

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: (Insured)

S&P: (Underlying)
(See Ratings herein)

In the opinion of Bond Counsel, interest on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code", for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Bonds. Under the laws of the Commonwealth of Pennsylvania, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

The School District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (or such Bonds are "deemed designated" under the Code). For a more complete discussion, see "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations" herein.

\$8,365,000*

Williamsport Area School District

Lycoming County, Pennsylvania

General Obligation Bonds, Series A of 2009

Dated: Date of Delivery

Principal Due: February 15, 2010 initially, and August 15 thereafter, as shown on inside cover

Interest Due: February 15 and August 15

First Interest Payment: February 15, 2010

The General Obligation Bonds, Series A of 2009, in the aggregate principal amount of \$8,365,000* (the "Bonds") will be issued in registered form, without coupons, in denominations of \$5,000 principal amount, or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Williamsport Area School District, Lycoming 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 appropriately pay or cause to be paid from the sinking fund established under the Resolution (as hereinafter defined) or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable real property within the School District within limitations provided by law. (See "THE BONDS -Security" and "Act 50 - Tax Reform Legislation" *infra*).

Interest on each of the Bonds is payable initially on February 15, 2010, and thereafter semiannually on February 15 and August 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

The School District has appointed Manufacturers and Traders Trust Company (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 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 Buffalo, New York, (or any successor paying agent at its designated office(s)). Interest on each Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

Proceeds of the Bonds will be used to: (1) the current refunding of all of the School District's General Obligation Bonds, Series of 2003, (2) the current refunding of all of the School District's General Obligation Bonds, Series of 2004, and (3) pay the costs and expenses related to the foregoing purposes and the issuance of the Bonds.

MATURITIES, AMOUNTS, RATES AND 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 legal opinion of Saul Ewing LLP, of Philadelphia, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Fred A. Holland, Esquire, of Williamsport, Pennsylvania, School District Solicitor. Public Financial Management of Harrisburg, Pennsylvania serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about November , 2009.

Public Financial Management, Inc.

Financial Advisor to the School District

*Estimated, subject to change.

\$8,365,000*
Williamsport Area School District
Lycoming County, Pennsylvania
General Obligation Bonds, Series A of 2009

Dated: Date of Delivery

Interest Due: February 15 and August 15

Principal Due: February 15, 2010 initially, and
August 15 thereafter, as shown on inside cover

First Interest Payment: February 15, 2010

Feb. 15	Principal	Interest	
Year	Amounts	Rates	Prices
<hr/>			
2010			
Aug. 15			
Year			
<hr/>			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			

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

*Estimated, subject to change.

Williamsport Area School District

Lycoming County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

David B. Stone, Jr.	President
James E. Temple	Vice President
Jeffrey L. Richards.	Secretary*
Madeline T. Bird	Treasurer*
Karen V. Harris	Member
Lori A. Baer	Member
Eric J. Budnovitch	Member
Pamela J. Markle	Member
Jay B. Shultz	Member
Lois T. Williams	Member
Thomas A. Zimmerman	Member

*Non-voting member

SUPERINTENDENT

DR. KATHLEEN R. KELLEY

ASSISTANT SUPERINTENDENT

DR. DON C. ADAMS

BUSINESS ADMINISTRATOR

JEFFREY L. RICHARDS

SCHOOL DISTRICT SOLICITOR

FRED A. HOLLAND, ESQUIRE
Williamsport, Pennsylvania

BOND COUNSEL

SAUL EWING LLP
Philadelphia, Pennsylvania

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS

201 W. Third Street
Williamsport, Pennsylvania 17701

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

\$8,365,000*

Williamsport Area School District

Lycoming County, Pennsylvania

General Obligation Bonds, Series A of 2009

INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof and Appendices hereto, is furnished by Williamsport Area School District, Lycoming County, Pennsylvania (the "School District"), in connection with the offering of its \$8,365,000* aggregate principal amount General Obligation Bonds, Series A of 2009, dated as of the Date of Delivery (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October , 2009 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), Title 53, Section 8001, et seq. of the Pennsylvania Consolidated Statutes, as amended (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used: (1) to refund, on a current basis, all of the School District's General Obligation Bonds, Series of 2003 outstanding in the principal amount of \$2,410,000 (the "2003 Bonds"), (2) to refund, on a current basis, all of the School District's General Obligation Bonds, Series of 2004 outstanding the principal amount of \$5,740,000 (the "2004 Bonds"), and (3) payment of the costs and expenses related to the foregoing purposes and the issuance of such Bonds. The 2003 Bonds and 2004 Bonds are hereinafter collectively referred to as the "Prior Bonds".

Upon issuance of the Bonds, a portion of the proceeds will be deposited with Manufacturers and Traders Trust Company, as paying agent for the Prior Bonds, which will be used to call the outstanding Prior Bonds, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the Prior Bonds, on or about November 10, 2009.

Sources and Uses of Bond Proceeds

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

SOURCE OF FUNDS

Bond Proceeds.....	
Total Source of Funds	<hr/> <hr/>

USE OF FUNDS

Amount Required to Call 2003 Bonds	
Amount Required to Call 2004 Bonds	
Cost of Issuance ⁽¹⁾	<hr/>
Total Use of Funds	<hr/> <hr/>

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

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued only as fully registered bonds in the denominations of \$5,000 and integral multiples thereof. The Bonds will be issued as one fully registered Bond for each maturity of the Bonds in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. The Bonds will be dated The Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on February 15, 2010 and semiannually thereafter on February 15 and August 15 until the principal sum thereof is paid.

Payment of Principal and Interest

Subject to the provisions described under "THE BONDS-Book-Entry Only System" below, principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the specified corporate trust office of the Paying Agent in Harrisburg, Pennsylvania or Buffalo, New York.

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 February 15, 2010, 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 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) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

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

Transfer, Exchange and Registration of Bonds

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

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifth (5th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

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. The taxing powers of the School District with respect to the Bonds are governed by the Public School Code, as modified by Act 50 of 1998 ("Act 50"), and will include the power to levy ad valorem taxes on all taxable property within the School District within limitations provided by law. (See "Act 50 -Affect on School District's Taxing Powers" 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).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds, Series A of 2009" (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.

State Enforcement of Debt Service Payments

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

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

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. In addition, the timing of payment to the sinking fund depository may be adversely affected by the procedural requirements under the Pennsylvania Administrative Agency Law and enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

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 to Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices of Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds (or all Bonds of a particular 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, 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 August 15, 2015, are subject to redemption prior to maturity, at the option of the School District, as a whole on August 15, 2014, or on any date thereafter, or from time to time in part, in any order of maturity or portion of a maturity as selected by the School District in each case upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than thirty (30) days nor more than forty-five (45) days prior to the date fixed for redemption to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceedings for redemption of any Bonds.

On the date designated for redemption and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and 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.

With respect to any optional redemption of Bonds, if at the time of mailing such notice 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 not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

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 directed by law or executive order to close, then the date for payment of the principal, 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 directed to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Manner of Redemption

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

THE SCHOOL DISTRICT

Introduction

The School District is located in north-central Pennsylvania, along the West Branch of the Susquehanna River, and includes six municipalities in Lycoming County. The School District covers an area of approximately 98 square miles and serves a population of 44,192 (2000 census) in the City of Williamsport and Hepburn, Lewis, Lycoming, Old Lycoming and Woodward Townships. Approximately 69.5 percent of the School District population and 63.7 percent of taxable real property are in the City of Williamsport.

Administration

The present School District was organized in 1964 by a consolidation of a number of smaller school districts in the area. It is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Administrator is responsible for budget and financial operations. Both of these officials are selected by the School Board.

TABLE 1
WILLIAMSPORT AREA SCHOOL DISTRICT
SCHOOL FACILITIES

Elementary Schools:	Construction/ <u>Renovation</u>	Grades <u>Housed</u>	Number of <u>Classrooms</u>	Equivalent <u>Capacity</u>	2008-09 <u>Enrollment</u>⁽¹⁾
Cochran	1928/52/2000	K-5	30	700	535
Hepburn-Lycoming	1959/66/07	K-5	22	450	398
Jackson	1992	K-5	30	700	528
Round Hills	1959/88	K-5	19	475	311
Sheridan	1913/58	K-5	17	275	273
Stevens	1928/81	K-5	26	425	406
Middle Schools:					
Curtin	1913/86	6-8	37	851	392
Lycoming Valley	1975/07	6-8	28	464	416
Roosevelt	1951/69/99	6-8	45	442	400
High School:					
Williamsport Area High School	1972/99	9-12	103	2,648	1,779
Alternative School					
Woodward Township	1954/58	vacant	12	258	vacant

Source: School District officials.

⁽¹⁾As of October 1, 2008.

Enrollment Trends

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

TABLE 2
WILLIAMSPORT AREA SCHOOL DISTRICT
ENROLLMENT TRENDS

<u>Year</u>	Actual *			Projected **	
	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>Year</u>	<u>Total</u>
2003-04	3,071	2,940	6,011	2009-10	5,394
2004-05	3,010	2,923	5,933	2010-11	5,299
2005-06	2,952	2,923	5,875	2011-12	5,275
2006-07	2,886	2,854	5,740	2012-13	5,242
2007-08	2,846	2,722	5,568	2013-14	5,200
2008-09	2,894	2,598	5,492		

*Source: October 1st enrollment

**School District officials. Enrollments include Vo-Tech students.

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

Financial Reporting

As of July 1, 2002, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis—For State and Local Governments, Statement No. 37, Basic Financial Statements –and Management Discussion and Analysis—For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements as of July 1, 2002. This results in a change in the format and content of the basic financial statements.

The School District's financial statements are audited annually by an independent certified public accountant, as required by Commonwealth Law. The firm of Parente Randolph, Accountants and Consultants, Williamsport, Pennsylvania serves as the School District auditor.

Changes to the Budgeting Process of Pennsylvania School Districts under the 2006 Taxpayer Relief Act

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

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

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

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

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

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

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

Summary and Discussion of Financial Results

A summary of the General Fund Balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 which follows shows revenues and expenditures for the past four years, unaudited 2008-09, and budgeted revenues and expenditures for 2009-10. The Budget for 2009-10 adopted June 16 2009, projected revenues equaling expenditures of \$74,378,468 which included a budgetary reserve of \$700,000.

TABLE 3
WILLIAMSPORT AREA SCHOOL DISTRICT
SUMMARY OF GENERAL FUND
BALANCE SHEET
(Years Ending June 30)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSETS					
Cash and Cash Equivalents	\$4,510,599	\$3,343,519	\$7,478,037	\$53,916	\$808,371
Investments	3,945,396	2,304,974	5,785,506	6,852,339	9,001,759
Intergovernmental Receivables	2,003,156	1,376,625	3,107,787	2,655,619	2,737,045
Taxes Receivable	2,672,540	2,594,241	1,380,402	2,707,392	1,541,115
Interfund Receivables	0	2,445,031	1,217,491	2,090,858	2,473,984
Other Receivables	633,249	477,385	560,072	517,956	425,729
Inventory of Materials	677,643	687,662	742,554	712,480	748,432
Prepaid Expenses	6,229	6,292	50,354	0	44,411
Other	150	200	0	17,987	0
TOTAL ASSETS	<u>\$14,448,962</u>	<u>\$13,235,929</u>	<u>\$20,322,203</u>	<u>\$15,608,547</u>	<u>\$17,780,846</u>
LIABILITIES, RESERVES AND FUND EQUITIES					
Due to Other Funds	\$1,350,436	\$307,181	\$744,760	\$1,646,397	\$1,047,531
Due to Other Governments	28,455	130,827	235,134	78,374	65,326
Accounts Payable	725,950	3,785,315	9,421,174	2,297,094	1,698,795
Accrued Salaries and Benefits	6,110,338	5,765,584	8,058,461	7,222,541	7,724,073
Advances from Other Funds	523,444	788,880	0	0	0
Deferred Revenues	1,134,264	1,534,824	499,835	18,626	1,003,896
Other Current Liabilities	29,398	25,449	44,313	29,616	32,365
Other	0	0	0	0	0
TOTAL LIABILITIES	<u>\$9,902,285</u>	<u>\$12,338,060</u>	<u>\$19,003,677</u>	<u>\$11,292,648</u>	<u>\$11,571,986</u>
FUND EQUITIES					
Reserve for Inventories	\$677,643	\$687,662	\$0	\$0	\$792,843
Reserve for Encumbrances	187,377	188,009	0	0	0
Specific Fund Balances	0	0	1,318,526	730,467	0
Unreserved Fund Balance	3,681,657	22,198	0	3,585,432	5,416,017
TOTAL FUND EQUITY	<u>\$4,546,677</u>	<u>\$897,869</u>	<u>\$1,318,526</u>	<u>\$4,315,899</u>	<u>\$6,208,860</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$14,448,962</u>	<u>\$13,235,929</u>	<u>\$20,322,203</u>	<u>\$15,608,547</u>	<u>\$17,780,846</u>

Source: School District Annual Financial Reports.

TABLE 4

**WILLIAMSPORT AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE***

	for Fiscal Years Ending				Unaudited	Budgeted
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽¹⁾</u>	<u>2010⁽²⁾</u>
Beginning Fund Balance	\$3,216,898	\$897,872	\$1,318,528	\$4,315,901	\$6,208,563	\$7,354,140
Revenues over (under)						
Expenditure	(2,319,026)	420,656	2,997,372	1,892,662	1,145,577	0
					0	
Ending Fund Balance	\$897,872	\$1,318,528	\$4,315,901	\$6,208,563	\$7,354,140	\$7,354,140

*Totals may not add due to rounding.

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

⁽²⁾Budget as adopted June 16, 2009.

Source: School District Annual Financial Reports and Budgets.

Revenue

The School District received \$71,033,779 (unaudited) in revenue in 2008-09 and has budgeted for \$74,378,468 in 2009-10. Local sources increased as a share of total revenue, from 43.2% in 2004-05 to 52.9% (unaudited) in 2008-09. Revenue from State sources increased as a share of total revenue from 49.5% to 52.9% (unaudited) over this period. Federal revenue decreased as a share of the total revenue from 6.7% to an anticipated 6.1% (unaudited) over this period. Other revenue decreased as a share of the total revenue from .6% to .5% (unaudited) over this period.

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TABLE 5
WILLIAMSPORT AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

	2005	2006	2007	2008	Unaudited 2009 ⁽¹⁾	Budget 2010 ⁽²⁾
Revenues						
Local Sources:						
Real Estate Taxes	\$15,897,502	\$17,885,595	\$18,400,983	\$17,943,050	\$16,737,852	\$17,563,022
Interim Real Estate Taxes	53,948	11,556	70,435	54,074	57,193	50,000
Public Utility Tax	32,000	41,444	40,953	41,531	36,934	41,000
Payment in Lieu	68,204	112,477	112,923	134,067	108,655	134,000
Current Taxpayer Relief Taxes/Prop Assmnts	0	0	0	0	340,867	0
Total Act 511 Taxes	7,711,337	8,409,854	8,645,444	8,792,671	8,545,030	8,587,234
Delinquent Taxes	1,391,923	1,763,492	542,258	463,014	697,026	350,000
Earnings on Investments	112,890	264,986	669,868	552,593	347,578	375,000
State & Fed. Rev. Intermediary Sources	1,257,890	1,262,542	1,257,629	1,121,616	1,307,807	2,061,640
Rentals	60,893	46,745	33,163	29,134	12,318	102,000
Contributions and Donations	83,971	26,727	11,179	31,274	9,170	10,500
Tuition from Patrons	326,279	177,871	64,336	99,047	421,252	420,000
Transportation Services/Other PA LEAs	0	0	5,000	0	0	0
Receipts from Other LEAs in PA - Ed	72,176	303,268	345,422	317,280	0	0
All Other Sources Prov'd Other Govts. & LEAs	48,000	600	10,350	12,100	0	0
Refunds of Prior Years' Expenditures	11,878	30,719	75,000	4,343	0	0
Other Sources	83,464	153,742	134,289	284,443	147,287	270,000
Total Local Sources	\$27,212,357	\$30,491,615	\$30,419,232	\$29,880,237	\$28,768,969	\$29,964,396
State Sources:						
Instructional Subsidy	\$20,529,391	\$20,886,580	\$21,919,097	\$22,655,773	\$23,529,101	\$24,749,275
Read to Succeed	0	0	0	0	0	0
Charter Schools	36,500	67,153	108,103	131,652	232,635	247,032
School Performance Awards	0	0	0	0	0	19,000
Tuition for Orphans & Private Homes	233,898	249,041	381,165	364,590	240,627	350,000
Homebound Instruction	7,288	6,377	7,813	6,178	6,998	7,000
Vocational Education	314,121	330,556	364,323	341,750	404,152	424,139
Alternative Education	39,700	95,328	34,680	43,600	45,060	80,672
Special Education	3,892,232	4,062,680	4,186,603	4,306,232	4,374,682	4,379,145
Adult Literacy	48,762	48,020	47,010	86,828	74,481	71,408
Educational Empowerment/School Improvement Grants	0	363,923	35,442	14,427	15,500	0
Educational Assistance Program (Tutoring)	217,974	4,049	309,274	316,712	287,799	286,854
Other Program Subsidies	0	0	14,700	14,700	14,700	14,700
Transportation	1,066,685	1,032,366	938,923	921,668	942,275	925,000
Rentals & Sinking Fund	1,291,789	1,450,238	1,710,425	1,138,098	1,200,998	1,216,834
Health Services	119,156	117,453	117,425	113,694	108,972	110,000
State Property Tax Allocation	0	0	0	0	2,354,685	2,512,801
Safe Schools	14,288	23,655	38,529	32,570	48,148	39,304
Supplemental Reimbursement of Basic Ed Subsidies	0	0	0	0	0	0
Extra Grants	0	0	0	0	0	0
PA Accountability Grants	836,132	836,132	1,047,775	1,098,673	0	1,108,050
Additional Grants Not Listed Elsewhere	234,246	0	0	377,156	1,084,390	0
Dual Grants	0	12,482	9,817	14,923	2,963	0
Project 720/High School Reform	0	100,000	101,448	100,000	0	0
Other State Rev. Not Listed in 7500 Series	0	84,399	252,577	0	246,279	59,917
Social Security	1,442,608	1,419,382	1,394,884	1,410,318	1,477,749	1,332,501
State Share of Retirement Contributions	898,257	1,012,576	1,447,556	1,555,808	910,896	833,015
Other Sources	0	0	0	0	0	0
Total State Sources	\$31,223,026	\$32,202,391	\$34,467,567	\$35,045,352	\$37,603,090	\$38,766,647
Total Federal Sources	\$4,226,950	\$4,535,648	\$4,568,853	\$3,770,911	\$4,321,805	\$5,347,425
Total Other Sources	\$389,001	\$572,019	\$265,860	\$0	\$339,915	\$300,000
TOTAL REVENUE	\$63,051,334	\$67,801,674	\$69,721,512	\$68,696,500	\$71,033,779	\$74,378,468
EXPENDITURES						
Instruction	\$40,916,440	\$41,686,419	\$39,890,225	\$40,400,540	\$42,460,079	\$44,535,499
Pupil Personnel	2,342,640	2,498,163	2,448,422	2,521,453	2,557,041	2,685,723
Instructional Staff	2,790,144	2,628,803	2,132,253	2,080,299	1,975,879	2,481,915
Administration	4,382,634	4,428,228	4,879,341	4,629,927	4,918,745	4,848,936
Pupil Health	731,470	799,491	885,217	880,933	927,422	1,018,967
Business	863,054	830,199	927,752	805,212	943,255	838,019
Operations & Maintenance	4,741,993	5,014,619	5,322,668	5,451,027	5,644,470	6,959,552
Pupil Transportation	1,590,129	1,750,176	1,784,178	1,907,685	1,797,312	2,472,782
Central	688,141	668,014	712,635	750,601	812,040	785,511
Other Support	0	0	0	0	0	0
Operation of NonInstructional Services	180,374	245,633	215,382	216,478	245,360	262,077
Debt Service	532,036	795,942	1,117,959	951,968	980,219	913,845
Fund Transfers	5,607,901	6,035,332	6,408,107	6,207,715	6,626,380	5,875,642
Facilities Acquisition & Improvements	3,403	0	0	0	0	0
Budgetary Reserve	n/a	n/a	n/a	n/a	n/a	700,000
TOTAL EXPENDITURES	\$65,370,360	\$67,381,018	\$66,724,139	\$66,803,837	\$69,888,202	\$74,378,468
REVENUES (UNDER) OVER EXPENDITURES	(\$2,319,026)	\$420,656	\$2,997,372	\$1,892,662	\$1,145,577	\$0

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted June 16, 2009.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 (see below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real 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 the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.

Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, wage and other earned income taxes, real estate transfer taxes, gross receipts taxes, and occupation taxes, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. The Local Tax Enabling Act was amended by Act 222 of 2004 to authorize all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes any person whose total income from all sources is less than \$12,000 per year.

Act 50 - Tax Reform Legislation

On May 5, 1998, then Governor Ridge of Pennsylvania signed into law Act No. 50 of 1998 ("Act No. 50"), which amended the Debt Act. Among other things, this legislation affects the taxing power of school districts.

Act No. 50 permits (but does not require) school districts to impose a tax on earned income and net profits of resident individuals of the school district up to a maximum of 1.5 percent in lieu of various "nuisance taxes", including the occupation tax, the occupational privilege tax, the per capita tax and certain other taxes presently authorized by the Local Tax Enabling Act, Act No. 511 of 1965, and certain other statutes.

With limited exception, Act No. 50 would allow those school districts electing not to impose a tax on earned income and net profits of resident individuals of the school district to retain the taxing powers granted under present law. Since the School District has elected to change its taxing structure pursuant to the provisions of Act No. 50, its ad valorem taxing power for debt service on its obligations may become subject to certain limitations.

The Taxpayer Relief Act (Act 1)

Pennsylvania Act No. 1 of 2006 ("The Taxpayer Relief Act"), became effective June 27, 2006. Under the provisions of such Act, a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined hereafter), 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 (i), (ii) and (iv) below) or the Pennsylvania Department of Education ("PDE") (in the case of all other exceptions below):

1. to pay costs incurred in responding to or recovering from a declared emergency or disaster;
2. to pay costs incurred in implementing a court or administrative order;
3. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72

of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum; to pay interest and principal on indebtedness incurred within certain limits for academic elementary or secondary school building projects; to pay interest and principal on indebtedness for up to \$250,000 (adjusted annually by an inflationary factor) of the construction cost of a nonacademic school construction project; and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;

4. to pay costs incurred in responding to conditions posing an immediate threat of serious physical harm or injury to persons;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
6. to pay costs which were incurred in the implementation of a school improvement action plan under the federal No Child Left Behind Act and not offset by a 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 was required to submit a referendum question to the voters at the primary elections of 2009 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%.

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

A board of school directors may submit, but is not required to submit, a further referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of

further funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which, when combined with any tax rate authorized at the 2007 primary election, is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are “Grandfathered” under The Taxpayer Relief Act

The School District opted into Act 50 of 1999 which was replaced by Act 72 of 2004 effective as of September 4, 2004, which in turn was replaced by Act 1 of 2006. Since the School District was subject to the provisions of Act 72, the operative date for determining whether prior debt is “grandfathered” is September 4, 2004. The 2003 Bonds and the 2004 Bonds of Williamsport Area School District constitute debt incurred as of April 22, 2003 and January 5, 2004 respectively, and, as such, subject to approval from the Department of Education, shall be eligible for the “grandfathered debt” exception from the “back-end referendum” requirements under the Taxpayer Relief Act for tax increases, if any, needed to pay debt service thereon. The School District has fully phased the millage in as of its 2009-10 budget to cover the full amount of the debt service on the Bonds.

The opinion of bond counsel regarding the Bonds will state that Debt Service is payable from *ad valorem* taxes within limitations provided by law.

State Law Authorizing Replacement of a 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’s municipalities. 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 did not opt into Act 24 because nuisance taxes were abolished under Act 50.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes 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 appropriable 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.

Tax Levy Trends

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the five townships and one borough comprising the School District, and Lycoming County.

TABLE 6
WILLIAMSPORT AREA SCHOOL DISTRICT
TAX RATES

Year	Real Estate (mills)	Wage & Income (%)	Real Estate Transfer (%)
2005-06	11.98	1.5	0.5
2006-07	12.48	1.5	0.5
2007-08	12.59	1.5	0.5
2008-09	13.35	1.5	0.5
2009-10	13.35	1.5	0.5

Source: School District Officials.

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

	2005	2006	2007	2008	2009
School District.....	11.9800	12.4800	12.5900	13.3500	13.3500
City of Williamsport.....	8.5200	9.1800	9.1800	9.1800	9.1800
Hepburn Township.....	0.2860	1.2870	1.2870	1.2870	1.2870
Lewis Township	1.3920	1.3920	1.3920	1.3920	1.3920
Lycoming Township	0.4320	0.0432	0.0432	0.0432	0.0432
Old Lycoming Township.....	2.8410	3.8410	3.8410	3.8410	3.8410
Woodward Township	0.2373	0.0514	0.0514	0.8390	0.8390
Lycoming County.....	4.7500	4.7500	4.7500	4.7500	4.7500

Source: Local Government Officials.

Real Property Tax

The real property tax including interim collections (excluding delinquent collections) is expected to produce \$16,737,852 (unaudited) in 2008-09 or 40.5% of overall revenue. The tax is levied on July 1 of each year. Taxpayers paying prior to September 3 receive a 2% discount, and those who remit after November 1 are assessed a 10% penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide reassessment in Lycoming County was in 2004 which became effective in the 2005-06 school year. The assessment policy is to assess all real property at 100% of market value.

TABLE 8

**WILLIAMSPORT AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Ratio
2003-04	\$1,088,563,400	\$939,410,409	86.30%
2004-05	1,147,798,100	946,823,190	82.49%
2005-06 ⁽¹⁾	1,158,156,700	1,513,538,400	130.69%
2006-07	1,290,609,500	1,524,139,450	118.09%
2007-08	1,296,112,900	1,529,236,230	117.99%
2008-09*	1,299,480,713	1,533,209,790	117.99%
Compound Average Annual Percentage Change	3.61%	n/a	

Source: Pennsylvania State Tax Equalization Board ("STEB").

⁽¹⁾Countywide reassessment became effective.

*Assessed Value as shown in 2008-09 budget; Market Value based upon Ratio for Lycoming County as reported by STEB.

TABLE 9

**WILLIAMSPORT AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2007 Market Value	2007 Assessed Value	2008 Market Value	2008 Assessed Value
Williamsport Area School District	\$1,296,112,900	\$1,529,236,230	\$1,434,154,600	\$1,537,071,590
Hepburn Township	116,056,800	139,059,190	126,427,700	140,423,980
Lewis Township	31,888,600	41,897,000	39,594,700	42,186,890
Lycoming Township	56,520,600	66,880,150	62,662,100	67,620,810
Old Lycoming Township	208,920,600	244,282,850	227,967,600	245,652,580
Williamsport City	808,498,500	948,765,540	894,656,600	952,213,120
Woodward Township	74,227,800	88,351,500	82,845,000	88,974,210
Lycoming County	4,591,866,700	5,200,870,440	5,102,987,600	5,256,111,960

Source: Pennsylvania State Tax Equalization Board.

TABLE 10

**WILLIAMSPORT AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	<u>2003</u>	<u>2004</u>	<u>2005⁽¹⁾</u>	<u>2006</u>	<u>2007</u>
Residential.....	592,498,042	\$598,274,760	\$997,152,300	\$998,929,730	\$1,001,904,220
Lots	12,709,690	12,962,573	22,508,900	22,027,310	21,109,460
Industrial	68,673,725	69,171,632	91,549,236	97,311,560	96,641,140
Commercial.....	214,743,795	214,974,503	319,699,644	314,060,490	317,942,290
Agriculture	47,145,275	48,004,522	77,515,170	85,808,990	86,571,220
Land	3,621,424	3,416,742	5,052,290	5,980,790	5,047,320
Mineral	18,458	18,458	60,860	20,580	20,580
Total	\$939,410,409	\$946,823,190	\$1,513,538,400	\$1,524,139,450	\$1,529,236,230

Source: Pennsylvania State Tax Equalization Board.

⁽¹⁾Countywide reassessment became effective.

TABLE 11

**WILLIAMSPORT AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

			Year Collections as Percent of	Total Collections Current	Total Current Collections as Percent of Total Adjusted
Year	Total Flat Billing	Total Adjusted Flat Billing ⁽¹⁾	Current Year Collections July-June	Total Adjusted Flat Billing Billing	Plus Delinquent ⁽²⁾ Flat Billing
2004-05	\$17,418,758	\$16,745,703	\$15,897,502	94.93%	\$16,121,313
2005-06 ⁽³⁾	\$18,210,735	\$17,784,407	\$17,885,595	100.57%	\$18,219,231
2006-07	\$16,855,087	\$16,430,988	\$15,587,608	94.87%	\$15,854,146
2007-08	\$19,742,815	\$19,318,886	\$17,997,125	93.16%	\$18,455,291
2008-09 ⁽⁴⁾	\$18,213,499	\$18,003,229	\$16,795,045	93.29%	\$17,490,002

⁽¹⁾Includes taxes and penalties, excludes delinquent or interim taxes collected.

⁽²⁾Includes delinquent tax collection.

⁽³⁾Countywide reassessment became effective.

⁽⁴⁾Unaudited, subject to change.

Source: School District Officials.

The ten largest real property taxpayers, together with 2009 assessed values are shown in Table 12.

TABLE 12

**WILLIAMSPORT AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS – 2009-10**

Owner	Property	2009 Assessed Value
Lycoming County	Office Rental and Retail	\$7,015,670
Wegmans Food Markets Inc.	Retail (Grocery)	6,423,170
Paul G. Enterprises, Inc.	Hotel & Restaurant	6,296,030
Rose View Manor Inc.	Nursing Home	8,489,690
Alcan Cable Corporation	Manufacturing (Steel Cable)	5,361,490
High Industries, Inc.	Manufacturing (Bridge Girders)	4,957,360
Williamsport Inn LCC	Hotel	5,712,530
Lycoming County Housing Authority	Subsidized Housing	4,916,360
Coastal Aluminum Rolling Mills	Manufacturing	4,213,250
Williamsport Village Assoc. LCC	Subsidized Housing	4,202,000
Total		<u>\$57,587,550</u>

Source: School District Officials.

Other Taxes

Under Act 511, the School District is expected to receive a total of \$8,885,897 (unaudited) in taxes in 2008-09. Among the taxes authorized by Act 511, the Earned Income Tax and the Real Estate Transfer Tax are levied by the School District. Its limit under Act 511, equal to 12 mills on the market value of real property, was approximately \$15,593,769.

Wage and Income Tax. The School District levies a tax of 1.5% on the earned income of residents. In 2008-09 the collected portion of this tax yielded \$8,545,030 (unaudited) or 12.3% of total revenue.

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In 2008-09 the collected portion of this tax yielded \$340,867 (unaudited), or less than 1% of total revenue.

COMMONWEALTH AID

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

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

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction ("CARF"). The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 42.33 percent. The School District CARF for the 2009-10 school year is 68.28 percent. The product of these two factors is 283.90 percent which is the percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's CARF changes, or as a result of future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to that of other School Districts of the Commonwealth.

The Commonwealth has not yet approved its budget for the 2009-10 fiscal year beginning July 1, 2009; therefore the School District is unable to ascertain with any certainty the amount of Commonwealth subsidy to be approved. An approved Commonwealth budget with significant and dramatic cuts to the proposed school district funding levels could cause a material funding deficit. Commonwealth aid will not be paid to school districts until the actual budget is passed. The School District has obtained a line of credit through a Tax and Revenue Anticipation Note in the amount of \$6,635,000 which the School District has not drawn on as of the date of this Preliminary Official Statement. Should commonwealth aid be delayed, the School District may require the use of these funds.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District as of September 30, 2009, including the issuance of the Bonds.

TABLE 13

**WILLIAMSPORT AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of September 30, 2009)***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series A of 2009 (last maturity 2018)	\$8,365,000
General Obligation Bonds, Series of 2009 (last maturity 2014)	9,915,000
General Obligation Note, Series A of 2008 (last maturity 2023)	11,009,650
General Obligation Notes, Series A of 2005 (last maturity 2023)	11,600,000
General Obligation Bonds, Series A of 2004 (last maturity 2014)	90,000
SUBTOTAL	<u>\$40,979,650</u>
Credit and Exclusions	<u>(\$11,600,000)</u>
TOTAL NONELECTORAL DEBT	<u>\$29,379,650</u>
 TOTAL LEASE RENTAL	 <u>\$0</u>
 TOTAL PRINCIPAL OF DIRECT DEBT	 <u><u>\$29,379,650</u></u>

*Includes estimated Bonds offered through this Preliminary Official Statement. Excludes the Prior Bonds being refunded.

⁽¹⁾Excludes Tax and Revenue Anticipation Note outstanding in the amount of \$6,635,000 which matures June 30, 2010.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. Principal of direct debt of the School District will total \$29,379,650. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$19,741,737.

TABLE 14
WILLIAMSPORT AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of September 30, 2009)*

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt	\$29,379,650	\$19,741,737
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	<u>\$29,379,650</u>	<u>\$19,741,737</u>
OVERLAPPING DEBT		
Lycoming County, General Obligation ⁽²⁾	\$19,324,458	\$19,324,458
Municipal Debt	10,232,760	10,232,760
TOTAL OVERLAPPING DEBT	<u>\$29,557,218</u>	<u>\$29,557,218</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$58,936,868</u></u>	<u><u>\$49,298,954</u></u>
DEBT RATIOS		
Per Capita	\$1,295.26	\$1,083.45
Percent 2008-09 Assessed Value	3.84%	3.22%
Percent 2008-09 Market Value (estimated)	3.84%	3.22%

*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the Prior Bonds being refunded.

⁽¹⁾Gives effect to current appropriations for payment of debt service and expected future State reimbursement of School District sinking fund payments based on current CARF. See "State Aid to School Districts."

⁽²⁾Pro rata 28.1% share of \$68,760,000 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2006-07	\$67,745,227
Total Revenues for 2007-08	\$67,558,403
Total Revenues for 2008-09 (unaudited)	<u>\$69,832,781</u>
Total	<u><u>\$205,136,411</u></u>
Annual Arithmetic Average (Borrowing Base)	<u>\$68,378,804</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>
<i>Net Nonelectoral and Net Lease Rental Debt Limit:</i>			
225% of Borrowing Base	\$153,852,308	\$29,379,650	\$124,472,658

*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the Prior Bonds being refunded.

Debt Service Requirements

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

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

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

TABLE 15

**WILLIAMSPORT AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>All</u>	<u>Series A of 2009</u>			<u>Total</u>
	<u>Outstanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	<u>Requirements</u>
2009-10	\$996,564				
2010-11	877,865				
2011-12	3,207,426				
2012-13	3,295,627				
2013-14	3,281,315				
2014-15	3,148,324				
2015-16	3,322,000				
2016-17	3,298,333				
2017-18	3,270,667				
2018-19	1,023,333				
2019-20	116,333				
2020-21	112,333				
2021-22	108,333				
2022-23	104,333				
2023-24	100,333				
Total	<u>\$26,263,119</u>				

*Totals may not add due to rounding.

TABLE 16

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

2008-09 (unaudited) State Aid Received	\$37,603,090
2008-09 (unaudited) Debt Service Requirements.....	\$6,626,380
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2008-09 (unaudited) Debt Service Requirements	5.67 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	

Future Financing

The School District has not authorized any new money financings, but is considering additional financing in connection with necessary renovations to its facilities.

LABOR RELATIONS

School District Employees

There are approximately 862 employees of the Williamsport Area School District; approximately 512 employees are teachers and administrators and approximately 350 other employees include secretaries, custodial staff, maintenance staff, cafeteria staff, transportation and teacher aides.

The School District's teachers are represented by the Williamsport Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract which expires June 30, 2010. All other School District employees except management and confidential employees are represented by the Williamsport Area Support Personnel, also an affiliate of the PSSPA and are working under a contract which expired June 30, 2008. Negotiations are ongoing.

Pension Program

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

The PSERS Board of Trustees has set the fiscal year 2009-10 employer retirement contribution rate at 4.78 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:

2004-05	\$1,718,748
2005-06	\$1,885,425
2006-07	\$2,578,204
2007-08	\$2,850,428
2008-09 (unaudited)	\$1,821,792

Source: School District officials.

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 became 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, 2009.

LITIGATION

At the time of settlement for the bonds, the School District will deliver a certificate and the Solicitor will render an opinion to the effect that there is no litigation pending with respect to the validity or enforceability of the Bonds, the Resolution or the right of the School District to issue the Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Debt Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Debt 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 Debt Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the School District subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The School District has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the School District comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so includable in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the bonds (which refund bonds originally issued before 2004) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Based on the representations made by the School District, it is the opinion of Bond Counsel, that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," "Property or Casualty Insurance Company," "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" and "Reportable Payments and Backup Withholding" below.

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest on bonds (which refund bonds originally issued before 2004) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income." For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions discussed below, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Bonds and any other tax-exempt obligations acquired after August 7, 1986.

An exception to the complete denial to financial institutions for interest paid on funds allocable to purchase or carry tax-exempt obligations applies if such obligations are "qualified tax-exempt obligations." Under Section 265(b)(3) of the Code, an obligation is a "qualified tax-exempt obligation" if: (i) the obligation is not a "private activity bond" (as defined in the Code for this purpose); (ii) the School District and all entities that must be aggregated with it pursuant to the Code ("Other Issuers") do not reasonably anticipate issuing during the calendar year tax-exempt obligations (other than private activity bonds as defined in the Code for this purpose) in excess of \$30 million (other than certain obligations not required to be taken into account under the Code); and (iii) the School District designates the tax-exempt obligations as "qualified tax-exempt obligations". If the tax-exempt obligation is a "qualified tax-exempt obligation", then eighty percent (80%) of the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry such obligations will be allowed under Sections 265(b) and 291(e)(1)(B) of the Code.

The School District has represented that the Bonds are not private activity bonds. The School District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code and has represented that neither it nor any Other Issuers has issued or expects to issue more than \$30,000,000 of tax-exempt obligations in the calendar year 2009. Based on such representations, it is Bond Counsel's opinion, that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Bonds maturing on _____ are herein referred to as the "Discount Bonds." In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the inside front cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.

The Bonds maturing on _____ are hereinafter referred to as the "Premium Bonds." An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside front cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Reportable Payments and Backup Withholding

Under 2006 amendments to the Internal Revenue Code, payments of interest on the Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the Bondholder is an “exempt person” under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to “backup withholding” at a specified rate prescribed in the Code if the Bondholder does not file Form W-9 with the payor advising the payor of the Bondholder’s taxpayer identification number. Bondholders should consult with their brokers regarding this matter.

The Paying Agent will report to the Bondholders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax withheld, if any, with respect to payments made on the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

General. The School District has covenanted for the benefit of Bondholders in a Continuing Disclosure Agreement (the “Disclosure Agreement”) to (a) provide notices of the occurrence of certain enumerated events; and (b) provide certain financial information and operating data relating to the School District by not later than the first day of the eighth calendar month immediately following the end of the School District’s fiscal year (the “Annual Report”). The Annual Report and the notices of significant events will be filed by the School District with the Electronic Municipal Market Access System (“EMMA”). The specific nature of the information to be contained in the Annual Report or the notices of significant events is summarized below. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12 (the “Rule”).

Annual Reports. The School District’s Annual Report filed with EMMA shall contain or incorporate by reference the following information with respect to the relevant fiscal year:

- (a) financial statements,
- (b) pupil enrollment figures,
- (c) real estate tax collection information,
- (d) calculations showing the outstanding principal amount of School District indebtedness as of fiscal year-end, and the amount of additional indebtedness the School District is permitted to incur in the future under then applicable law as of fiscal year-end, and
- (e) the total number of employees of the School District.

Notwithstanding the language set forth above, in the event the School District provides for the repayment of the Bonds through an economic defeasance, such that repayment of the principal of and interest on the Bonds are expected to be derived from escrowed securities and not the general revenues of the School District (the “Defeased Bonds”), the School District’s Annual Report with respect to such Defeased Bonds shall only contain or incorporate by reference a report by a certified public accountant as to the mathematical accuracy of computations showing the sufficiency of the receipts from the escrowed securities to pay, when due, the principal, interest and redemption premium (if any) requirements of the Defeased Bonds.

Notices of Significant Events. The School District shall in a timely manner file with the EMMA notices of the occurrence of any of the following events, to the extent any such event would constitute material information for Bondholders or beneficial owners of Bonds, in accordance with the applicable “materiality” standard under then-current federal securities laws: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (c) unscheduled draws on debt service reserves (if any) reflecting financial difficulties; (d) unscheduled draws on credit enhancements (such as municipal bond insurance policies), reflecting financial difficulties; (e) substitution of credit or liquidity providers or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (g) modifications to rights of bondholders; (h) bond calls (other than mandatory sinking fund redemptions); (i) defeasances of Bonds; (j) release, substitution, or sale of property securing repayment of any Bonds; or (k) rating changes. In addition, if the School District is unable to provide the Annual Report to repositories in a timely fashion, the School District shall send a notice of such failure to EMMA.

Accounting Standards. The financial statements described above shall be audited in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (“GAAP”), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however that the School District may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Audited financial statements of the School District not submitted as part of the Annual Report shall be provided to EMMA if and when available to the School District, and in any event not more than thirty (30) days after receipt thereof from

the School District's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the School District shall provide in lieu thereof unaudited financial statements meeting the description set forth above.

Termination of Reporting Obligation. The School District's obligations under the Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both under the Disclosure Agreement and under the Bonds.

Amendments. Notwithstanding any other provision of the Disclosure Agreement, the School District may modify or amend the Disclosure Agreement. Under the current SEC interpretation of the Rule, the following preconditions must be satisfied: (a) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the School District, or change in the type of business conducted by the School District; (b) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment does not materially adversely affect the interests of Bondholders or beneficial owners as determined either by a party unaffiliated with the School District (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Bondholders or beneficial owners. To the extent required by the Rule, the School District shall disclose in the next Annual Report the amendment and its impact on the information being provided.

Defaults. In the event of a failure of the School District to comply with any provision of the Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Bondholder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the School District to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under the Disclosure Agreement in the event of any failure of the School District to comply with the Disclosure Agreement shall be an action to compel performance, provided, however, that nothing in the Disclosure Agreement shall limit any Bondholder's rights under applicable federal securities law.

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

RATING

Standard & Poor's expects to assign its municipal bond rating of " " to this issue of Bonds and has done so with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of, and interest on, the Bonds will be issued by . Standard and Poor's has assigned its underlying bond rating of " " to the Bonds. Such ratings reflect 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 \$ which is equal to the par value of the Bonds less an underwriter's discount plus a net original issue premium and 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 Saul Ewing LLP, Bond Counsel to the School District, Philadelphia, Pennsylvania. Certain legal matters will be passed upon by Fred A. Holland, Esquire, of Williamsport, Pennsylvania, 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 has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this 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.

WILLIAMSPORT AREA SCHOOL DISTRICT
Lycoming County, Pennsylvania

By: /s/
David B. Stone, Jr.
President, Board of School Directors

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

Population

Table A-1 which follows shows recent population trends for the School District, Lycoming County and the Commonwealth. The School District's population decreased from 45,502 to 44,192 between 1990 and 2000, losing approximately 1,310 residents in that period. Table A-2 shows 1990 age composition and average number of persons per household in Lycoming County and for the Commonwealth. Average household size for Lycoming County was slightly smaller than the statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

<u>Area</u>	<u>1990</u>	<u>2000</u>	Compound Average Annual Percentage Change <u>1990-2000</u>
School District	45,502	44,192	-0.29
Lycoming County	118,710	120,044	0.11
Pennsylvania.....	11,881,643	12,281,054	0.33

Source: U.S. Bureau of the Census, and the Pennsylvania State Data Center-1990 & 2000 Census.

**TABLE A-2
AGE COMPOSITION**

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	<u>Persons Per Household</u>
Lycoming County	24.9%	60.0%	15.1%	2.56
Pennsylvania.....	23.5	61.1	15.4	2.57

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 are compiled for Lycoming County and the Williamsport Metropolitan Statistical Area ("MSA") as shown below on Table A-3 for June 2009

TABLE A-3
DISTRIBUTION OF EMPLOYMENT*
(Williamsport Metropolitan Statistical Area)

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Jul 2009	Jun 2009	May 2008	Jul 2008	Jun 2009	Jul 2008
Total Nonfarm	51,000	51,600	51,700	53,200	-600	-2,200
Total Private	43,700	43,800	43,400	46,100	-100	-2,400
Goods Producing	11,500	11,500	11,300	12,800	0	-1,300
Manufacturing	9,400	9,300	9,300	10,300	100	-900
Service-Providing	39,500	40,100	40,400	40,400	-600	-900
PRIVATE SERVICE-PROVIDING	32,200	32,300	32,100	33,300	-100	-1,100
Trade, Transportation, and Utilities	10,100	10,200	10,200	10,800	-100	-700
Retail trade	6,700	6,700	6,700	6,900	0	-200
Educational and Health Services	9,500	9,600	9,600	9,200	-100	300
Leisure and Hospitality	3,900	3,900	3,800	4,100	0	-200
Government	7,300	7,800	8,300	7,100	-500	200
Federal Government	500	500	500	500	0	0
State Government	290	2,800	3,200	2,800	-2,510	-2,510
Local Government	3,900	4,500	4,600	3,800	-600	100
Data benchmarked to March 2008		***Data changes of 100 may be due to rounding***				

Source: Pennsylvania State Employment Service.

Leading employers within or near the School District include:

BUSINESS

Susquehanna Regional Healthcare Alliance
 Pennsylvania State Government
 Weis Markets Inc.
 Brodart Co.
 Shop Vac Corp
 Williamsport Area School District
 Springs Window Fashions LP
 Hope Enterprises, Inc.

 Lycoming County

PRODUCT/SERVICE

Medical & surgical hospitals
 State Government
 Grocery
 Library supplies and equipment
 Wet/dry vacuum cleaners
 School District
 Window Blinds
 Residential/Occupational Placement of
 Disabled Individual
 County Government

Source: Williamsport/Lycoming Chamber of Commerce.

Table A-4 shows recent trends in employment and unemployment for the County and the Commonwealth. Overall labor force opportunities have increased slightly 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*
(Lycoming County)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽¹⁾</u>	Compound Annual % Change
<i>Lycoming County</i>							
Civilian Labor Force (000)	59.9	59.3	58.9	58.8	60.0	60.0	0.23%
Employment (000)	56.3	56.1	55.9	56.0	56.4	54.6	-0.54%
Unemployment (000)	3.6	3.2	3.1	2.9	3.6	5.4	11.03%
Unemployment Rate	6.1	5.4	5.2	4.9	6.0	9.0	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,205.0	6,257.0	6,290.0	6,287.0	6,395.0	6,497.0	0.76%
Employment (000)	5,868.0	5,946.0	6,003.0	6,013.0	6,051.0	5,947.0	0.00%
Unemployment (000)	338.0	311.0	287.0	274.0	344.0	550.0	12.08%
Unemployment Rate	5.4	5.0	4.6	4.4	5.4	8.5	

*Data may not add to totals due to rounding.

⁽¹⁾As of July 2009.

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

Income

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

TABLE A-5
TRENDS IN PER CAPITA INCOME*

	<u>1990</u>	<u>2000</u>	Percentage Change <u>1990-00</u>
School District	\$11,296	\$15,693	3.34%
Lycoming County	11,714	17,224	3.93
Pennsylvania	14,068	20,800	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. Income is the population-weighted average for political subdivisions.

Source: U.S. Bureau of the Census, Current Population Reports, Series P-25 No. 885, 1990 General Income Characteristics: Pennsylvania and 2000 Census

Economic Developments

The Williamsport area economy has a diverse manufacturing and service base. Williamsport is a regional center which includes federal, state and county courts and offices, major medical centers, two colleges and a broad variety of recreational opportunities. Williamsport is the home of Pennsylvania Blue Shield's operations. Other firms in the area include Wegmans Supermarket, Kellogg's Company, and Williamsport Wire Rope Works.

Commercial Activity

The City of Williamsport is a commercial center with retail banking and other facilities, which serve a wide area of north-central Pennsylvania. Table A-5 presents retail sales for the County and Pennsylvania for recent years. Department stores, restaurants and specialty shops are concentrated in the downtown shopping area, and in the shopping centers located outside the City of Williamsport.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Lycoming County	\$1,534,341	\$1,868,826	\$1,868,388	\$1,946,850	\$1,765,419
Pennsylvania.....	\$149,811,437	\$155,423,454	\$166,183,066	\$185,507,879	\$195,558,005

Source: Sales and Marketing Management Magazine

Housing

Lycoming County, 2000 census figures showed 52,464 housing units, while 49,850 housing units were found in 1990. This represents a 5 percent increase within a decade. Housing units in the School District increased from 18,754 housing units in 1990 to 23,291 housing units in 2000 or a 25% increase within the School District.

Transportation Facilities

The School District is along U.S. 15, a major north-south highway, and approximately 20 miles north of Interstate 80, a major east-west route. Route 15 provides direct access south to Harrisburg, and north to Elmira and Rochester, New York. Interstate 80 provides direct access to the New York City area and major mid-western cities. Williamsport-Lycoming County Airport, five miles east of the School District provides scheduled air service to Philadelphia. Conrail provides mainline freight service to Williamsport.

There are 873.4 miles of Commonwealth and Federal highways and 839.2 miles of secondary and municipal highways in the School District.

Medical Facilities

Hospital care is provided by the Susquehanna Health System, which operates three hospitals and other medical facilities.

Educational Institutions

Lycoming College and the Pennsylvania College of Technology are located in Williamsport and in nearby Lock Haven is Lock Haven University. State College is only 65 miles away and is the home of the Pennsylvania State University. Bucknell University located in Lewisburg is approximately 23 miles from the School District.

Utilities

Utility services for the School District are provided by PG Energy, Verizon, Quaker State Telephone Company, PPL Electric Utilities and Susquehanna Communications. Water and sewer services are provided by local authorities and on-site systems.

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APPENDIX B
Proposed Form of Opinion of Bond
Counsel

[PROPOSED FORM OF OPINION OF BOND COUNSEL]**WILLIAMSPORT AREA SCHOOL DISTRICT
(Lycoming County, Pennsylvania)
\$ _____ GENERAL OBLIGATION BONDS,
SERIES A OF 2009****OPINION**

_____, 2009

**TO THE PURCHASERS OF THE
ABOVE-CAPTIONED BONDS:**

We have acted as bond counsel to the Williamsport Area School District (the “School District”) in connection with the issuance of its \$ _____ General Obligation Bonds, Series A of 2009 dated November 10, 2009 (the “Bonds”). The Bonds are being issued to currently refund all of the School District’s outstanding General Obligation Bonds, Series of 2003 (the “2003 Bonds”) and all of the School District’s outstanding General Obligation Bonds, Series of 2004 (the “2004 Bonds”, and together with the 2003 Bonds, the “Refunded Bonds”) and to pay the costs of issuing [and insuring] the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized and executed by the School District, and are valid, binding and enforceable general obligations of the School District.

2. The Bonds are payable from general revenues of the School District, presently including ad valorem taxes which may be levied on all property taxable for School District purposes within the School District within limitations provided by law.

3. The School District has made a provision for the redemption and payment of the Refunded Bonds in accordance with the terms thereof.

4. Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on bonds (which refund bonds originally issued before 2004) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax.

We further call to your attention that the Code, subject to limited exceptions, denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry tax-exempt obligations such as the Bonds. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations generally applies to those tax-exempt obligations acquired after August 7, 1986. In the case of "qualified tax-exempt obligations," however, a denial of twenty percent (20%) of the deduction will apply in lieu of the denial of one hundred percent (100%). A "qualified tax-exempt obligation" is a tax-exempt obligation which is designated as such by the issuer and is not a private activity bond (as so defined for this purpose). An issuer and all other entities that must be aggregated with it pursuant to the Code ("Other Issuers") may not designate more than \$30,000,000 of tax-exempt obligations during the calendar year. The School District has designated \$_____ of the Bonds as qualified tax-exempt obligations and has represented to us that neither it nor any Other Issuers has issued or expects to issue more than \$30,000,000 of tax-exempt obligations (other than certain obligations not required to be taken into account under the Code) in the calendar year 2009. Based on such representations, it is our opinion that banks, thrift institutions and other financial institutions which purchase the Bonds may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Bonds pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

5. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, inheritance, succession or estate taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

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

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated _____, 2009, relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

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APPENDIX C
Williamsport Area School District
Financial Statements
For the Year Ended June 30, 2008
&
Independent Auditor's Report
&
Additional Information
&
Single Audit Reports

WILLIAMSPORT AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION
&
SINGLE AUDIT REPORTS**

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INDEPENDENT AUDITORS' REPORT

To the School Board of the
Williamsport Area School District:

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 the Williamsport Area School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

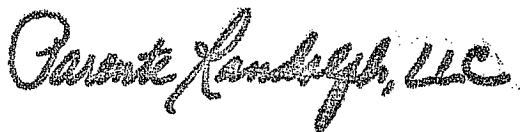
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Williamsport Area School District as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 8, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 38 and 39 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 not a required part of the basic financial statements of the District. Such information 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.

A handwritten signature in dark ink, reading "Parante Landry, LLC". The signature is written in a cursive, flowing style.

Williamsport, Pennsylvania
January 8, 2009

WILLIAMSPORT AREA SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITY	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 6,168,617	\$ 13,085	\$ 6,181,702
Investments	15,193,994	629,604	15,823,598
Taxes receivable, net	2,737,045	-	2,737,045
Due from other governments	2,579,258	181,721	2,760,979
Other receivables	511,474	175,769	687,243
Internal balances	15,436	(15,436)	-
Due from trust and agency funds	629,156	2,037	631,193
Inventories	777,531	54,583	832,114
Prepaid expenses	44,411	-	44,411
Total current assets	28,656,922	1,041,363	29,698,285
CAPITAL ASSETS	36,097,628	498,031	36,595,659
DEFERRED CHARGES	991,942	-	991,942
TOTAL	\$ 65,746,492	\$ 1,539,394	\$ 67,285,886
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 1,720,015	\$ 137,476	\$ 1,857,491
Current maturities of bonds payable	2,960,000	-	2,960,000
Current portion of capital leases payable	125,654	-	125,654
Accrued salaries and benefits	7,863,619	29,674	7,893,293
Accrued interest payable	636,132	-	636,132
Due to other governments	3,009,425	2,599	3,012,024
Deferred revenue	-	180,000	180,000
Other current liabilities	6,296,795	18,645	6,315,440
Total current liabilities	22,611,640	368,394	22,980,034
BONDS PAYABLE	32,700,000	-	32,700,000
COMPENSATED ABSENCES	677,384	25,620	703,004
CAPITAL LEASES PAYABLE	128,507	-	128,507
Total liabilities	56,117,531	394,014	56,511,545
NET ASSETS:			
Invested in capital assets, net of related debt	1,175,409	498,031	1,673,440
Unrestricted	8,453,552	647,349	9,100,901
Total net assets	9,628,961	1,145,380	10,774,341
TOTAL	\$ 65,746,492	\$ 1,539,394	\$ 67,285,886

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
Governmental activities:						
Instruction	\$ (42,620,334)	\$ 476,735	\$ 14,397,818	\$ (27,745,781)	\$ -	\$ (27,745,781)
Instructional student support	(4,586,104)	-	185,150	(4,400,954)	-	(4,400,954)
Administrative and financial support services	(9,239,081)	489,263	373,000	(8,376,818)	-	(8,376,818)
Operation and maintenance of plant services	(6,100,725)	-	246,298	(5,854,427)	-	(5,854,427)
Pupil transportation	(2,029,505)	-	1,003,604	(1,025,901)	-	(1,025,901)
Student activities	(1,078,714)	105,991	43,550	(929,173)	-	(929,173)
Community services	(37,467)	-	-	(37,467)	-	(37,467)
Interest on bonds payable	(1,604,176)	-	1,138,098	(466,078)	-	(466,078)
Total governmental activities	(67,296,106)	1,071,989	17,387,518	(48,836,599)	-	(48,836,599)
Business-type activity,						
Food service	(2,597,228)	752,328	1,522,441	-	(322,459)	(322,459)
Total	\$ (69,893,334)	\$ 1,824,317	\$ 18,909,959	(48,836,599)	(322,459)	(49,159,058)
General revenues:						
Property taxes levied for general purposes, net				19,955,624	-	19,955,624
Other taxes levied				8,813,846	-	8,813,846
Grants, subsidies and contributions not restricted				22,655,773	-	22,655,773
Investment earnings				901,337	28,163	929,500
Loss on the disposal of fixed assets				(37,263)	-	(37,263)
Miscellaneous income				591,896	(2,599)	589,297
Total general revenues				52,881,213	25,564	52,906,777
Change in net assets				4,044,614	(296,895)	3,747,719
Net assets, beginning				5,584,347	1,442,275	7,026,622
Net assets, ending				\$ 9,628,961	\$ 1,145,380	\$ 10,774,341

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	MAJOR FUNDS				
	GENERAL	CAPITAL RESERVE	DEBT SERVICE	OTHER	TOTALS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 808,371		\$ -	\$ 12,256	\$ 820,627
Investments	9,001,759	\$ 1,452,994		706,479	11,161,232
Taxes receivable	2,737,045			-	2,737,045
Due from other funds	1,541,115	-		38,115	1,579,230
Due from other governments	2,473,984			887	2,474,871
Other receivables	425,729			1,115	426,844
Inventories	748,432			-	748,432
Prepaid expenses	44,411			-	44,411
TOTAL	<u>\$ 17,780,846</u>	<u>\$ 1,452,994</u>	<u>\$ -</u>	<u>\$ 758,852</u>	<u>\$ 19,992,692</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,698,795	\$ 1,234	\$ -	\$ 19,291	\$ 1,719,320
Due to other funds	1,047,531	3,756		27,887	1,079,174
Due to other governments	65,326			-	65,326
Accrued salaries and benefits	7,724,073			14,749	7,738,822
Deferred revenue	1,003,896			-	1,003,896
Other current liabilities	32,365	-		-	32,365
Total liabilities	<u>11,571,986</u>	<u>4,990</u>	<u>-</u>	<u>61,927</u>	<u>11,638,903</u>
FUND BALANCES:					
Reserved	792,843				792,843
Unreserved, designated		1,448,004		696,925	2,144,929
Unreserved, undesignated	5,416,017			-	5,416,017
Total fund balances	<u>6,208,860</u>	<u>1,448,004</u>	<u>-</u>	<u>696,925</u>	<u>8,353,789</u>
TOTAL	<u>\$ 17,780,846</u>	<u>\$ 1,452,994</u>	<u>\$ -</u>	<u>\$ 758,852</u>	<u>\$ 19,992,692</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,353,789
------------------------------------------	--------------

Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$96,010,624 and the accumulated depreciation is \$59,912,996.	36,097,628
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	1,241,129
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Certain expenses incurred in connection with the issuance of long-term debt are expensed in the funds, but are deferred and amortized over the term of the bonds in the entity-wide statements.	991,942
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

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	(35,660,000)	
Capital leases payable	(254,161)	
Accrued interest on bonds	(636,132)	
Compensated absences	<u>(677,384)</u>	
		(37,227,677)

Internal service funds are used by management to account for the operations in its Data Processing, Maintenance and Tax Office Funds.

The residual assets and liabilities of these funds are included in the statement of net assets (exclusive of the book value of these funds' capital assets and compensated absences, which are included in the reconciling items above).

172,150

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>9,628,961</u>
--------------------------------------------	---------------------

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	MAJOR FUNDS				TOTALS
	GENERAL	CAPITAL RESERVE	DEBT SERVICE	OTHER	
REVENUES:					
Local sources:					
Real estate taxes	\$ 18,455,291				\$ 18,455,291
Other taxes	8,973,117				8,973,117
Tuition	416,327				416,327
Earnings on investments	552,593	\$ 31,956	\$ -	\$ 17,099	601,648
Other revenue	415,657	-	-	411,595	827,252
Total local sources	28,812,985	31,956	-	428,694	29,273,635
State sources	35,045,353			26,636	35,071,989
Federal sources	4,892,526				4,892,526
Total revenues	68,750,864	31,956	-	455,330	69,238,150
EXPENDITURES:					
Instruction	40,400,541			864,485	41,265,026
Support services	19,027,134				19,027,134
Noninstructional services	216,479				216,479
Capital outlay		103,094		23,741	126,835
Debt service	786,219		3,602,491		4,388,710
Refund of prior year's receipts	218,624				218,624
Total expenditures	60,648,997	103,094	3,602,491	888,226	65,242,808
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	8,101,867	(71,138)	(3,602,491)	(432,896)	3,995,342
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of fixed assets	300	889			1,189
Proceeds from extended term financing	(1,488)				(1,488)
Transfers in		540,000	3,602,491	629,459	4,771,950
Transfers out	(6,182,315)				(6,182,315)
Transfers to Agency funds	(25,400)				(25,400)
Total other financing (uses) sources, net	(6,208,903)	540,889	3,602,491	629,459	(1,436,064)
NET CHANGE IN FUND BALANCES	1,892,964	469,751	-	196,563	2,559,278
FUND BALANCE, BEGINNING	4,315,896	978,253	-	500,362	5,794,511
FUND BALANCE, ENDING	\$ 6,208,860	\$ 1,448,004	\$ -	\$ 696,925	\$ 8,353,789

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,559,278

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 statements 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 in the period (this information relates only to governmental fund activity - capital activity related to the District's Internal Service Fund would need to be included in order to reconcile this data to the capital asset note disclosure on page 30):

Capital outlays	519,526	
Depreciation expense	<u>(2,569,188)</u>	
		(2,049,662)

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

1,222,499

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. During the fiscal year ended June 30, 2008, the following transactions factor into this reconciliation:

Retirement of principal of bonds payable	2,900,000	
Repayment of principal - capital leases	<u>201,606</u>	
		3,101,606

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount due over the interest accrued in the statement of activities is shown here.

(317,071)

In the statement of activities, certain operating expenses including compensated absences (vacations and sick days) 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.

(117,764)

Certain expenses incurred in connection with the issuance of long-term debt are expensed in the funds, but are deferred and amortized over the term of the bonds in the entity-wide statements.

(297,729)

Capital assets used in governmental activities are not reported as assets in the governmental funds. Thus upon the disposal of a capital asset the governmental fund does not report a loss.

(37,263)

Internal service funds are used by management to account for the operations in its Data Processing, Maintenance and Tax Office Funds.

The net loss of those activities is included within the District's governmental activities

(19,280)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,044,614

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local sources	\$ 30,302,946	\$ 28,942,274	\$ 28,812,985	\$ (129,289)
State sources	34,196,826	34,376,826	35,045,353	668,527
Federal sources	<u>4,234,341</u>	<u>5,595,013</u>	<u>4,892,526</u>	<u>(702,487)</u>
Total revenues	<u>68,734,113</u>	<u>68,914,113</u>	<u>68,750,864</u>	<u>(163,249)</u>
EXPENDITURES:				
Regular programs	28,237,484	28,365,109	27,647,737	717,372
Special programs	10,029,115	10,026,344	9,862,481	163,863
Vocational programs	1,992,434	1,992,554	1,890,723	101,831
Other instructional programs	924,196	923,496	848,074	75,422
Adult education programs	109,487	109,487	151,526	(42,039)
Pupil personnel services	2,486,392	2,607,143	2,521,453	85,690
Instructional staff services	1,901,677	2,058,386	2,079,390	(21,004)
Administrative services	4,787,454	4,823,944	4,629,927	194,017
Pupil health	904,142	904,142	880,933	23,209
Business services	916,892	879,392	806,118	73,274
Operation and maintenance of plant services	5,498,169	5,517,352	5,451,027	66,325
Student transportation services	2,030,272	2,092,715	1,907,685	185,030
Central & other support services	791,955	786,074	750,601	35,473
Other support services	-	-	-	-
Student activities	193,363	190,694	179,012	11,682
Community services	45,472	46,434	37,467	8,967
Facilities acquisition, construction, improvements	-	-	-	-
Debt service	933,843	836,308	786,219	50,089
Refund of prior year's receipts	<u>-</u>	<u>150,000</u>	<u>218,624</u>	<u>(68,624)</u>
Total expenditures	<u>61,782,347</u>	<u>62,309,574</u>	<u>60,648,997</u>	<u>1,660,577</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>6,951,766</u>	<u>6,604,539</u>	<u>8,101,867</u>	<u>1,497,328</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from extended term financing	425,000	425,000	(1,488)	(426,488)
Proceeds from the sale of fixed assets	-	-	300	300
Budgetary reserve	(925,000)	(641,149)	-	641,149
Transfers in	-	-	-	-
Transfers out	(6,451,766)	(6,358,465)	(6,182,315)	176,150
Transfers to Agency funds	<u>-</u>	<u>-</u>	<u>(25,400)</u>	<u>(25,400)</u>
Total other financing sources (uses), net	<u>(6,951,766)</u>	<u>(6,574,614)</u>	<u>(6,208,903)</u>	<u>365,711</u>
NET CHANGE IN FUND BALANCE	-	29,925	1,892,964	1,863,039
FUND BALANCE, BEGINNING	<u>1,917,446</u>	<u>1,810,548</u>	<u>4,315,896</u>	<u>2,648,450</u>
FUND BALANCE, ENDING	<u>\$ 1,917,446</u>	<u>\$ 1,840,473</u>	<u>\$ 6,208,860</u>	<u>\$ 4,511,489</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2008

	<u>BUSINESS-TYPE ACTIVITY FOOD SERVICE</u>	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 13,085	\$ 5,347,989
Investments	629,604	4,032,761
Due from other funds	28,904	397,705
Due from other governments	181,721	91,275
Other receivables	175,769	-
Inventories	54,583	29,099
Total current assets	<u>1,083,666</u>	<u>9,898,829</u>
Capital assets, net:		
Equipment	2,088,818	1,758,450
Accumulated depreciation	<u>(1,590,787)</u>	<u>(1,375,732)</u>
Capital assets, net	<u>498,031</u>	<u>382,718</u>
TOTAL	<u>\$ 1,581,697</u>	<u>\$ 10,281,547</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 137,476	\$ 695
Due to other funds	42,303	253,170
Due to other governments	2,599	(97,742)
Undistributed taxes		2,944,100
Accrued salaries and benefits	29,674	124,797
Unallocated taxes		6,446,916
Refunds payable		54,743
Deferred revenue	180,000	
Other current liabilities	<u>18,645</u>	
Total current liabilities	410,697	9,726,679
Noncurrent liability,		
Compensated absences	<u>25,620</u>	<u>45,940</u>
Total liabilities	436,317	9,772,619
NET ASSETS,		
Unrestricted	<u>1,145,380</u>	<u>508,928</u>
TOTAL	<u>\$ 1,581,697</u>	<u>\$ 10,281,547</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITY FOOD SERVICE	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
OPERATING REVENUES:		
Food service revenue	\$ 696,626	
Charges for services		\$ 493,489
Other operating revenue	<u>55,702</u>	<u>45,678</u>
Total operating revenues	<u>752,328</u>	<u>539,167</u>
OPERATING EXPENSES:		
Salaries	818,578	1,221,427
Employee benefits	346,206	545,018
Purchased professional and technical services	1,154,960	105,728
Purchased property services	1,927	167,810
Other purchased services	20,456	90,418
Supplies	147,502	73,539
Depreciation	89,053	141,311
Dues and fees	877	2,027
Other operating expenses	<u>17,669</u>	<u>-</u>
Total operating expenses	<u>2,597,228</u>	<u>2,347,278</u>
OPERATING LOSS	<u>(1,844,900)</u>	<u>(1,808,111)</u>
NONOPERATING REVENUES:		
Earnings on investments	28,163	299,688
State sources	149,900	78,777
Federal sources	1,372,541	
Other nonoperating revenues	<u>(2,599)</u>	<u>-</u>
Total nonoperating revenues	<u>1,548,005</u>	<u>378,465</u>
NET LOSS BEFORE TRANSFERS	(296,895)	(1,429,646)
TRANSFERS IN, net		<u>1,410,366</u>
CHANGE IN NET ASSETS	(296,895)	(19,280)
TOTAL NET ASSETS, BEGINNING	<u>1,442,275</u>	<u>528,208</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,145,380</u>	<u>\$ 508,928</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITY FOOD SERVICE	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 476,327	\$ 405,484
Cash payments to employees for services	(1,030,559)	(1,774,984)
Cash paid to suppliers for goods and services	(1,175,994)	(443,698)
Taxes collected on behalf of other governments		37,309,021
Taxes remitted/refunds paid to other governments/taxpayers		(37,474,648)
	<u>(1,730,226)</u>	<u>(1,978,825)</u>
Net cash used in operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	139,170	79,522
Federal sources	1,230,189	
Operating transfers		<u>1,410,366</u>
	<u>1,369,359</u>	<u>1,489,888</u>
Net cash provided by noncapital financing activities		
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Purchase of capital assets	<u>(102,458)</u>	<u>(121,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	441,276	(4,032,761)
Other non- operating revenues	(2,599)	
Earnings on investments	<u>28,163</u>	<u>299,688</u>
	<u>466,840</u>	<u>(3,733,073)</u>
Net cash provided by (used in) investing activities		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,515	(4,343,020)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>9,570</u>	<u>9,691,009</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ <u>13,085</u>	\$ <u>5,347,989</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (1,844,900)	\$ (1,808,111)
Depreciation expense	89,054	141,311
Adjustments to reconcile operating loss to net cash used in operating activities,		
Change in assets and liabilities:		
Receivables, net	(174,761)	(91,880)
Due to other funds, net	(101,240)	(41,803)
Due from other governments		(28,794)
Inventory	4,292	4,438
Accounts payable	125,057	(8,614)
Accrued expenses	(11,210)	(8,539)
Deferred charges	180,000	
Other liabilities	3,482	
Undistributed taxes		28,718
Unallocated taxes		(179,569)
Refunds payable		<u>14,018</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ <u>(1,730,226)</u>	\$ <u>(1,978,825)</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2008**

	PRIVATE PURPOSE TRUST FUND	AGENCY	TOTALS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 21,776	\$ 1,858,493	\$ 1,880,269
Investments	232,781		232,781
Due from other funds	697	28,377	29,074
Other current assets	<u>140</u>	<u>347</u>	<u>487</u>
 TOTAL	 <u>\$ 255,394</u>	 <u>\$ 1,887,217</u>	 <u>\$ 2,142,611</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable		\$ 3,075	\$ 3,075
Due to other funds	\$ 4,145	656,122	660,267
Accrued payroll tax withholdings		1,147,913	1,147,913
Other current liabilities		<u>80,107</u>	<u>80,107</u>
 Total liabilities	 4,145	 1,887,217	 1,891,362
NET ASSETS,			
Net assets held for scholarships	<u>251,249</u>	<u>-</u>	<u>251,249</u>
 TOTAL	 <u>\$ 255,394</u>	 <u>\$ 1,887,217</u>	 <u>\$ 2,142,611</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Earnings on investments	\$ 14,687
Contributions	<u>275</u>
Total additions	<u>14,962</u>
DEDUCTIONS:	
Scholarships awarded	14,835
Other	<u>206</u>
Total deductions	15,041
NET LOSS BEFORE TRANSFERS	(79)
TRANSFER FROM AGENCY FUND	-
TRANSFER TO FOUNDATION	<u>(552,180)</u>
CHANGE IN NET ASSETS	(552,259)
NET ASSETS, BEGINNING	<u>803,508</u>
NET ASSETS, ENDING	<u>\$ 251,249</u>

See Notes to Financial Statements

WILLIAMSPORT AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the Williamsport Area School District (the "District") are summarized below:

NATURE OF OPERATIONS

The District is located in north-central Pennsylvania along the West Branch of the Susquehanna River, and includes six municipalities in Lycoming County. The District covers an area of approximately 98 square miles and serves a population of approximately 45,000 in the City of Williamsport and Hepburn, Lewis, Lycoming, Old Lycoming and Woodward Townships. Approximately 70% of the District population and 62% of the taxable real property are in the City of Williamsport.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Statement Nos. 14 and 39, issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should not be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General, Capital Reserve, Athletic, Capital Projects and Debt Service funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity. In addition, the District maintains three internal service funds: (1) the Williamsport Area School District Municipal and School Income Tax Office (the "Tax Office"); (2) a Data Processing Fund, and; (3) a Maintenance Fund. Pursuant to GASB 34, paragraph 62, the District reports internal service fund asset and liability balances that are not eliminated in the statement of net assets within the governmental activities column, as the activities reported within these internal service funds are more governmental than business-type in nature, and the District's governmental activities are the predominant participant in the internal service funds.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

GENERAL FUND

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

SPECIAL REVENUE FUND

The special revenue fund accounts for proceeds of specific revenue sources (other than special assessments and expendable trusts) that are legally restricted to expenses for specific purposes. This fund includes the activities of the Capital Reserve Fund and Athletic Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for receipt and disbursement of resources for the purpose of building or buying major capital assets. This fund includes the activities of the following capital project sub-fund: Capital Projects Funds #35.

DEBT SERVICE FUND

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations. This fund includes the activities of the following debt service sub-funds: Debt Service Funds #41, #42, #46, #47, #48 and #49.

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The following is a description of the proprietary funds of the District:

FOOD SERVICE FUND (ENTERPRISE FUND TYPE)

The Food Service Fund accounts for the operations of the District's food service operations. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as non-operating.

TAX OFFICE (INTERNAL SERVICE FUND)

The Tax Office collects and administers earned income tax on behalf of the Williamsport Area School District, the City of Williamsport and various boroughs, townships and school districts within Lycoming County. Deficiencies of revenues over expenses are financed through operating subsidies from participating districts. Operating revenues consist mainly of subsidies provided by participating districts. Operating expenses consist primarily of the salaries, wages and benefits of Tax Office employees, other purchased services and depreciation.

DATA PROCESSING FUND (INTERNAL SERVICE FUND)

The Data Processing Fund provides data processing services to the various other funds of the District. Operating revenues consist of incoming transfers from other funds, primarily the General Fund, and state subsidies. Operating expenses are comprised mainly of salaries, wages and benefits, purchased property services and depreciation.

MAINTENANCE FUND (INTERNAL SERVICE FUND)

The Maintenance Fund provides janitorial and building upkeep services to the various other funds of the District. Operating revenues consist of incoming transfers from other funds, primarily the General Fund, and state subsidies. Operating expenses are comprised mainly of salaries, wages and benefits, purchased property services and supplies.

FIDUCIARY FUND TYPES

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:

AGENCY FUND

The agency fund accounts for assets held by the District as an agent for others. This fund is accounted for in a manner similar to governmental funds and includes both the District's Student Activities Fund and Payroll Fund.

PRIVATE PURPOSE TRUST FUND

Private purpose trust funds are used to account for assets held by the District in a trustee capacity for individuals and private organizations. This fund, known as the Student Awards Fund, has a non-expendable trust fund balance of \$251,249 at June 30, 2008 that is primarily restricted for school awards.

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's net total assets.

FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

ACCRUAL BASIS

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

MODIFIED ACCRUAL BASIS

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds payable, compensated absences and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences and claims and judgments are recorded as fund liabilities when due and unpaid.

The District reports deferred revenue on its fund financial statements. Deferred revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

PROPRIETARY FUND USE OF FASB STANDARDS

The District applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements issued after November 30, 1989.

ALLOCATION OF INDIRECT EXPENSES

The District allocates certain building-related costs to the proprietary fund. It does not allocate any other indirect costs, with the exception of depreciation expense.

BUDGETS AND BUDGETARY ACCOUNTING

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

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

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to have the budget printed, or otherwise made available for public inspection at least twenty (20) days prior to the date set for the adoption of the budget. Final action may not be taken on any proposed budget in which the estimated expenditures exceed two thousand dollars (\$2,000), until after ten (10) days public notice.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action during the last nine months of the fiscal year. An affirmative vote of a majority of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year's end are reported as reservations of fund balances.
- Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding these programs. These budgets are approved on a program-by-program basis by the state or federal funding agency.
- Capital budgets are implemented for capital improvements and capital projects in the Capital Projects Fund. All transactions of the Capital Projects Fund are approved by the Board prior to commitment thereby constructively achieving budgetary control.
- An Enterprise Fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. At June 30, 2008, the District had no outstanding encumbrances.

CASH

Cash consists of the District's deposits with financial institutions, carried at cost.

INVESTMENTS

Marketable securities are stated at their fair values. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported as investment income. The District considers its deposits with the Pennsylvania Local Government Investment Trust ("PLGIT") and the Pennsylvania School District Liquid Asset Fund ("PSDLAF") to be held for investments purposes. These deposits are carried at fair market value, as reported by PLGIT and PSDLAF, which approximates cost.

INVENTORIES

General Fund inventories of \$748,432 are comprised of art supplies, auto parts, coal, custodial supplies, fuel oil and school opening supplies, specifically acquired for use in the subsequent fiscal year. These supplies are delivered to schools and other locations prior to the end of the fiscal year but are recognized as expenditures in the following fiscal year. This has been a consistent policy followed each year by the District.

Enterprise fund inventories consisting of food service inventories of \$38,749 include \$20,495 of food commodities donated by the federal government, which are valued at an estimated market value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise fund are reported both in the business-type activities of the government-wide statement of net assets and in the fund financial statements; capital assets used by the internal service funds are reported in the governmental activities of the government-wide statement of net assets and in the fund financial statements.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land and construction in progress, are depreciated. Land is not depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Land improvements	20 - 40 years	N/A
Buildings and improvements	20 - 40 years	N/A
Furniture and equipment	5 - 20 years	10 - 12 years

The District does not have any infrastructure capital assets.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

ASSETS HELD FOR CAPITAL PROJECTS

Assets held for capital projects represent unspent funds from the District's various capital project funds.

COMPENSATED ABSENCES - VACATION

The District's collective bargaining agreements with its professional and support employees specify the vacation leave policies. District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be taken during the year of entitlement; however, five to 20 days of such leave may be carried over and used by June 30 of the subsequent year. Unused vacation is nonvesting; therefore, no liability is recorded.

COMPENSATED ABSENCES - EARLY RETIREMENT INCENTIVE

The District offers early retirement incentive programs to teachers. A single, lump-sum payment is made to the retiree on the last working day prior to retirement. As a result of this benefit, a liability of \$397,416 has been established within the long-term liabilities. Retirees are also entitled to post-retirement healthcare benefits. These healthcare benefits are comprised of payments toward health insurance costs until the retiree becomes eligible for Medicare benefits. Administrators and supervisory personnel who elect to retire early are not offered early retirement incentives. Administrative and supervisory personnel who elect to retire early are entitled to post-retirement healthcare benefits and continuation of life insurance coverage. Life insurance coverage is extended for 15 years, or until the retiree reaches 70 years of age, whichever occurs first. In the fiscal year ended June 30, 2008, life insurance payments amounted to \$5,089 for 29 retired teachers and administrators.

SICK LEAVE AND PERSONAL LEAVE

Most District employees are credited annually with ten sick days, one personal day and two emergency days. Unused sick leave is cumulated from year to year, without limitation. However, accumulation of this item is not compensated upon termination or retirement, except for support personnel who may be compensated for a maximum of 200 days of sick leave upon retirement. As a result of this benefit, a liability for \$311,808 has been established within the long-term liabilities.

FUND BALANCE RESERVES

Fund balance reserves primarily represent resources restricted for capital project and debt service purposes.

ELIMINATIONS AND INTERNAL BALANCES

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net assets.

RESTRICTED NET ASSETS

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The District considers all investments purchased with an original maturity of three months or less to be cash equivalents.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1, which requires monies to be invested in: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC or NCUSIF to the extent that such accounts are so insured, and, for any amounts above the insured maximum provided that the approved collateral as provided by law therefore shall be pledged by the depository; obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, and; the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. At June 30, 2008, the District's cash and cash equivalents and restricted assets include deposits with local financial institutions, the Pennsylvania Local Government Investment Trust and the Pennsylvania School District Liquid Asset Fund and various petty cash balances held throughout the District.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy with regard to custodial credit risk. At June 30, 2008, \$8,223,223 of the District's bank balance was exposed to custodial credit risk, since the balance was uninsured and collateralized with securities held by the financial institutions' trust department not in the District's name, under the provisions of the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended. Act 72 allows banking institutions to cover total public funds on deposit in excess of federal insurance.

WILLIAMSPORT AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

The following table provides a summary, by fund, of the District's investments at June 30, 2008:

	GENERAL FUND	CAPITAL PROJECTS	CAPITAL RESERVE	FOOD SERVICE	EIT FUND	TRUST FUND	Totals
PLGIT	\$8,378,531		\$1,452,994	\$629,604	\$4,032,761	\$219,261	\$14,713,151
PSDLAF	87,219						87,219
US Treasury Bond		\$706,479					706,479
Common stock	-	-	-	-	-	13,520	13,520
Totals	<u>\$8,465,750</u>	<u>\$706,479</u>	<u>\$1,452,994</u>	<u>\$629,604</u>	<u>\$4,032,761</u>	<u>\$232,781</u>	<u>\$15,520,369</u>

The Pennsylvania Local Government Investment Trust ("PLGIT") is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time. PLGIT/PLGIT PLUS have received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. At June 30, 2008, the carrying amount and bank balances of the District's deposits with PLGIT were \$14,713,151.

The Pennsylvania School District Liquid Asset Fund ("PSDLAF") contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant school district owns shares of PSDLAF, which invests the pooled assets. Since PSDLAF has the characteristics of a mutual fund, it is not subject to the disclosure requirements promulgated by GASB Nos. 3 and 40. At June 30, 2008, the carrying amount and bank balances of the District's investment in PSDLAF were \$87,219.

The US Treasury Zero Coupon Bond is an obligation of the United States government which matures on July 1, 2008. At June 30, 2008, the carrying amount and bank balances of the District's investment in the bond were \$706,479.

Common stock consists of 250 shares of common stock in Wachovia Corporation (formerly the First Union Corporation).

The District places no limits on the amount it may invest in any one issuer.

3. PROPERTY TAXES

Based upon assessments provided by Lycoming County, the elected tax collectors bill and collect property taxes for the District. The District tax rate for the year ended June 30, 2008 was 12.95 mills (\$12.95 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The Board of School Directors also levies real estate transfer tax, earned income tax, and net profits tax. The tax rates under Act 511 are 0.5% of each real estate transaction in the District and 2.0% of all income earned by the residents of the District. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 – August 31	2% Discount Period
September 1 - October 31	Face Payment Period
November 1 - June 30	10% Penalty Period
June 30	Lien Date

Estimated collectible delinquent real estate taxes at June 30, 2008, amounted to \$1,335,959, as follows:

Outstanding Balance	Estimated Uncollectible	Estimated Collectible
<u>\$1,688,407</u>	<u>\$352,448</u>	<u>\$1,335,959</u>

4. DUE FROM OTHER GOVERNMENTS

The amount reported in the General Fund at June 30, 2008 as due from other governments is summarized below:

	<u>GENERAL FUND</u>	<u>ATHLETIC FUND</u>	<u>FOOD SERVICE</u>	<u>INTERNAL SERVICE</u>
Local source revenues	\$ 548,859			\$ 548,859
State source revenues	594,560	\$887	\$ 13,035	608,481
Federal source revenues	<u>936,278</u>	<u>-</u>	<u>168,686</u>	<u>1,104,956</u>
Total	<u>\$2,079,689</u>	<u>\$887</u>	<u>\$181,721</u>	<u>\$2,151,297</u>

WILLIAMSPORT AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The amount due from local governments consists of New IDEA revenues earned during fiscal 2008 that had yet to be provided to the District at June 30, 2008 (General Fund), and local subsidies due from participating districts in the Tax Office for tax collection services (Internal Service Fund). State sources receivables consist of basic, vocational and transportation subsidies as well as social security/retirement reimbursements due from the Pennsylvania Department of Education ("PDE"). Federal source receivables consist of federal programs passed through PDE, wherein the District incurred related expenditures prior to June 30, 2008, but had yet to be reimbursed at year end.

5. CAPITAL ASSETS

The changes in the District's capital assets in 2008 are summarized as follows:

	BALANCE JULY 1, <u>2007</u>	<u>ADDITIONS</u>	<u>TRANSFERS</u>	<u>DISPOSALS</u>	BALANCE JUNE 30, <u>2008</u>
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 384,116				\$ 384,116
Construction in progress	<u>-</u>				<u>-</u>
Total capital assets not being depreciated	<u>384,116</u>				<u>384,116</u>
Land improvements	2,620,536				2,620,536
Buildings and improvements	68,646,414	\$ 124,576		\$ (37,895)	68,728,095
Furniture and equipment	<u>23,780,097</u>	<u>515,960</u>		<u>(18,180)</u>	<u>24,277,877</u>
Total depreciable capital assets	95,042,047	640,536		(56,075)	95,626,508
Less accumulated depreciation	<u>(57,221,309)</u>	<u>(2,710,499)</u>	<u>(632)</u>	<u>(18,180)</u>	<u>(59,912,996)</u>
Total depreciable capital assets, net	<u>37,820,738</u>	<u>(2,069,963)</u>	<u>632</u>	<u>(37,895)</u>	<u>35,713,512</u>
Governmental activities capital assets, net	<u>\$50,055,769</u>	<u>\$ (2,069,963)</u>	<u>\$ 632</u>	<u>\$ (37,895)</u>	<u>\$36,097,628</u>
BUSINESS – TYPE ACTIVITIES:					
Furniture and equipment	\$ 1,986,360	\$ 32,765	\$ -		\$ 2,019,125
Less accumulated depreciation	<u>(1,501,734)</u>	<u>(86,149)</u>	<u>-</u>		<u>(1,587,883)</u>
Business-type activities capital assets, net	<u>\$ 484,626</u>	<u>\$ (53,384)</u>	<u>\$ -</u>		<u>\$ 431,242</u>

6. BONDS PAYABLE

In December 1999, the District issued \$9,995,000 of General Obligation Bonds, Series of 1999, for the purpose of providing funds to finance capital improvement projects and to pay the costs of issuing the bonds. The bonds are due in varying annual installments plus interest at 5%. The principal balance outstanding on this bond series at June 30, 2008 was \$330,000; there is no principal payment due on these bonds during the fiscal year ending June 30, 2009.

In May 2003, the District issued \$9,870,000 of General Obligation Bonds to advance refund its General Obligation Bonds, Series of 1998 and to pay the cost of issuing the bonds. The bonds are due in varying annual installments plus interest ranging from 1.3% to 3%. The principal balance outstanding on this bond series at June 30, 2008 was \$7,025,000; of this balance, \$2,270,000 is due during the fiscal year ending June 30, 2009.

In February 2004, the District issued \$8,595,000 of General Obligation Bonds to currently refund its General Obligation Bonds, Series of 1998A and to pay the cost of issuing the bonds. The bonds are due in varying annual installments plus interest ranging from 2% to 4%. The principal balance outstanding on this bond series at June 30, 2008 was \$6,810,000; of this balance, \$530,000 is due during the fiscal year ending June 30, 2009.

In May 2004, the District issued \$10,000,000 of General Obligation Bonds, Series A, to advance refund all but \$330,000 of its General Obligation Bonds, Series of 1999 and to pay the costs of issuing the bonds. The bonds are due in varying annual installments plus interest ranging from 1.1% to 3.7%. The principal balance outstanding on this bond series at June 30, 2008 was \$9,695,000; of this balance, \$60,000 is due during the fiscal year ending June 30, 2009.

In January 2005, the District issued its General Obligation Note, Series A of 2005, in the amount of \$12,000,000, to provide funds for the purpose of making capital improvements to its Lycoming Valley Middle and Hepburn-Lycoming Elementary Schools, capitalized interest on the Note, and to pay the costs of issuance, and to pay the remarketing costs. The Note is due in varying annual installments plus interest at 3.85%. The principal balance outstanding on this bond series at June 30, 2008 was \$11,800,000; of this balance, \$100,000 is due during the fiscal year ending June 30, 2009.

WILLIAMSPORT AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The following summarizes the changes in long-term debt in 2008:

Balance, July 1, 2007	\$38,560,000
Additions	-
Retirements	<u>2,900,000</u>
Balance, June 30, 2008	35,660,000
Less current maturities	<u>2,960,000</u>
Long-term bonds payable	<u>\$32,700,000</u>

Total interest paid on these bonds in 2008 was \$1,142,224. No interest was capitalized in 2008.

Debt service to maturity on the general obligation bonds and note at June 30, 2008 is summarized as follows:

<u>YEARS ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 2,960,000	\$ 1,206,116	\$ 4,166,116
2010	3,045,000	1,128,420	4,173,420
2011	3,125,000	1,039,826	4,164,826
2012	3,110,000	939,406	4,049,406
2013-2017	17,275,000	2,837,630	20,112,630
2018-2022	5,945,000	190,402	6,135,402
2023-2025	<u>200,000</u>	<u>4,667</u>	<u>204,667</u>
Total	<u>\$35,660,000</u>	<u>\$ 7,346,466</u>	<u>\$ 43,006,466</u>

7. CAPITAL LEASES

The District is obligated under certain leases accounted for as capital leases. The following is a schedule, by year, of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008, as related to the District's governmental activities:

WILLIAMSPORT AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

YEARS ENDING JUNE 30

2009	\$134,579
2010	58,817
2011	58,817
2012	<u>15,477</u>
Total minimum lease payments	267,690
Less amounts representing interest	<u>13,529</u>
Present value of net minimum lease payments	<u>\$254,161</u>

8. COMPENSATED ABSENCES

The liability for compensated absences, including early retirement incentives, recorded in the governmental activities column on the statement of net assets, was \$677,384 at June 30, 2008. The liability for compensated absences for business-type activities amounted to \$25,620 at June 30, 2008. The changes in the District's compensated absences in 2008 are summarized as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Balance July 1, 2007	\$ 559,203	\$ 30,205
Increase (decrease), net	<u>118,181</u>	<u>(4,585)</u>
Balance June 30, 2008	<u>\$ 677,384</u>	<u>\$ 25,620</u>

9. ACCRUED SALARIES AND BENEFITS

General Fund accrued salaries and benefits in the amount of \$7,724,024 is comprised of the following: accrued salaries of \$5,945,760, accrued healthcare costs of \$841,528, the District's share of Social Security taxes of \$432,162, retirement plan expense of \$415,020, and other accrued employee benefits of \$89,553. These liabilities relate primarily to teachers' services rendered during the 2007-2008 school term, which are paid during July and August 2008.

10. OTHER POST-EMPLOYMENT AND TERMINATION BENEFITS

The District provides full coverage in health care benefits for the following employee groups: (1) teachers who retire at age 50 or later, for a period of ten years, who have 15 or more years credited service with the District; (2) administrators who retire up to age 65, and who have at least 15 years of service with the District, and; (3) support staff who retire under full retirement from PSERS having at least 15 years with the District. The spouse may purchase coverage under the health care plan provided the retired employee is covered. The cost of these benefits is recognized on a "pay as you go" basis. For the year ended June 30, 2008, these costs totaled \$667,198. At June 30, 2008, there were 157 retirees meeting the above eligibility requirements.

Under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the District makes available health care benefits to eligible former employees and their dependents. Requirements are outlined by the federal government for this coverage. This program is offered up to a period of 18 months (36 months for an employee with dependents) after an employee's termination date. At June 30, 2008, there were 15 participants covered under COBRA.

11. RETIREMENT PLAN

All full-time and certain part-time employees of the District participate in the Commonwealth of Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan. The System was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

PSERS provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare premium assistance benefits to qualifying annuitants. The District's and its employees' obligation to contribute to PSERS are established by authority of Act 96 of the Public School Employees' Retirement Code. Benefit provisions are established and amended by the PSERS board of trustees.

The District's contribution rate was 7.13% in 2008, 6.46% in 2007, 4.69% in 2006, and 4.23% in 2005 of covered payroll. The District's contributions were \$2,725,734 in 2008, \$2,451,345 in 2007, \$1,864,747 in 2006 and \$1,718,748 in 2005. The employees' contribution rates range from 5.25% to 7.50%, depending on date of hire and whether they elected to participate in the TD membership class.

PSERS issues a comprehensive annual financial report that includes stand-alone financial statements and required supplementary information for the plan. A copy may be obtained from Pennsylvania Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125, Attention: Office of Financial Management. The report is also available on the Internet, in the publication section of the PSERS website, www.psers.state.pa.

12. INTERNAL BALANCES/INTERFUND BALANCES AND TRANSFERS

Throughout the course of the year, various interfund activities result in amounts due to and from other funds. The District anticipates that these balances will be liquidated within the normal course of business.

The following summarizes the interfund transfers in 2008:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund:		
Debt Service Fund		\$3,602,491
Internal Service Fund		1,410,366
Athletic Fund		629,458
Capital Reserve Fund		540,000
Student Activities Fund		25,400
Debt Service Fund,		
General Fund	\$ 3,602,491	
Internal Service Fund,		
General Fund	1,410,366	
Athletic Fund,		
General Fund	629,458	
Capital Reserve Fund,		
General Fund	540,000	
Student Activities Fund,		
General Fund	25,400	
Student Activities Fund(Intra-Fund)	<u>200</u>	<u>200</u>
Total	<u>\$6,207,915</u>	<u>\$6,207,915</u>

The General Fund transferred \$3,602,491 to the Debt Service Fund to cover required debt service payments. Transfers of \$1,410,366 between the General Fund and Internal Service Fund relate to the provision of and payment for data processing, maintenance and tax collection services. The General Fund transferred \$629,458 to the Athletic Fund to finance that portion of athletic programs not covered by athletic event gate receipts. The General Fund transferred \$540,000 to the Capital Reserve Fund to cover various transportation and building repair and improvement expenditures. The General Fund transferred \$25,400 to the Student Activities Fund to cover contractual salary stipends for class and club advisors.

13. SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The District's operations are located in the County of Lycoming, Pennsylvania. Its service area is located within the geographic bounds of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

14. CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

15. NON-MONETARY TRANSACTIONS

The District receives USDA Donated Commodities in the Food Service Fund (Enterprise Fund), which is a proprietary fund type. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total food commodities recognized as revenue in connection with this program for fiscal year 2008 totaled \$105,766.

16. TRANSACTIONS WITH OTHER LEAS

The District is a member of Central Intermediate Unit 17. Through the membership, the District is able to secure various special services, including special education.

17. PENDING CHANGES IN ACCOUNTING PRONOUNCEMENTS

In June 2004, the GASB issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. Other post-employment benefits ("OPEB") include health insurance and life insurance. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets) in the financial statements of state and local governments. The District is required to adopt Statement No. 45 for its fiscal year 2009 financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The District is required to adopt Statement No. 49 for its fiscal year ending June 30, 2009.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. GASB 51 will be effective for the District's fiscal year ending June 30, 2010.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The District is required to adopt Statement No. 52 for its fiscal year ending June 30, 2009.

In August 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Specifically, GASB 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition, this standard addresses hedge accounting requirements. GASB 53 will be effective for the District's fiscal year ending June 30, 2010.

WILLIAMSPORT AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

WILLIAMSPORT AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	GRANT AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE 7/1/2007	REVENUE RECOGNIZED	EXPENDITURES	Adjustments	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION:										
Passed through the Pennsylvania Department of Education:										
Title I - Improving Basic Programs	84.010	013-080487	7/1/07-9/30/08	\$ 2,084,367	\$ 1,394,805	\$ -	\$ 1,444,853	\$ 1,444,853	\$ -	\$ 50,048
Title I - Improving Basic Programs	84.010	013-070487	7/1/06-9/30/07	2,091,575	720,294	847	719,447	719,447	-	-
Title I - School Improvement	84.010	042-070487	12/1/06-9/30/08	33,000	-	(16,500)	16,500	16,500	-	-
Title I - Academic Achievement	84.010	077-070487	7/1/06-6/30/07	9,990	7,750	-	7,568	7,568	-	(182)
Comprehensive School Reform	84.332	021-060487	7/1/05-9/30/06	133,333	21,333	-	22,577	22,577	-	1,244
Title II - Improving Teacher Quality	84.367	020-080487	7/1/07-9/30/08	549,570	366,380	-	440,201	440,201	-	73,821
Title II - Improving Teacher Quality	84.367	020-070487	7/1/06-9/30/07	548,264	145,986	99,474	46,512	46,512	-	-
Title IV - 21st Century - Sheridan Project	84.287C	410-0028345	10/1/07-9/30/08	173,864	87,010	-	164,474	164,474	-	77,464
Title IV - 21st Century - Sheridan Project	84.287C	410-0028345	10/1/06-9/30/07	423,691	217,072	204,625	189,393	189,393	-	176,946
Title IV - 21st Century - Cohort 4	84.287C	410-0043392	10/1/07-9/30/08	197,566	-	-	114,906	114,906	-	114,906
Title V - Innovative Education	84.298	011-080487	7/1/07-9/30/08	11,026	8,821	-	12,657	12,657	-	3,836
Title V - Innovative Education	84.298	011-070487	7/1/06-9/30/07	11,095	2,219	-	2,219	2,219	-	-
Secondary Allocations (Voc-Ed Perkins)	84.048	380-085064	7/1/07-6/30/08	147,329	147,329	-	147,329	147,329	-	-
Drug Free Schools	84.186A	100-080487	10/6/07-3/31/08	52,395	37,613	-	35,678	35,678	-	(1,935)
Drug Free Schools	84.186A	100-070487	10/6/06-3/31/07	52,395	2,966	(1,615)	4,581	4,581	-	-
Adult Education - Section 231	84.002	041-088041	7/1/07-6/30/08	71,085	67,498	-	57,427	57,427	-	(10,071)
Adult Education - Section 231	84.002	041-077077	7/1/06-6/30/07	71,085	11,319	7,975	3,344	3,344	-	-
Passed through BLAST IU #17:										
New Idea	84.027	062-080017	7/1/07-6/30/08	1,246,973	677,991	-	1,226,850	1,226,850	-	548,859
New Idea	84.027	062-070017	7/1/06-6/30/07	1,273,814	478,256	583,490	(105,234)	(105,234)	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION				4,394,642	177,889	878,286	4,551,282	4,551,282	-	1,034,936
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:										
Passed through the Pennsylvania Department of Education:										
Elect - Federal	93.558	110-060027	7/1/06-6/30/07	89,345	49,649	49,649	89,345	89,345	-	29,944
Elect - Federal	93.558	110-070027	7/1/07-6/30/08	89,345	59,401	-	45,537	45,537	-	8,254
Elect - State	93.558	083-051275	7/1/07-6/30/08	20,623	18,226	-	20,623	20,623	-	2,397
Elect - Fatherhood Initiative - Federal	93.558	110-070027	7/1/07-6/30/08	14,380	13,340	-	14,380	14,380	-	1,040
Elect - Fatherhood Initiative - State	93.558	082-052275	7/1/07-6/30/08	14,380	13,340	-	14,380	14,380	-	1,040
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					177,889	49,649	169,885	169,885	-	41,635

WILLIAMSPORT AREA SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANT NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	GRANT AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCURED (DEFERRED) REVENUE 7/1/2007	REVENUE RECOGNIZED	EXPENDITURES	Adjustments	ACCURED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF AGRICULTURE: Passed through the Pennsylvania Department of Education:										
National School Lunch	10.555	N/A	7/1/07-6/30/08	N/A	F \$ 904,271	\$ -	\$ 1,042,850	\$ -	\$ -	\$ 138,579
State Subsidy	N/A	N/A	7/1/07-6/30/08	N/A	S 68,804	-	79,371	-	-	10,567
National School Lunch	10.555	N/A	7/1/06-6/30/07	N/A	F 21,655	21,655	-	-	-	-
State Subsidy	N/A	N/A	7/1/06-6/30/07	N/A	S 1,694	1,694	-	-	-	-
Nutritional Standards Incentive Lunch	N/A	N/A	7/1/07-6/30/08	N/A	S 944	-	1,099	1,099	-	155
Nutritional Standards Incentive Breakfast	N/A	N/A	7/1/07-6/30/08	N/A	S 104	-	122	122	-	18
National School Breakfast Program	N/A	N/A	7/1/07-6/30/08	N/A	S 11,510	-	12,439	12,439	-	929
National School Breakfast Program	N/A	N/A	7/1/06-6/30/07	N/A	S 274	274	-	-	-	-
Regular / Needy Breakfast	10.553	N/A	7/1/07-6/30/08	N/A	F 4,979	-	6,929	6,929	-	1,950
Severe Need Breakfast	10.553	N/A	7/1/07-6/30/08	N/A	F 160,958	-	187,873	187,873	-	26,915
Severe Need Breakfast	10.553	N/A	7/1/06-6/30/07	N/A	F 3,842	3,842	-	-	-	-
Fresh Fruits and Vegetables	10.582	N/A	7/1/07-6/30/08	N/A	F 77,933	-	77,933	77,933	-	-
Summer Food	10.559	N/A	7/1/07-6/30/08	N/A	F 8,764	-	8,764	8,764	-	-
After School Snacks	10.555	N/A	7/1/07-6/30/08	N/A	F 19,953	-	20,864	20,864	-	911
Passed through the Pennsylvania of Agriculture:										
Value of USDA Donated Commodities	10.550	N/A	7/1/07-6/30/08	N/A	105,768 (a)	(15,721) (b)	100,992 (c)	100,992 (c)	-	(20,495) (d)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					1,391,451	11,744	1,539,236	1,539,236	-	159,529
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ 5,963,992	\$ 939,689	\$ 6,260,403	\$ 6,260,403	\$ -	\$ 1,236,100

TEST OF 50% RULE:

Total expenditures per above
Less: State share of lunch and
breakfast program expenditures

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

FOOTNOTES:

SOURCE CODE:

N/A = Not Applicable
I = Indirect Funding
S = State Share

* Selected for testing as a "major program"

Total Federal Expenditures
New Idea
NSLP
Total Federal expenditures tested
Total Federal expenditures

\$ 6,260,403
93,031
\$ 6,167,372
1,121,616
1,248,416
\$ 2,368,032
\$ 6,167,372 = 38.4%

Notes:
This schedule includes the federal award activity of Williamsport Area School District and is presented on the accrual basis of accounting.
The information on 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 the amounts presented in, or used in the preparation of, the basic financial statements.

See Notes to Financial Statements

**INDEPENDENT AUDITORS' REPORT ON
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 School Board of the
Williamsport Area School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamsport Area School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2009. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as items 2008-01 and 2008-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies 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 entity'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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the District in a separate letter dated January 8, 2009.

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

A handwritten signature in dark ink, appearing to read "Garante Randolph, LLC". The signature is stylized with a large, cursive "G" and "R".

Williamsport, Pennsylvania
January 8, 2009

**INDEPENDENT AUDITORS' 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 School Board of the
Williamsport Area School District:

COMPLIANCE

We have audited the compliance of the Williamsport Area School District (the "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, 2008. The District's major federal programs are identified in the summary of auditors' 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with those requirements.

In our opinion, the 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, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified two deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-01 and 2008-2 to be significant deficiencies.

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. We do not consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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



Williamsport, Pennsylvania
January 8, 2009

WILLIAMSPORT AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

UNQUALIFIED

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance for major programs:

UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes _____ no

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

84.027

IDEA

WILLIAMSPORT AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

SECTION II - FINDINGS - FINANCIAL STATEMENT FINDING

FINDING NO.	FINDING
2008-01	INTERNAL CONTROL OVER FINANCIAL REPORTING – SEGREGATION OF DUTIES – PAYROLL FUNCTION
CRITERIA:	The lack of adequate segregation of duties and responsibilities generally precludes meaningful internal accounting control.
CONDITION:	Responsibility for the performance of accounting duties related to payroll is vested in one individual.
CAUSE:	The District operates with a limited accounting staff. To the extent possible, duties and responsibilities are divided among the various employees; however it is not always possible to adequately segregate duties.
EFFECT:	The District cannot be assured that errors or irregularities will be detected by its internal control over financial reporting as related to its payroll process. This situation constitutes a significant deficiency in internal control over financial reporting.
RECOMMENDATION:	We recommend that management perform a risk assessment as related to its payroll process, and take steps to more fully segregate these duties and/or add mitigating controls as deemed appropriate.
MANAGEMENT'S RESPONSE:	See corrective action plan.

WILLIAMSPORT AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDING NO.	FINDING
2008-02	INTERNAL CONTROL OVER FINANCIAL REPORTING – AUTHORIZED SIGNATURES ON TIMESHEETS
CRITERIA:	District policy requires that certain employee timesheets be signed/approved by the responsible principal as assurance that the time recorded thereon is accurate/appropriate.
CONDITION:	During our walkthrough of certain of the District's payroll cycle key controls, we noted one timesheet that was not signed by the principal. Further discussion with District payroll personnel indicated that this was not an isolated incident; District principals often do not sign/approve timesheets.
CAUSE:	Oversight/lack of awareness of District policy.
EFFECT:	Documentation is lacking in terms of approval of time worked; unauthorized time could be charged and paid.
RECOMMENDATION:	We recommend that District Business Office personnel communicate to all principals the importance of reviewing and approving timesheets, where applicable.
MANAGEMENT'S RESPONSE:	See corrective action plan.

WILLIAMSPORT AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See findings 2008-01 and 2008-2 above. These items are considered findings as related to the District's internal control over federal award compliance.