated Commodities	Indirect	10.550		July 1, 2008/ June 30, 2009
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
(Passed through the Pennsylvania Department of Public Welfare)				
Medical Assistance	Indirect	93.778		July 1, 2008/ June 30, 2009

TOTAL FEDERAL FINANCIAL ASSISTANCE

Footnotes:

- (a) Total amount of commodities received from Department of Agriculture.
- (b) Beginning inventory at July 1.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30.

SCHEDULE 3 (Continued)

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
\$	\$ 207,080	\$ 0	\$ 209,835	\$ 209,835	\$ 2,755
	2,287	2,287	0	0	0
	44,328	0	45,014	45,014	686
	547	547	0	0	0
	27,828	0	28,198	28,198	370
	324	324	0	0	0
	(a) <u>36,471</u>	(b) <u>0</u>	(c) <u>36,471</u>	(c) <u>36,471</u>	(d) <u>0</u>
	<u>318,865</u>	<u>3,158</u>	<u>319,518</u>	<u>319,518</u>	<u>3,811</u>
	<u>19,120</u>	<u>0</u>	<u>24,206</u>	<u>24,206</u>	<u>5,086</u>
\$	<u><u>895,477</u></u>	\$ <u><u>83,982</u></u>	\$ <u><u>900,854</u></u>	\$ <u><u>900,854</u></u>	\$ <u><u>89,359</u></u>

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Curwensville Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2 – STATE MATCHING FUNDS:

State matching funds for the National School Lunch Program are included in the Schedule of Federal Financial Assistance at the request of the Pennsylvania Department of Education.

NOTE 3 – USDA COMMODITIES:

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA commodities received and disbursed.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial report.

NOTE 5 – FEDERAL FINANCIAL ASSISTANCE SUBJECT TO THE 50% RULE:

The amount expended under federal financial assistance programs subject to the 50% rule was 51.88 percent and was calculated as follows:

a. Amount expended under CFDA		
IDEA #84.027	\$161,438	
National School Lunch Cluster		
#10.550, 10.553 and 10.555	<u>\$291,320</u>	<u>\$452,758</u>
b. Total federal financial assistance		
(which does not include the state lunch program of \$28,198)		<u>\$872,656</u>
c. Percent of a. divided by b.		<u>51.88%</u>

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Curwensville Area School District.
2. A significant deficiency considered to be a material weakness relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Curwensville Area School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Auditor's Report on Compliance for the major federal award program for the Curwensville Area School District expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for the Curwensville Area School District were disclosed during the audit.
7. The programs tested as major programs were IDEA I CFDA #84.027 and National School Lunch Cluster CFDA #10.550, 10.553 and 10.555.
8. The threshold for distinguishing type A and B programs was \$300,000.
9. The Curwensville Area School District was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2009-1 Person responsible for the accounting and reporting function lacks the skill and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

IDEA CFDA #84.027
None

National School Lunch Cluster
CFDA# 10.550, 10.553 and 10.555
None

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

The audit report for the year ended June 30, 2008, as required by the Single Audit Act for the Curwensville Area School District noted one finding:

Finding 2008-1:

The person responsible for the accounting and reporting function lacks the skill and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Recommendation:

The auditor recommended that the District's business manager should take continuing professional education courses in Governmental Accounting and Auditing.

Current Status:

This finding is again noted in the current year's audit. The Curwensville Area School District is currently investigating what courses are available that would best suit their business manager and the District. The District is also consulting with their auditors when any unusual questions or circumstances occur.

CURWENSVILLE AREA SCHOOL DISTRICT
Curwensville, Pennsylvania

CORRECTIVE ACTION PLAN
JUNE 30, 2009

Curwensville Area School District respectfully submits the following corrective action plan for the year ended June 30, 2009.

To Whom It May Concern:

Audit Period: June 30, 2009

The finding from the June 30, 2009 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Findings – Financial statements audit

Material weakness

2009-1 Accounting and Reporting

Recommendation: It was recommended that the District's business manager should take continuing professional education courses in Governmental Accounting and Auditing.

Action taken: The District agrees with the recommendation and is currently investigating what courses are available for their business manager.

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APPENDIX D
Form of Bond Insurance Policy