

NEW ISSUE-BOOK ENTRY ONLY

RATING: Moodys: Aaa
(see "Rating" herein)

Financial Security Assurance Inc.

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. For a more complete discussion, see "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations" herein.

\$10,000,000

School District of Cheltenham Township
Montgomery County, Pennsylvania
General Obligation Bonds, Series of 2007

Dated: October 15, 2007

Interest Due: February 15 and August 15

Principal Due: February 15, as shown on inside cover

First Interest Payment: August 15, 2008

The General Obligation Bonds, Series of 2007 (the "Bonds") in the aggregate principal amount of \$10,000,000 will be issued in registered form, book-entry only, in denominations of \$5,000 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 principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository, at its corporate trust payment office in Harrisburg, Pennsylvania. Interest on the Bonds is payable initially on August 15, 2008 and thereafter semiannually on February 15 and August 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "THE BONDS" *infra*). **The Bonds are subject to redemption prior to maturity as stated herein.**

The Bonds are general obligations of the School District of Cheltenham Township, Montgomery County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power. (See "Security for the Bonds" and "General Taxing Powers of the School District and Limitation on Taxing Powers" *herein*).

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, and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office, presently located in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)). 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 applied towards: (1) designing, acquiring, constructing, furnishing and equipping additions, renovations and improvements to the Myers Elementary School and other facilities owned and operated by the School District, and (2) paying the costs and expenses related to the foregoing purposes and the issuance of the Bonds.

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



MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS
{As shown on inside cover}

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saul Ewing LLP, of Philadelphia, Pennsylvania. Bond Counsel, to be furnished upon delivery of the Bonds. Certain matters will be passed upon for the School District by Wisler Pearlstone, LLP, School District Solicitor, of Blue Bell, Pennsylvania. Public Financial Management, Inc., 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 October 17, 2007.

RBC CAPITAL MARKETS

Official Statement Dated: September 11, 2007.

\$10,000,000
School District of Cheltenham Township
 Montgomery County, Pennsylvania
 General Obligation Bonds, Series of 2007

Dated: October 15, 2007

Interest Due: February 15 and August 15

Principal Due: February 15, as shown below

First Interest Payment: August 15, 2008

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

Feb. 15	Principal Amounts	Interest Rates	Prices
2009	\$10,000	3.550%	100.000%
2010	10,000	3.550	99.974
2011	10,000	3.550	99.965
2012	10,000	3.550	99.916
2013	10,000	3.600	100.000
2014	10,000	3.600	99.716
2015	10,000	3.650	99.677
2016	10,000	3.700	99.570
2017	10,000	3.750	99.373
2020	345,000	3.850	99.316
2023	395,000	4.000	99.203

\$150,000	3.850%	Term Bonds due February 15, 2019 @	99.541%
\$735,000	3.950%	Term Bonds due February 15, 2022 @	99.454%
\$840,000	4.100%	Term Bonds due February 15, 2025 @	99.626%
\$1,035,000	4.150%	Term Bonds due February 15, 2027 @	99.337%
\$1,405,000	4.200%	Term Bonds due February 15, 2029 @	99.021%
\$1,530,000	4.300%	Term Bonds due February 15, 2031 @	99.121%
\$3,475,000	4.500%	Term Bonds due February 15, 2035 @	100.000%

**School District of Cheltenham Township
Montgomery County, Pennsylvania**

BOARD OF SCHOOL DIRECTORS

David M. Rackow	President
Tina Viletto	Vice President
Craig A. Butler	Secretary*
Vanessa Scott	Treasurer*
Elizabeth A. Cataldi	Member
Stephanie Gray	Member
Marc Lieberson	Member
Robert I. Morrison.....	Member
Bonnie Perlmutter	Member
Peggy G. Robertson	Member
Fredericka E. Waugh.....	Member

*Non-Member

**SUPERINTENDENT
WILLIAM N. KIEFER**

**BUSINESS MANAGER
CRAIG A. BUTLER**

**SCHOOL DISTRICT SOLICITOR
WISLER PEARLSTINE, LLP
Blue Bell, 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**

**UNDERWRITER
RBC CAPITAL MARKETS
Lancaster, Pennsylvania**

**SCHOOL DISTRICT ADDRESS
1000 Ashbourne Road
Elkins Park, Pennsylvania 19027**

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

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OFFICIAL STATEMENT

\$10,000,000

**School District Of Cheltenham Township
Montgomery County, Pennsylvania
General Obligation Bonds, Series of 2007**

INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof and appendices hereto, is furnished by the School District of Cheltenham Township, Montgomery County, Pennsylvania (the "School District"), in connection with the offering of its \$10,000,000 aggregate principal amount of its General Obligation Bonds, Series of 2007, dated as of October 15, 2007 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on June 20, 2006, as supplemented on September 11, 2007 (collectively, the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. Cons. Stat. §8001 et seq., as amended (the "Debt Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be applied towards: (1) designing, acquiring, constructing, furnishing and equipping additions, renovations and improvements to the Myers Elementary School and other facilities owned and operated by the School District, and (2) paying the costs and expenses related to the foregoing purposes and the issuance of the Bonds.

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	\$10,000,000.00
Accrued Interest	<u>2,365.04</u>
Total Source of Funds	<u><u>\$10,002,365.04</u></u>

Use of Funds

Construction Fund Deposit	\$9,746,328.97
Costs of Issuance ⁽¹⁾	<u>256,036.07</u>
Total Use of Funds	<u><u>\$10,002,365.04</u></u>

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

THE BONDS

Description

The Bonds will be issued 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 as of October 15, 2007, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover. Interest on the Bonds will be payable initially on August 15, 2008 and semiannually thereafter on February 15 and August 15 until the principal sum thereof is paid.

Payment of Principal and Interest

Subject to the provisions described under "BOOK-ENTRY ONLY SYSTEM" below, principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds at the corporate trust payment office of the Paying Agent in Harrisburg, Pennsylvania.

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 August 15, 2008, in which event such Bond shall bear interest from October 15, 2007, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last day (whether or not a day on which the Paying Agent is open for business) of the month 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 by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System", Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at a corporate trust payment office, 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.

General Obligation Pledge

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, within the limits provided by law. (See "School District Finances" and "General Taxing Powers of the School District and Limitations on Taxing Power", herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Pennsylvania 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" below).

Sinking Fund

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

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and 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 Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any 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

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

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

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

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

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

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

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

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or its agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or its agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on February 15, 2019, February 15, 2022, February 15, 2025, February 15, 2027, February 15, 2029, February 15, 2031 and February 15, 2035 are subject to redemption prior to maturity as required by the Resolution, in the amounts and on February 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

Bonds stated to mature February 15, 2019:

2018	\$10,000
2019*	140,000

*Final Maturity

Bonds stated to mature February 15, 2022:

2021	\$360,000
2022*	375,000

*Final Maturity

Bonds stated to mature February 15, 2025:

2024	\$410,000
2025*	430,000

*Final Maturity

Bonds stated to mature February 15, 2027:

2026	\$450,000
2027*	585,000

*Final Maturity

Bonds stated to mature February 15, 2029:

2028	\$690,000
2029*	715,000

*Final Maturity

Bonds stated to mature February 15, 2031:

2030	\$750,000
2031*	780,000

*Final Maturity

Bonds stated to mature February 15, 2035:

2032	\$815,000
2033	850,000
2034	885,000
2035*	925,000

*Final Maturity

Optional Redemption

The Bonds stated to mature on or after February 15, 2014, shall be subject to redemption prior to maturity, at the option of the School District, on February 15, 2013, or on any date thereafter, as a whole, or from time to time, in part (and if in part, in any order of maturity or portion of a maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds redeemed, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

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

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.

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 that is equal to the principal amount thereof divided by \$5,000. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

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

BOND INSURANCE

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

At June 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,642,612,000 and its total net unearned premium reserve was approximately \$2,116,401,000 in accordance with statutory accounting principles. At June 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$3,072,828,000 and its total net unearned premium reserve was approximately \$1,660,356,000 in accordance with generally accepted accounting principles.

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

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

THE SCHOOL DISTRICT

Introduction

The School District is located in the residential suburbs bordering the City of Philadelphia, Pennsylvania. Its boundaries are coterminous with those of the Township of Cheltenham, Pennsylvania, which is located in the County of Montgomery, Pennsylvania directly north of Philadelphia and covers an area of 8.8 square miles. The School District is bounded on the west by the Township of Springfield and on the north by the Township of Abington and the Borough of Jenkintown. Included in the School District are the following unincorporated communities: Cedarbrook, Edge Hills, LaMott, Ogontz, Elkins Park, Cheltenham, Laverock, Rowland Park, Glenside, Cheltenham Hills, Melrose Park and Wyncote. The 2000 Census indicates that the population served by the School District was approximately 36,875.

The School District is primarily residential in character with approximately 95% of the community consisting of private homes. There is a representative number of commercial establishments for a residential area and a few manufacturing concerns. The School District is home for many professionals who are employed in Center City Philadelphia which is easily accessible by the Southeastern Pennsylvania Transportation Authority's mass transportation system.

Administration

The present School District was formed in 1951. 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 Manager is responsible for budget and financial operations. Both of these officials are selected by the School Board.

School Facilities

The School District presently operates five elementary schools, one middle school and a high school, all as described on the following table. Students in grades 10 through 12 also attend the Eastern Montgomery Area Vocational-Technical School.

TABLE 1
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SCHOOL FACILITIES

Building	Original Construction Date	Addition/ Renovation Date	Grades	Rated Pupil Capacity	2006-07 Enrollment
Elementary:					
Cheltenham.....	1952	1956/88	K-4	450	391
Glenside.....	1993	---	K-4	450	338
Myers.....	1922	1967	K-4	500	422
Wyncote	1943	1996/97	K-4	550	385
Elkins Park	1953	1989	5-6	700	662
Secondary:					
Cedarbrook Middle.....	1970	---	7-8	900	701
Cheltenham High.....	1959	1967/99	9-12	1,900	1,654

Source: School District Officials. Does not include vocational-technical school students.

Enrollment Trends

Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years.

TABLE 2
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP ENROLLMENT TRENDS

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2002-03	2,306	2,540	4,846	2007-08	2,201	2,362	4,563
2003-04	2,225	2,532	4,757	2008-09	2,213	2,382	4,595
2004-05	2,248	2,430	4,678	2009-10	2,233	2,412	4,645
2005-06	2,217	2,426	4,643	2010-11	2,239	2,442	4,681
2006-07	2,198	2,355	4,553	2011-12	2,241	2,463	4,704

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

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

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. The firm of Maille Falconiero, Blue Bell, Pennsylvania serves as School District Auditor.

Budgeting Process in School Districts under the Taxpayer Relief Act

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**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, 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.

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

Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4 which follow. Table 5 shows revenues and expenditures for four years, 2006-07 unaudited revenues and expenditures, and the 2007-08 budget. The budget for 2007-08 as adopted June 12, 2007, provides for revenues equaling expenditures of \$85,350,905. The 2007-08 budget calls for a real estate millage increase of 2.771 mills to 35.422 mills. The total expenditures budgeted for the 2007-08 fiscal year are \$85,350,905. The unreserved undesignated fund balance is budgeted at \$400,000 or approximately .5% of the total budgeted expenditures.

TABLE 3
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
ASSETS					
Cash and Cash Equivalents.....	\$3,481,873	\$331,062	\$170,266	-	\$2,287,905
Investment	-	486,111	-	\$2,643,040	\$944,681
Taxes Receivable (Net)	2,050,867	1,646,240	2,151,477	1,618,029	1,683,201
Interfund Receivable.....	411,534	918,369	937,863	855,970	1,590,169
Intergovernmental Receivable	983,784	837,864	891,221	2,660,192	1,628,840
Inventories	77,635	109,167	84,004	78,818	80,281
Prepaid Expenses/Expenditures	-	-	10,449	-	-
Other Receivables.....	380,635	-	-	526,770	688,509
TOTAL ASSETS	<u>\$7,386,328</u>	<u>\$4,328,813</u>	<u>\$4,245,280</u>	<u>\$8,382,819</u>	<u>\$8,903,586</u>
LIABILITIES					
Due to Other Funds	\$2,563,262	\$61,582	\$61,582	\$3,061,582	\$61,582
Accounts Payable	658,731	2,037,533	1,647,990	2,651,443	6,083,678
Accrued Salaries and Benefits	1,545,594	28,243	-	123,779	69,561
Advance from Other Funds	-	-	(49,758)	-	-
Other Current Liabilities.....	-	-	45,047	-	-
Deferred Revenues	2,050,867	1,655,783	2,154,809	1,830,041	1,971,264
TOTAL LIABILITIES	<u>\$6,818,454</u>	<u>\$3,783,141</u>	<u>\$3,859,670</u>	<u>\$7,666,845</u>	<u>\$8,186,085</u>
FUND EQUITIES					
Specific Fund Balance Reserves.....	\$77,635	\$0	\$385,610	-	-
Unreserved - Designated	-	-	-	715,974	717,501
Unreserved - Undesignated.....	490,239	545,672	-	-	-
TOTAL FUND EQUITIES	<u>\$567,874</u>	<u>\$545,672</u>	<u>\$385,610</u>	<u>\$715,974</u>	<u>\$717,501</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$7,386,328</u>	<u>\$4,328,813</u>	<u>\$4,245,280</u>	<u>\$8,382,819</u>	<u>\$8,903,586</u>

Source: School District Annual Financial Reports.

TABLE 4

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Unaudited <u>2007⁽¹⁾</u>	Budget <u>2008⁽²⁾</u>
Beginning Fund Balance	\$621,345	\$545,673	\$385,610	\$715,977	\$717,502	\$400,000
Revenues over (under) Expenditure	147,711	(160,063)	173,539	1,527	256,769	0
Chg. In Inv./Prior Year Adj.	<u>(223,384)</u>	<u>0</u>	<u>156,828</u>	<u>(2)</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$545,672</u>	<u>\$385,610</u>	<u>\$715,977</u>	<u>\$717,502</u>	<u>\$974,271</u>	<u>\$400,000</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted June 12, 2007.

Source: School District Annual Financial Reports and budget.

Revenue

The School District received \$79,573,614 (unaudited) in revenue in 2006-07 and has budgeted revenues of \$85,350,905 for 2007-08. Local sources remained constant at 83.7 percent (unaudited) as a share of total revenue in the past five years. Revenue from State sources decreased as a share of total revenue from 14.5 percent to 14.4 percent over this period. Federal sources increased as a share of total revenue from 1.8 to 2.0 percent (unaudited) during this period.

General Taxing Powers Of The School District And Limitations On Taxing Powers

See “The Taxpayer Relief Act” herein for a discussion of limitations placed on the School District Taxing Powers.

The School District is empowered by the Public School Code and the Local Tax Enabling Act 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 all property taxable for school purposes to provide funds for:
 - a) minimum salaries and increments for the teaching and supervisory staff;
 - b) rentals due any municipality authority, or non-profit corporation, or due the State Public School Building Authority;
 - c) interest and principal on any indebtedness incurred pursuant to the Debt Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
 - d) the amortization of bonds to finance construction of school facilities, if issued prior to the first Monday in July, 1959.
3. An annual per capita tax on each resident or inhabitant over eighteen years old of not more than \$5.00.
4. Additional taxes levied under the Local Tax Enabling Act (Act 511 of 1965), including per capita, earned income and net profits, real estate transfer and occupation taxes, subject to sharing with other political subdivisions authorized to levy similar taxes on the same person, property, transaction or income. A school district cannot levy these taxes in an amount which exceeds the equivalent of 12 mills on the market value of taxable real estate (such market value to be certified by the State Tax Equalization Board).
5. The Local Tax Enabling Act was amended by Act 222 of 2004 to authorize all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes from any person whose total income from all sources is less than \$12,000 per year. This amendment went into effect December, 2004.

The Taxpayer Relief Act (Act 1 of 2006)

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

1. to pay costs incurred in responding to or recovering from a declared emergency or disaster;
2. to pay costs incurred in implementing a court or administrative order;
3. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (the School District did not make this election), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum; to pay interest and principal on indebtedness incurred within certain limits for academic elementary or secondary school building projects; to pay interest and principal on indebtedness for up to \$250,000 (adjusted annually by an inflationary factor) of the construction cost of a nonacademic school construction project; and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
4. to pay costs incurred in responding to conditions posing an immediate threat of serious physical harm or injury to persons;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
6. to pay costs which were incurred in the implementation of a school improvement action plan under the federal No-Child Left Behind Act and not offset by a State allocation of funds;
7. to pay costs necessary to maintain per-student local tax revenue, adjusted by the Index, if the percentage growth in average daily attendance over a defined period exceeds 7.5%, or to maintain actual instructional expense per student, adjusted by the Index, if the increase in actual instruction expense per student over a defined period is less than the Index;
8. to maintain revenues derived from real property taxes, earned income taxes, personal income taxes, basic education funding allocations from the State and special education funding allocations from the State, adjusted by the Index, for a school district where the percentage increase in revenues derived from such sources over a defined period is less than the Index;
9. to pay costs incurred for providing health care-related benefits which are directly attributable to collective bargaining agreements in effect on January 1, 2006, between the school district and its employees’ organization if the anticipated increase in the cost of such benefits between the current year and the upcoming year is greater than the Index; and
10. To make payments into the State Public School Employees’ Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 3 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio. The Index applicable to the School District for the 2007-08 fiscal year is 3.4%.

The board of school directors of a school district must submit a referendum question to the voters at the primary elections of 2007 seeking voter approval allowing the school district to levy, assess and collect an earned income and net profits tax ("EIT") or a personal income tax ("PIT") for the purpose of annually funding homestead and farmstead exclusions from real property taxes. The proposed rate of such EIT or PIT may not exceed the rate required to provide the maximum exclusion for homestead and farmstead property allowable under Pennsylvania law, nor may it be less than the rate required to provide 50% of the maximum allowable exclusion. Nevertheless, no school district is required to propose an EIT that is greater than 1% or a PIT equivalent to an EIT of 1%.

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

A board of school directors may submit, but is not required to submit, a 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 Bonds represent \$10,000,000 of the \$60,000,000 of total indebtedness of the School District that was incurred (but not issued) under the Debt Act by a resolution duly adopted by the Board of School Directors on June 20, 2006, and hence is grandfathered under the Taxpayer Relief Act. The School District did not elect to become subject to the provisions of former Act 72 of 2004 ("Act 72") (Act 72 was repealed by the Taxpayer Relief Act), and the Bonds described in this Official Statement represent debt which was incurred by the School District under the Debt Act prior to June 27, 2006, the effective date of the Taxpayer Relief Act. The additional millage to be levied to pay the principal of and interest on the Bonds will not be subject to limitations on taxing power under the Taxpayer Relief Act, and, with respect to the Bonds, no exceptions will have to be applied for from the Pennsylvania Department of Education (PDE) as described above.

Act 24 of 2001 - Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth (the Optional Occupation Tax Elimination Act) authorizes a board of school directors to schedule a public hearing and to conduct a ballot referendum to approve replacement of the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% local earned income tax (.5% Municipal and .5% School District) on the annual amount of resident's wages and other earned income (which excludes unearned or investment income). The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. Upon approval of a referendum, the occupation tax is authorized to be discontinued and the local earned income tax is permitted to be increased by the percentage necessary to generate revenue equal to the amount collected during the preceding year on the occupation tax. The restructured tax is designed to be revenue neutral to the school district.

The School District does not currently levy this occupation tax.

Act 48 of 2003 – Limitations on 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 appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district. The School District’s estimated ending unreserved fund balance as a percentage of total budgeted expenditures for the 2006-07 budget is shown on Page 8 herein under “Summary and Discussion of Financial Results”.

TABLE 5

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(For years ending June 30)

REVENUE:					Unaudited	Budgeted
Local Sources:	2003	2004	2005	2006	2007⁽¹⁾	2008⁽²⁾
Current Real Estate Taxes	\$48,257,363	\$50,101,251	\$51,808,521	\$54,357,110	\$58,715,176	\$64,793,460
Interim Real Estate Taxes						
	137,633	138,866	17,492	300,364	225,051	270,252
Total Act 511 Taxes	3,096,160	3,365,341	3,786,384	4,254,744	3,571,048	3,885,000
Public Utility Realty Tax	76,779	90,432	71,593	91,658	93,609	70,000
Delinquency on Taxes Levied/Assessed	1,737,091	1,358,728	1,513,691	1,587,114	1,646,110	1,500,000
Earnings on Interest	301,111	161,993	329,907	686,437	992,942	700,000
Rentals	3,858	6,793	43,938	7,807	8,301	6,000
Revenue from Community Service Activities	531,355	563,845	616,165	641,959	688,492	660,000
Tuition from Patrons	300,612	143,355	248,714	221,755	247,301	235,000
Other Sources	14,461	35,805	(10,000)	6,862	397,793	-
All Other Revenues Not Specified	(5,892)	51,491	793,659	108,197	-	65,000
Total Local	\$54,450,531	\$56,017,900	\$59,220,064	\$62,264,007	\$66,585,823	\$72,184,712
State Sources:						
Basic Instructional Subsidy	\$3,462,887	\$3,622,316	\$3,764,805	\$3,839,918	\$3,918,550	\$3,996,921
Tuition for Orphans & Children -Private Homes	236,080	358,956	282,131	392,872	341,164	295,000
Charter Schools	26,496	960	12,482	29,071	89,474	40,000
Read to Succeed	48,763	34,831	-	-	-	-
School Performance Awards	26,238	-	-	-	-	-
Special Education for Exceptional Children	2,203,899	2,159,182	2,167,929	2,167,957	2,166,783	2,210,119
Transportation	1,126,045	1,674,993	834,539	1,199,032	996,367	1,020,000
Rentals and Sinking Fund Reimbursements	176,753	62,019	939,540	939,020	564,518	450,000
Health Services	148,263	145,411	-	266,774	121,860	148,000
Revenue for Social Security Payments	1,558,913	1,283,301	1,441,483	1,502,664	1,586,830	1,680,145
Revenue for Retirement	223,804	720,282	675,981	1,028,377	1,338,972	1,547,209
Additional Grants not listed elsewhere	182,575	4,323	-	120,186	24,853	-
PA Accountability Grants	-	-	274,262	242,044	266,218	211,787
Other Sources	8,163	11,204	5,902	6,655	6,690	1,500
Total State Sources	\$9,428,879	\$10,077,778	\$10,399,054	\$11,734,570	\$11,422,279	\$11,600,681
Federal Sources:						
Total Federal Sources	\$1,146,178	\$1,561,688	\$1,886,585	\$1,694,502	\$1,565,512	\$1,565,512
Other Sources:						
Total Other Sources	\$0	\$37,648	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$65,025,588	\$67,695,014	\$71,505,703	\$75,693,079	\$79,573,614	\$85,350,905
EXPENDITURES:						
Instruction	\$39,299,496	\$40,035,356	\$41,486,984	\$44,804,451	\$45,354,805	\$51,535,692
Pupil Personnel	2,256,159	2,432,713	2,337,797	2,592,963	2,484,252	3,115,729
Instructional Staff	2,025,706	1,707,214	2,058,117	2,005,412	2,228,729	1,893,144
Administration	3,832,460	3,922,048	4,449,204	4,539,147	4,825,647	5,379,298
Pupil Health	657,543	663,282	720,919	761,192	771,789	777,521
Business	978,210	1,030,999	1,015,935	1,060,704	1,092,578	1,203,317
Operation and Maintenance	5,466,950	6,617,604	6,332,681	6,654,472	8,783,121	7,557,852
Student Transportation	4,296,493	6,027,410	6,534,377	6,653,210	7,265,338	6,248,514
Central	520,611	687,602	628,464	683,141	706,258	867,609
Other Support Services	109,257	121,740	66,978	71,414	2,495	95,761
Operation of Noninstructional Services	1,637,715	1,765,323	1,686,156	1,918,291	1,864,146	1,902,262
Debt Service	3,797,277	2,843,786	4,014,552	3,830,273	3,937,687	4,474,206
Refund of Prior Years' Expenditures	-	-	-	116,882	-	-
Budgetary Reserve	n/a	n/a	n/a	n/a	n/a	300,000
TOTAL EXPENDITURES	\$64,877,877	\$67,855,077	\$71,332,164	\$75,691,552	\$79,316,845	\$85,350,905
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	\$147,711	(\$160,063)	\$173,539	\$1,527	\$256,769	\$0

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted June 12, 2007.

Source: School District Annual Financial Reports and budget.

Tax Levy Trends

Table 6 which follows shows the trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, and the Township, and for the County.

TABLE 6

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP TAX RATES

Year	Real Estate Millage (mills)	Mercantile Taxes (\$)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)
2003-04.....	26.970	0.0015	1.00	1.00
2004-05.....	28.384	0.0015	1.00	1.00
2005-06.....	30.550	0.0015	1.00	1.00
2006-07.....	32.651	0.0015	1.00	1.00
2007-08.....	35.422	0.0015	1.00	1.00

⁽¹⁾ Subject to sharing with the Township at the rate of 50% providing it levies the tax.
Source: School District Officials.

TABLE 7

**SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>School District</i>	26.9700	28.3840	30.5500	32.6510	35.4220
Cheltenham Township.....	5.3500	6.0927	6.0927	6.0927	6.0927
Montgomery County	2.8400	2.8400	2.8900	2.8900	2.8400

Source: Local Government Officials.

Real Property Tax

The real property tax (excluding delinquent collections) is \$58,715,176 (unaudited) in 2006-07, approximately 73.8 percent of total revenue. The tax is levied on July 1 of each year. Taxes paid prior to September 3 receive a 2 percent discount, and those who remit after November 1 are assessed a 10 percent penalty.

The following tables summarize trends of assessed and market valuations of real property and real property tax collection data.

TABLE 8
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Common Level Ratio
2002-03.....	\$2,515,566,263	\$1,929,439,324	76.70%
2003-04.....	2,815,636,619	1,934,342,357	68.70%
2004-05.....	3,206,600,730	1,936,786,841	60.40%
2005-06.....	3,559,120,901	1,900,570,561	53.40%
2006-07.....	3,733,042,607	1,892,652,602	50.70%
2007-08*.....	3,762,855,852	1,907,767,917	50.70%
	8.39%	-0.23%	

Source: Pennsylvania State Tax Equalization Board 2002-03 through 2006-07 based on Common Level Ratio.

*2007-08 Market value estimated, based on 2006-07 common level ratio, Assessed Value as reported in School District's 2007-08 budget report.

TABLE 9
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
REAL PROPERTY ASSESSMENT DATA

	2005 Market Value	2005 Assessed Value	2006 Market Value	2006 Assessed Value
<i>School District</i>	\$1,936,557,100	\$1,900,570,561	\$2,197,279,400	\$1,892,652,602
Montgomery County	58,443,472,500	54,883,392,514	67,945,845,800	55,621,734,486

Source: Pennsylvania State Tax Equalization Board.

TABLE 10
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
ASSESSMENT BY LAND USE

	2002	2003	2004	2005	2006
Residential.....	\$1,480,476,020	\$1,481,443,238	\$1,484,081,552	\$1,483,455,272	\$1,489,993,682
Lots.....	3,906,170	3,665,600	4,011,720	4,663,460	3,488,100
Industrial.....	15,086,170	15,193,260	15,193,260	15,056,950	15,056,950
Commercial	422,513,414	426,582,709	425,914,119	390,780,879	377,551,360
Agriculture	7,426,620	7,426,620	7,555,260	6,583,070	6,531,580
Land.....	30,930	30,930	30,930	30,930	30,930
Total	<u>\$1,929,439,324</u>	<u>\$1,934,342,357</u>	<u>\$1,936,786,841</u>	<u>\$1,900,570,561</u>	<u>\$1,892,652,602</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
REAL PROPERTY TAX COLLECTION DATA

Year	Assessed Value	Tax Rate (Mills)	Amount of Levy	Amount Collected	Percent of Current Collections	Delinquent Taxes ⁽¹⁾	Overall Collections	Percent of Overall Collections
2001-02....	\$1,931,220,021	24.34	\$47,002,033	\$44,915,250	95.6%	\$1,350,258	\$46,265,508	98.4%
2002-03....	1,931,118,114	26.04	50,284,385	48,257,363	96.0%	1,737,091	49,994,454	99.4%
2003-04....	1,934,709,411	26.97	52,179,112	50,101,251	96.0%	1,358,728	51,459,979	98.6%
2004-05....	1,937,454,391	28.38	54,984,956	51,808,521	94.2%	1,513,691	53,322,212	97.0%
2005-06....	1,901,295,091	30.550	58,084,565	54,357,111	93.6%	1,587,114	55,944,225	96.3%
2006-07 ⁽²⁾	1,900,484,277	32.651	62,052,712	58,715,176	94.6%	1,646,110	60,361,286	97.3%

⁽¹⁾Includes delinquent realty taxes collected only.

⁽²⁾Unaudited, subject to change and final audit.

Source: School District officials.

The ten largest real property taxpayers, together with 2007 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 12.1 percent of total assessed value.

TABLE 12

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
TEN LARGEST REAL PROPERTY TAXPAYERS, 2007-08

Owner	Property	2007 Assessed Value
Cedarbrook Hill Apartments	Housing	\$58,101,270
Lynnewood Garden Apartments	Housing	47,990,000
Cheltenham Square Shopping Mall (Thor Equities) ⁽¹⁾	Retail	45,398,300
Cedarbrook Shopping Center	Retail	24,220,650
Wyncote House Apartments (Mid-Island Properties, Inc.) ⁽²⁾	Housing	16,000,000
Brookview Terrace Apartments	Housing	12,951,090
Oak Summit Apartments	Housing	8,448,600
Cairnrock Corp. (Pitcairn-Evan Corp. Office Building)	Office Building	6,798,210
Philadelphia College of Optometry	Office Building	5,978,000
Coventry House Apartments	Housing	5,259,390
Total		<u>\$231,145,510</u>

⁽¹⁾An appeal by the taxpayer contesting the assessments for the years 2006 and thereafter is pending in the Court of Common Pleas of Montgomery County, Pennsylvania, where the taxpayer asserts that the assessment should not include the value of the building but should only be based on the value of the ground lease.

⁽²⁾The School District has approved a proposed settlement which is currently being reviewed by other taxing entities. Under the terms of the proposed settlement, the assessed value would be reduced for the years 2004 and thereafter from \$16,000,000 in 2003 to amounts ranging from \$12,625,000 for the year 2008 to \$15,457,500 for the year 2005. It has not been determined whether the reduced taxes will be refunded in cash or by credits in future years.

Note: There are some residential and commercial assessment appeals pending in the Court of Common Pleas of Montgomery County, Pennsylvania with respect to taxpayers other than the 10 largest listed above.

Source: School District officials.

Other Taxes

Under Act 511, the School District's collected portion is \$3,571,048 (unaudited) in other taxes in 2006-07. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Earned Income, and Mercantile taxes are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$44,796,511.

Real Estate Transfer. A tax of one-half percent of the value of real estate transfers is \$674,255 (unaudited) in 2006-07, or less than one percent of total revenue.

Earned Income Tax. The School District levies a tax of one-half percent of the earned income of residents. In 2006-07 the collected portion of this tax is \$2,449,943 (unaudited) or 3.08 percent of total revenue.

Mercantile Tax. The School District levies a mercantile license tax on (a) wholesale vendor or dealers in goods, wears at the rate of one (1) mill on each dollar of gross volume of business and (b) retail vendor or dealers in goods, wears and merchandise at the rate of one and one-half (1.5) mills on each dollar of the gross volume of retail business transacted within the School District during the license year. In 2006-07, the collected portion of this tax is \$365,893 (unaudited), or less than one percent of total revenue.

Emergency and Municipal Services Tax. The School District implemented the Emergency and Municipal Services Tax. The School District levies \$5.00 as its share of the Emergency and Municipal Services Tax upon all residents and nonresidents who hold an occupation in the School District and who earn more than \$3,000 annually. In 2006-07 the collected portion of this tax is \$80,957 (unaudited) or less than one percent of total revenue.

State Aid to School Districts

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

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

State law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio. The School District officials have estimated that the estimated "Reimbursable Percentage" of the Bonds will be a maximum of 14.41 percent. The School District Aid Ratio for the 2007-08 school year is currently 33.37 percent. The product of these two factors is 4.81 percent which is the maximum potential percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's Aid Ratio 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.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District of Cheltenham Township as of September 1, 2007, including the issuance of the Bonds.

TABLE 13
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
DEBT STATEMENT
(As of September 1, 2007)*

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2007 (last maturity 2035)	\$10,000,000
General Obligation Bonds, Capital Improvement (last maturity 2035) ⁽¹⁾	50,000,000
General Obligation Bonds, Series of 2006 (last maturity 2026)	9,260,000
General Obligation Bonds, Series of 2005 (last maturity 2025)	9,295,000
General Obligation Bonds, Series of 2004 (last maturity 2018)	9,985,000
General Obligation Bonds, Third Series of 2003 (last maturity 2007)	1,325,000
General Obligation Bonds, Second Series of 2003 (last maturity 2017)	8,185,000
General Obligation Bonds, Series of 2003 (last maturity 2017)	9,415,000
General Obligation Bonds, Series of 2000 (last maturity 2010)	615,000
TOTAL NONELECTORAL DEBT	\$108,080,000
TOTAL LEASE RENTAL DEBT	\$0
TOTAL PRINCIPAL OF DIRECT DEBT	\$108,080,000

*Includes the principal amount of the Bonds offered through this Official Statement.

⁽¹⁾Authorized and incurred but not issued.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$108,080,000, which includes \$50,000,000 of direct debt incurred but not yet issued. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$99,852,701.

TABLE 14
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of September 1, 2007)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$108,080,000	\$99,852,701
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$108,080,000	\$99,852,701
OVERLAPPING DEBT		
Montgomery County, General Obligation ⁽²⁾	\$11,865,970	\$11,865,970
Cheltenham Township.....	30,365,000	30,365,000
TOTAL OVERLAPPING DEBT	\$42,230,970	\$42,230,970
TOTAL DIRECT AND OVERLAPPING DEBT	\$150,310,970	\$142,083,670
DEBT RATIOS		
Per Capita 2000.....	\$4,076.23	\$3,853.12
Percent 2007-08 Assessed Value.....	7.88%	7.45%
Percent 2007-08 Market Value.....	3.99%	3.78%

*Includes the principal amount of the Bonds offered through this Official Statement.

⁽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 Aid Ratio. See "State Aid to School Districts."

⁽²⁾Pro rata 3.2 percent share of \$366,928,000 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

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

Total Revenues for 2004-05.....	\$ 70,566,163
Total Revenues for 2005-06.....	\$ 74,754,059
Total Revenues for 2006-07 (unaudited).....	\$ <u>79,009,096</u>
 Total Revenues, Past Three Years.....	 \$ <u>224,329,318</u>
 Annual Arithmetic Average (Borrowing Base)	 \$ <u>74,776,439</u>

Under the Debt 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>Gross Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$168,246,989	\$108,080,000	\$60,166,989

*Includes the Bonds described herein, as well as the remaining incurred, but not yet issued bonds in the amount of \$50,000,000, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State Aid.

Debt Service Requirements

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

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

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

TABLE 15

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
DEBT SERVICE REQUIREMENTS^{*(1)}

Year	Other General Obligation Debt	Series of 2007			Total Requirements
		Principal	Interest	Subtotal	
2007-08	\$4,494,203	\$0	\$0	\$0	\$4,494,203
2008-09	4,546,208	10,000	567,610	577,610	5,123,818
2009-10	4,613,425	10,000	425,352	435,352	5,048,777
2010-11	4,675,179	10,000	424,998	434,998	5,110,177
2011-12	4,674,000	10,000	424,642	434,642	5,108,642
2012-13	4,677,208	10,000	424,287	434,287	5,111,495
2013-14	4,676,729	10,000	423,927	433,927	5,110,656
2014-15	4,676,451	10,000	423,567	433,567	5,110,018
2015-16	4,671,636	10,000	423,202	433,202	5,104,838
2016-17	4,677,956	10,000	422,833	432,833	5,110,789
2017-18	4,719,976	10,000	422,458	432,458	5,152,434
2018-19	3,944,561	140,000	422,072	562,072	4,506,633
2019-20	1,170,196	345,000	416,683	761,683	1,931,879
2020-21	1,163,906	360,000	403,400	763,400	1,927,306
2021-22	1,165,642	375,000	389,180	764,180	1,929,822
2022-23	1,165,100	395,000	374,367	769,367	1,934,467
2023-24	1,162,491	410,000	358,568	768,568	1,931,059
2024-05	1,167,147	430,000	341,758	771,758	1,938,905
2025-26	1,164,238	450,000	324,127	774,127	1,938,365
2026-27	464,896	585,000	305,453	890,453	1,355,349
2027-28		690,000	281,175	971,175	971,175
2028-29		715,000	252,195	967,195	967,195
2029-30		750,000	222,165	972,165	972,165
2030-31		780,000	189,915	969,915	969,915
2031-32		815,000	156,375	971,375	971,375
2032-33		850,000	119,700	969,700	969,700
2033-34		885,000	81,450	966,450	966,450
2034-35		925,000	41,625	966,625	966,625
Total	\$63,671,148	\$10,000,000	\$9,063,084	\$19,063,084	\$82,734,232

*Totals may not add due to rounding.

⁽¹⁾Does not include the incurred, but not yet issued bonds.

TABLE 16

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID*

2006-07 (unaudited) State Aid Received.....	\$11,422,279
2006-07 (unaudited) Debt Service Requirements.....	\$3,937,687
Maximum Future Debt Service Requirements after Issuance of Bonds	\$5,152,434
Coverage of 2006-07 (unaudited) Debt Service Requirements.....	2.90 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	2.22 times

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

Future Financing

The School District is currently studying a long range capital improvement plan. The School District tentatively expects to issue \$50,000,000 of additional long term debt over the next 5-10 years, which is presently debt incurred but not yet issued.

LABOR RELATIONS

School District Employees

There are presently 614 full-time employees of the School District, including 429 teachers and administrators, 185 support personnel including secretaries, custodial, maintenance staff transportation and teacher aides.

The School District's teachers are represented by the Cheltenham Educators Association (the "Association"), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District which expired June 30, 2008. Secretaries, educational aides, food service personnel, maintenance, ground, warehousing and custodians are represented by the Business Employees Council under a contract which expires June 30, 2010.

Pension Program

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

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

2002-03	\$ 345,024
2003-04	\$ 778,653
2004-05	\$ 843,566
2005-06	\$ 1,028,377
2006-07	\$ 1,338,972

The School District is current in all payments.

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

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits

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

LITIGATION

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

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 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 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," "Reportable Payments and Backup Withholding" and "Accounting Treatment of Original Issue Discount" 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.

Recent State Tax Developments

Currently, litigation in various jurisdictions (including *Davis v. Kentucky Dept Of Revenue of The Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), which the U.S. Supreme Court has agreed to hear pursuant to a writ of certiorari granted on May 21, 2007) has called into question the permissibility under the U.S. Constitution of disparate state tax treatment of interest on bonds issued by a state and its political subdivisions and on obligations issued by other states and their political subdivisions. Pennsylvania statutes currently result in such disparate treatment. The outcome of such review, and its impact, if any, on the exemption of the Bonds and interest thereon from state and local taxes in Pennsylvania, or on the market value or marketability of the Bonds, cannot be predicted, and prospective purchasers of the Bonds should consult their own tax advisers regarding the foregoing matters.

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 (including interest on the Bonds) 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"; (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) in excess of \$10 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." For purposes of this exception, a qualified 501(c)(3) bond is not included within the definition of a "private activity bond." 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 each of 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 \$10,000,000 of tax-exempt obligations (other than certain obligations not required to be taken into account for purposes of that Section of the Code) in the calendar year 2007. 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.

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, if any, with respect to payments made on the Bonds after March 31, 2007.

Accounting Treatment of Original Issue Discount

The Bonds maturing February 15, 2010 through and including February 15, 2012, February 15, 2014 through and including February 15, 2017, February 15 2019, February 15, 2020, February 15, 2022, February 15, 2023, February 15, 2025, February 15, 2027, February 15, 2029 and February 15, 2031 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 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.

SECONDARY MARKET DISCLOSURE

General. The School District has covenanted for the benefit of Bondholders and Beneficial Owners in a Fourteenth Supplement to Continuing Disclosure Agreement dated as of October 15, 2007 supplementing a Continuing Disclosure Agreement dated as of September 15, 1996 (collectively, 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 will be filed with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) and the state repository (if any). The notices of significant events will be filed by the School District with the Municipal Securities Rulemaking Board (“MSRB”) and any state repository. 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 each NRMSIR and the state repository (if any) 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 MSRB and the state repository (if any) notices of the occurrence of any of the following events, to the extent any such event would constitute material information for holders 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 any state repository and either each NRMSIR or the MSRB.

Alternative Filing. Any filing under the Disclosure Agreement with the NRMSIRs and the state repository (if any) may be made solely by transmitting such filing to the Texas Municipal Advisory Council as further provided in the Disclosure Agreement.

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 each NRMSIR 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 upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied. 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 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. 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 Bond 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 Bondholders rights under applicable federal securities law.

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

The School District unintentionally failed to submit the necessary audit reports and operating data from June 30, 1998 through and including June 30, 2006. Prior to settlement of the Bonds, the School District will be in full compliance with all undertakings by filing the required financial statements and operating data for the above years.

RATING

Moody's Investors Service, Inc. has assigned an underlying rating of "A3" and an enhanced "A1" on the Bonds due to the Commonwealth intercept program. Moody's Investors Service, Inc. has assigned its municipal bond rating of "Aaa" to this issue and has done so with the understanding that upon delivery of the Bonds, the municipal Bond insurance policy will be issued by Financial Security Assurance Inc. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter"). The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a total discount of \$122,597.75 (consisting of underwriter's discount of \$75,000.00 and an original issue discount of \$47,597.75) from the initial public offering prices set forth on the inside cover page hereof.

LEGAL OPINION

The Bonds are offered subject to the receipt of the legal opinion of Saul Ewing LLP, Bond Counsel, of Philadelphia, Pennsylvania. The proposed form of Bond Counsel opinion is set forth as Appendix B hereto. Certain legal matters will be passed upon for the School District by Wisler Pearlstine, LLP, of Blue Bell, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor's contract with the School District prohibits it from participating in the underwriting of any of the School District's debt.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

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

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
Montgomery County, Pennsylvania

By: /s/ David M. Rackow
President, Board of School Directors

**APPENDIX A - Demographic and
Economic Information Relating to the
School District of Cheltenham Township**

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Population

Table A-1 shows recent population trends for the School District, Montgomery County and the Commonwealth of Pennsylvania. The School District's population increased from 34,923 to 36,875 between 1990 and 2000, gaining 1,952 in that period. Table A-2 shows 1990 age composition and average number of persons per household in Montgomery County and for the State.

**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	34,923	36,875	0.56
Montgomery County.....	678,111	750,097	1.01
Pennsylvania.....	11,881,643	12,281,054	0.33

Source: U.S. Bureau of the Census, Decennial Census and Pennsylvania State Data Center, 1990 & 2000 General Population and Housing Characteristics: Pennsylvania.

**TABLE A-2
AGE COMPOSITION**

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	Persons Per <u>Household</u>
Montgomery County.....	22.5%	62.4%	15.0%	2.58
Pennsylvania.....	23.5%	61.1%	15.4%	2.57

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

Employment

Overall Industry Employment Jobs data are not compiled for the School District, but such data are compiled for the Philadelphia, PA-NJ MSA the "MSA"). Table A-3 shows the industry employment for the MSA .

**TABLE A-3
INDUSTRY EMPLOYMENT
PHILADELPHIA, PA-METROPOLITAN STATISTICAL AREA
(Bucks, Chester, Montgomery, Philadelphia Counties, PA)**

<i>ESTABLISHMENT DATA</i>	<u>Industry Employment</u>			<u>Net Change From:</u>		
	Jun 2007	May 2007	Apr 2007	Jun 2006	May 2007	Jun 2006
Total Nonfarm	1,927,000	1,926,600	1,921,300	1,914,900	400	12,100
Total Private	1,708,100	1,704,900	1,698,800	1,695,800	3,200	12,300
Goods Producing	240,800	239,500	237,000	243,900	1,300	-3,100
Construction, Natural Resources, Mining	86,400	85,400	83,200	85,800	1,000	600
Specialty trade contractors	55,400	55,200	53,400	55,000	200	400
Building equipment contractors	25,300	25,200	24,800	26,000	100	-700
Manufacturing	154,400	154,100	153,800	158,100	300	-3,700
Durable Goods	81,000	81,000	80,900	81,600	0	-600
Transportation equipment mfg.	14,500	14,400	14,500	14,900	100	-400
Non Durable Goods	73,400	73,100	72,900	76,500	300	-3,100
Chemical mfg	28,100	27,800	27,600	28,400	300	-300
Pharmaceutical and medicine mfg.	17,500	17,400	17,300	17,800	100	-300
SERVICE-PROVIDING	1,686,200	1,687,100	1,684,300	1,671,000	-900	15,200
PRIVATE SERVICE-PROVIDING	1,467,300	1,465,400	1,461,800	1,451,900	1,900	15,400
Trade, Transportation, and Utilities	346,600	345,100	343,700	342,900	1,500	3,700
Wholesale trade	86,500	85,900	85,700	85,800	600	700
Retail trade	200,500	199,200	197,800	197,100	1,300	3,400
Building material and supplies dealers	11,900	11,700	11,500	12,200	200	-300
Food and beverage stores	46,000	45,600	45,100	45,500	400	500
Health and personal care stores	17,200	17,100	17,000	17,100	100	100
Clothing and clothing accessories stores	22,500	22,300	22,000	22,800	200	-300
Clothing stores	16,900	16,700	16,500	17,100	200	-200
General merchandise stores	27,500	27,200	27,200	25,900	300	1,600
Department stores	21,400	21,100	21,200	20,000	300	1,400
Transportation, Warehousing and Utilities	59,600	60,000	60,200	60,000	-400	-400
Transportation and Warehousing	55,800	56,100	56,300	55,600	-300	200
Trucking, couriers& messengers& warehouse	28,000	27,800	28,100	28,400	200	-400
Information	40,600	40,400	39,800	40,900	200	-300
Telecommunications	13,300	13,300	13,200	13,000	0	300
Financial Activities	147,400	145,900	145,800	147,500	1,500	-100
Finance and Insurance	117,200	116,400	116,400	118,000	800	-800
Credit intermediation and related activities	38,800	38,600	38,600	39,500	200	-700
Depository credit intermediation	24,400	24,200	24,200	24,700	200	-300
Insurance carriers and related activities	48,500	48,200	48,100	49,200	300	-700
Insurance carriers	29,800	29,600	29,700	30,400	200	-600
Real estate and rental and leasing	30,200	29,500	29,400	29,500	700	700
Professional and Business Services	297,300	294,800	293,100	239,000	2,500	58,300
Professional and technical services	155,700	153,500	154,600	153,600	2,200	2,100
Legal services	28,700	28,100	27,700	28,000	600	700
Architectural and engineering services	20,100	19,700	19,500	20,200	400	-100
Computer system design & related services	27,400	27,100	27,000	26,900	300	500
Scientific research & development services	22,200	21,900	21,700	21,500	300	700
Management of companies and enterprises	31,100	30,800	30,600	31,000	300	100
Administrative and waste services	110,500	110,500	107,900	108,400	0	2,100
Administrative and support services	104,300	104,400	102,400	102,700	-100	1,600
Employment services	31,900	31,900	31,800	29,000	0	2,900

INDUSTRY EMPLOYMENT
PHILADELPHIA, PA-METROPOLITAN STATISTICAL AREA
(continued)

Educational and Health Services	390,800	398,800	404,600	385,600	-8,000	5,200
Educational services	97,600	107,300	113,400	96,000	-9,700	1,600
Colleges and universities	60,100	68,400	75,600	58,100	-8,300	2,000
Health care and social assistance	293,200	291,500	291,200	289,600	1,700	3,600
Ambulatory health care services	87,600	87,100	87,000	86,400	500	1,200
Offices of physicians	32,400	32,300	32,000	32,500	100	-100
Medical and diagnostic laboratories	6,400	6,300	6,300	6,300	100	100
Hospitals	98,400	97,900	97,800	96,100	500	2,300
General medical and surgical hospitals	81,300	81,100	81,400	80,900	200	400
Nursing and residential care facilities	62,800	62,500	62,400	62,900	300	-100
Residential mental health facilities	16,500	16,600	16,700	16,800	-100	-300
Social assistance	44,400	44,000	44,000	44,200	400	200
Leisure and Hospitality	158,500	155,200	150,400	156,000	3,300	2,500
Accommodation and food service	126,600	126,000	123,600	124,100	600	2,500
Food services and drinking places	110,700	110,600	108,600	109,500	100	1,200
Full-service restaurants	51,200	51,000	50,200	51,700	200	-500
Limited-service eating places	37,600	37,400	36,600	37,400	200	200
Other Services	86,100	85,200	84,400	86,000	900	100
Government	218,900	221,700	222,500	219,100	-2,800	-200
Federal Government	41,400	42,200	43,200	43,200	-800	-1,800
State Government	22,200	23,100	23,400	21,800	-900	400
Local Government	155,300	156,400	155,900	154,100	-1,100	1,200
Local government educational services	87,700	90,400	90,200	87,200	-2,700	500
Other Local Government	67,600	66,000	65,700	66,900	1,600	700
Data benchmarked to March 2006					***Data changes of 100 may be due to rounding***	

Source: paworkstats.state.pa.us website.

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

<u>Name</u>	<u>Product or Service</u>	<u>Approximate Employment</u>
Medical College of PA, Elkins Park Campus	Health Care	850
School District of Cheltenham Township	School District	614
PNC Bank, National Association	Bank	500
Acadia University	Education	385
Township of Cheltenham	Municipal Government	250
Smith and Weber Co.	Retail	180
H.H. Fluorescent Parts, Inc.	Fluorescent Lampholders	150
Lincoln Investments	Finance	145
Gratz College	Education	130
Pelvic Ultrasound, Inc.	Medical	125

Source: School District Officials

Table A-4 shows recent trends in labor force, employment and unemployment for Montgomery County. Overall labor force and employment opportunities in Montgomery County have increased over the past five years. The unemployment rate for the County has been lower than the State.

TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*
(MONTGOMERY COUNTY)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007⁽¹⁾</u>	Compound Average Annual % Rate
<i>Montgomery County</i>							
Civilian Labor Force (000)	431.4	428.6	428.6	424.5	427.8	431.4	0.00%
Employment (000)	411.9	411.3	411.3	408.9	412.0	416.7	0.23%
Unemployment (000)	19.5	17.3	17.3	15.6	15.8	14.7	-5.49%
Unemployment Rate	4.5	4.4	4.4	3.7	3.7	3.4	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,290.0	6,215.0	6,215.0	5,292.0	6,306.0	6,360.0	0.22%
Employment (000)	5,934.0	5,907.0	5,907.0	5,980.0	6,010.0	6,087.0	0.51%
Unemployment (000)	356.0	308.0	308.0	312.0	296.0	273.0	-5.17%
Unemployment Rate	5.7	5.0	5.0	5.0	4.7	4.3	

*Residence Data.

⁽¹⁾As of June 2007.

Source: paworkstats.state.pa.us website.

Income

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

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>1990</u>	<u>2000</u>	Annual Percentage Change <u>1990-2000</u>
School District	\$25,653	\$31,424	2.05
Montgomery County.....	21,990	30,898	3.46
Pennsylvania.....	14,068	20,880	4.03

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

Source: Pennsylvania State Data Center, 1990 and 2000 Census.

Commercial Activity

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

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Montgomery County.....	\$12,216,688	\$12,170,937	\$12,786,177	\$13,294,387	\$13,511,393
MSA	65,740,609	65,090,000	67,333,002	79,892,130	87,254,241
Pennsylvania.....	147,087,978	145,019,338	149,811,437	155,423,454	159,539,070

Source: Sales and Marketing Management Magazine

Financial Institutions

As of June 30, 2006, Montgomery County contained 276 commercial bank offices with total deposits of \$12,132,499,000, 49 savings and loan offices with total deposits of \$8,078,018,000, 97 FDIC Savings Banks with total deposits of \$5,304,314,000, and 27 credit unions with total deposits of \$802,886,000.

Housing

As shown on the table below, the 2000 median value of housing and the median family income of the School District are higher than those for Montgomery County and for the Commonwealth.

	Total Housing Units	Total Occupied	Owner Occupied	Median Value	Median Family Income
School District.....	14,897	14,387	9,246	\$165,800	\$76,792
Montgomery County...	297,434	286,098	210,233	160,700	72,183
Pennsylvania.....	5,429,750	4,777,003	3,406,337	97,000	49,184

Transportation Facilities

School District residents have available to them a variety of transportation facilities. Commuter passenger rail services are provided by Southeastern Pennsylvania Transportation Authority (SEPTA). Major highways serve the area including the Pennsylvania Turnpike. Airport facilities are available at the Philadelphia International Airport, one of the major domestic and international passenger and airfreight airports in the United States.

Educational Institutions

Acadia University and Gratz College are located within the School District. Additionally, there are various higher education institutions located in the City of Philadelphia and the surrounding communities, which are within commuting distance of the residents of the School District.

Medical Facilities

The Medical College of PA, Elkins Park Campus is located within the School District, and residents also may commute to a number of other hospital facilities located in Montgomery County.

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APPENDIX B
Form of Bond Counsel Opinion

\$10,000,000
SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
(Montgomery County, Pennsylvania)
GENERAL OBLIGATION BONDS,
SERIES OF 2007

OPINION

October ____, 2007

TO THE PURCHASERS OF THE
ABOVE-CAPTIONED BONDS:

We have acted as bond counsel to the School District of Cheltenham Township (the "School District") in connection with the issuance of its \$10,000,000 General Obligation Bonds, Series of 2007 dated October 15, 2007 (the "Bonds"). The Bonds are being issued for the purpose of financing (i) the costs of designing, acquiring, constructing, furnishing and equipping additions, renovations and improvements to the Myers Elementary School and other facilities owned and operated by the School District; and (ii) the costs and expenses related to the issuance of 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. 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 the Bonds 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 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 (other than a qualified 501(c)(3) bond). An issuer and all other entities that must be aggregated with it pursuant to the Code ("Other Issuers") may not designate or issue more than \$10,000,000 of tax-exempt obligations during any calendar year. The School District has designated 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 \$10,000,000 of tax-exempt obligations in the calendar year 2007. 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.

4. 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.

October ____, 2007

Page 3

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 September 11, 2007, 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.

APPENDIX C
Audit Report – Fiscal Year Ended June 30, 2006

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006



MAILLE, FALCONIERO & COMPANY, LLP
Certified Public Accountants and Business Counselors

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MAILLIE, FALCONIERO & COMPANY, LLP
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Oaks, PA 19456-0680
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Transmittal Letter

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

To the Members of the Board:

We have performed the single audit of the School District of Cheltenham Township for the fiscal year ended June 30, 2006, and have enclosed the single audit package.

The single audit was done to fulfill the requirements of OMB Circular A-133. It entailed:

1. An audit of the financial statements and supplementary information and our opinions thereon;
2. An examination of the schedule of expenditures of federal awards and our opinion thereon;
3. A review of the internal control structure based solely on the understanding obtained as part of the audit of the financial statements;
4. A review of the internal control structure made as a part of the audit of the federal awards programs;
5. A review of compliance based on an audit of the financial statements in accordance with *Government Auditing Standards*; and
6. A review of compliance with laws and regulations related to the federal awards programs and our opinion thereon.

Maillie Falconiero & Company, LLP

November 10, 2006

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

LIST OF REPORT DISTRIBUTION

Year Ended June 30, 2006

	<u>Quantity</u>
Commonwealth of Pennsylvania/Office of the Budget..... Comptroller Operations/Bureau of Audits Division of Subrecipient Audit Review Bell Tower, Strawberry Square, 6th Floor 303 Walnut Street Harrisburg, PA 17101-1808	5
Federal Audit Clearinghouse 1201 East 10th Street Jeffersonville, IN 47132	1*
Office of the Prothonotary..... Montgomery County Court House Norristown, PA 19404	1
Intermediate Unit #23 Montgomery Avenue and Paper Mill Road Erdenheim, PA 19118	1

*Include Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

MAILLIE, FALCONIERO & COMPANY, LLP
Certified Public Accountants and Business Counselors

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Oaks, PA 19456-0680
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Independent Auditors' Report

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Cheltenham Township, Elkins Park, Pennsylvania, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of Cheltenham Township, Elkins Park, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Cheltenham Township, Elkins Park, Pennsylvania, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006, on our consideration of the School District of Cheltenham Township, Elkins Park, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 8 through 19 and budgetary comparison information on pages 60 and 61 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Cheltenham Township, Elkins Park, Pennsylvania's basic financial statements. The combining balance sheet and combining schedule of revenues, expenditures and changes in fund balances (deficit) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the School District of Cheltenham Township, Elkins Park, Pennsylvania. The combining balance sheet, combining schedule of revenues, expenditures and changes in fund balances (deficit) and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maillio Falcone + Company, LLP

November 10, 2006

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

The discussion and analysis of the School District of Cheltenham Township's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

SCHOOL DISTRICT HIGHLIGHTS

The School District of Cheltenham Township is comprised of the municipal subdivision of Cheltenham Township in Montgomery County, Pennsylvania; and covers an area of approximately ten square miles. The School District had an enrollment of 4,615 students in 2005-06. The School District employs approximately 413 teachers, 253 support staff and 39 administrators.

The School District of Cheltenham Township consists of four kindergarten through 4th grade elementary schools, one 5th and 6th grade school, one 7th and 8th grade school and one 9th through 12th grade school.

The School District of Cheltenham Township is very strong academically as evidenced by:

- The School District had nine students recognized as "finalist," ten students recognized as "semi-finalist" and ten students recognized as "commended" in the 2005 National Merit Program.
- The School District had one student recognized in the 2005 National Achievement Program.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Analysis of our revenues and expenditures reveals that actual revenues were higher than budgeted revenues due to unanticipated revenue from delinquent taxes and state revenue. Actual General Fund revenues exceeded actual expenditures by \$3,831,799 for the year ended June 30, 2006, and actual revenues exceeded actual expenditures by \$173,537 for the year ended June 30, 2005.

Overall expenditures for the 2005-2006 school year were \$71,861,280 and were over budget by \$2,326,779. Overall expenditures for the 2004-2005 school year were \$71,618,392 and were over budget by \$2,057,969. These differences between budgeted and actual amounts were the result of not including some of the federal programs and other unanticipated expenditures in the budget.

General Fund balance reserves increased by \$173,537 during 2004-2005, bringing our total fund balance at June 30, 2005 to \$715,975 or approximately 1.08% of our General Fund budget. During 2005-2006, this amount increased by \$1,526 to a total of \$717,501 or approximately 1.03% of the General Fund budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

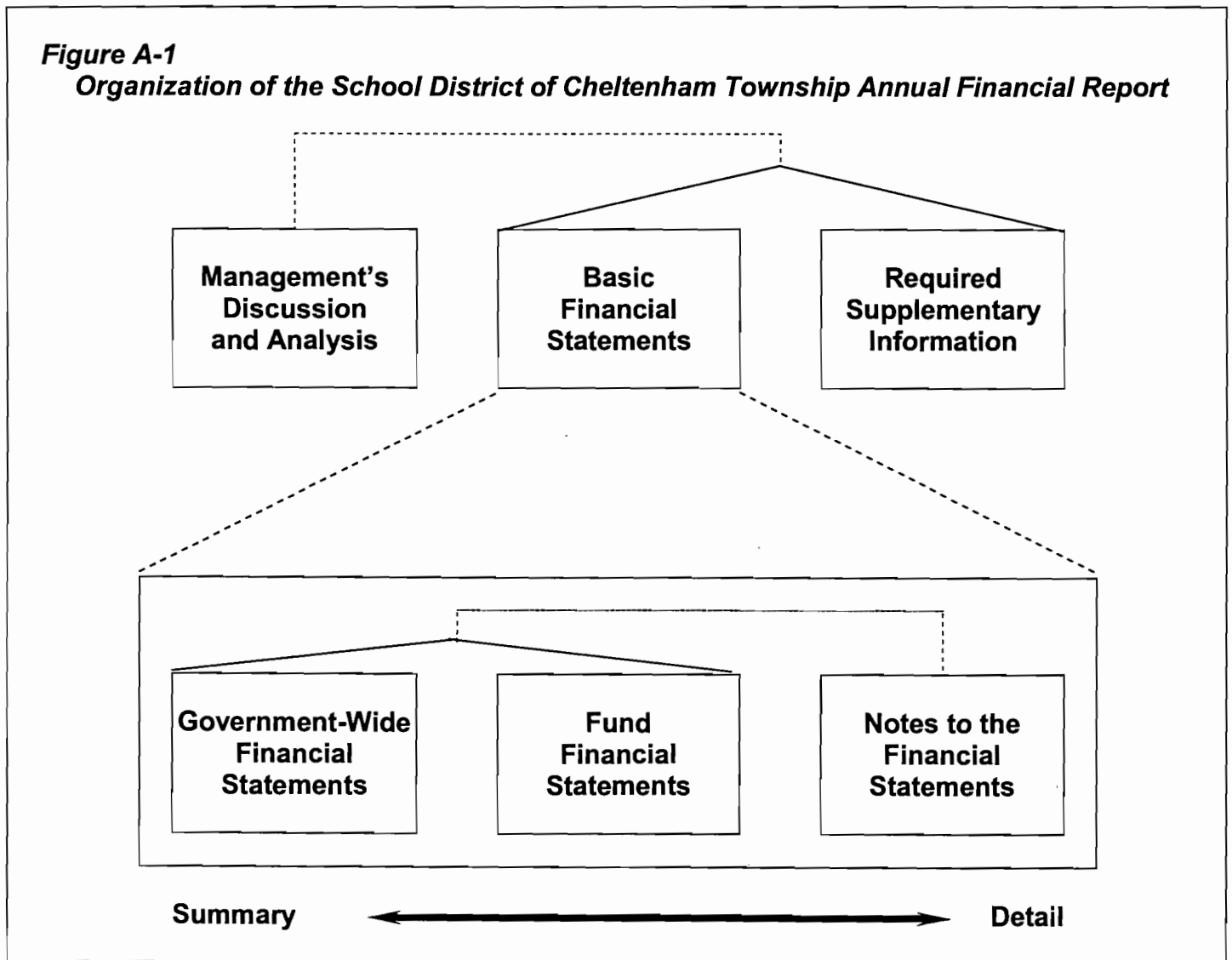
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The Proprietary Fund statements offer short- and long-term financial information about the activities the School District operates like businesses, such as food services.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

- Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another.



SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private businesses-- food services	Instances in which the School District is the trustee or agent to someone else's resources--Scholarship Funds
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets (deficit) • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances (deficit) 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

GOVERNMENT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the School District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

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

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

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

FUND FINANCIAL STATEMENTS

The School District's fund financial statements provide detailed information about the most significant funds--not the School District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds.** Most of the School District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and Governmental Funds is reconciled in the financial statements.
- **Proprietary Fund.** This fund is used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the School District charges customers for services it provides--whether to outside customers or to other units in the School District--these services are generally reported in the Proprietary Fund. The Food Service Fund is the School District's Proprietary Fund and is the same as the business-type activities we report in the government-wide statements but with more detail and additional information, such as cash flows.
- **Fiduciary Funds.** The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Assets (Deficit)

The following tables reflect the condensed statement of net assets (deficit).

The School District's total net deficit was \$(10,155,304) at June 30, 2006, and \$(12,891,450) at June 30, 2005.

Table A-1
Condensed Statement of Net Assets (Deficit)
June 30, 2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 23,724,182	\$ 5,830	\$ 23,730,012
Capital assets	29,377,233	319,733	29,696,966
TOTAL ASSETS	<u>53,101,415</u>	<u>325,563</u>	<u>53,426,978</u>
LIABILITIES			
Current and other liabilities	10,567,617	154,369	10,721,986
Long-term liabilities	52,860,796	-	52,860,796
TOTAL LIABILITIES	<u>63,428,413</u>	<u>154,369</u>	<u>63,582,782</u>
NET ASSETS			
Invested in capital assets, net of related debt	(7,217,548)	319,733	(6,897,815)
Unrestricted	<u>(3,109,450)</u>	<u>(148,539)</u>	<u>(3,257,989)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ (10,326,998)</u>	<u>\$ 171,194</u>	<u>\$ (10,155,804)</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Table A-2
Condensed Statement of Net Assets (Deficit)
June 30, 2005

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 15,751,227	\$ 56,258	\$ 15,807,485
Capital assets	<u>28,727,222</u>	<u>366,335</u>	<u>29,093,557</u>
TOTAL ASSETS	<u>44,478,449</u>	<u>422,593</u>	<u>44,901,042</u>
LIABILITIES			
Current and other liabilities	6,973,096	128,454	7,101,550
Long-term liabilities	<u>50,690,942</u>	<u>-</u>	<u>50,690,942</u>
TOTAL LIABILITIES	<u>57,664,038</u>	<u>128,454</u>	<u>57,792,492</u>
NET ASSETS			
Invested in capital assets, net of related debt	(11,904,209)	366,335	(11,537,874)
Unrestricted	<u>(1,281,380)</u>	<u>(72,196)</u>	<u>(1,353,576)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ (13,185,589)</u>	<u>\$ 294,139</u>	<u>\$ (12,891,450)</u>

Most of the School District's net assets are invested in capital assets (building, land and equipment) or in the form of invested bond proceeds to be used for future capital expenditures.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Statement of Activities

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers. Table A-3 takes the information from the statement of activities and rearranges it slightly, so you can see our total revenues for the year ended June 30, 2006. The following Tables A-3 and A-4 reflect the revenues and expenses for the years ended June 30, 2006 and 2005.

Table A-3
Changes in Net Assets
Year Ended June 30, 2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 1,070,423	\$ 1,271,195	\$ 2,341,618
Operating grants and contributions	13,162,300	129,593	13,291,893
General revenues			
Property taxes, levied for general purposes	58,189,492	-	58,189,492
Earned income and mercantile taxes	2,870,458	-	2,870,458
Public utility taxes	91,658	-	91,658
Investment earnings	1,095,892	684	1,096,576
Receipts from member districts	67,872	-	67,872
Refund of prior year revenue	(116,882)	-	(116,882)
Miscellaneous	115,059	-	115,059
	<u>76,546,272</u>	<u>1,401,472</u>	<u>77,947,744</u>
TOTAL REVENUES			
EXPENSES			
Instruction	43,662,756	-	43,662,756
Support services	24,552,011	-	24,552,011
Operation of noninstructional services	1,878,134	-	1,878,134
Interest on long-term debt	1,653,519	-	1,653,519
Depreciation and amortization, unallocated	1,941,261	-	1,941,261
Food services	-	1,524,417	1,524,417
	<u>73,687,681</u>	<u>1,524,417</u>	<u>75,212,098</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	2,858,591	(122,945)	2,735,646
NET ASSETS (DEFICIT), BEGINNING	<u>(13,185,589)</u>	<u>294,139</u>	<u>(12,891,450)</u>
NET ASSETS (DEFICIT), ENDING	<u>\$ (10,326,998)</u>	<u>\$ 171,194</u>	<u>\$ (10,155,804)</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Table A-4
Changes in Net Assets
Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 789,506	\$ 1,202,969	\$ 1,992,475
Operating grants and contributions	12,285,639	107,453	12,393,092
General revenues			
Property taxes, levied for general purposes	52,873,511	-	52,873,511
Earned income and mercantile taxes	2,798,287	-	2,798,287
Public utility taxes	71,593	-	71,593
Investment earnings	355,246	492	355,738
Receipts from member districts	119,311	-	119,311
Sale of capital assets	741,939	-	741,939
Refund of prior year revenue	(473,702)	-	(473,702)
Miscellaneous	38,201	-	38,201
	<u>69,599,531</u>	<u>1,310,914</u>	<u>70,910,445</u>
TOTAL REVENUES			
EXPENSES			
Instruction	41,023,703	-	41,023,703
Support services	23,975,766	-	23,975,766
Operation of noninstructional services	1,674,209	-	1,674,209
Interest on long-term debt	1,090,453	-	1,090,453
Depreciation and amortization, unallocated	1,804,439	-	1,804,439
Food services	-	1,432,478	1,432,478
	<u>69,568,570</u>	<u>1,432,478</u>	<u>71,001,048</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	30,961	(121,564)	(90,603)
NET ASSETS (DEFICIT), BEGINNING	<u>(13,216,550)</u>	<u>415,703</u>	<u>(12,800,847)</u>
NET ASSETS (DEFICIT), ENDING	<u>\$ (13,185,589)</u>	<u>\$ 294,139</u>	<u>\$ (12,891,450)</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Capital Assets and Debt Administration

Capital Assets

At June 30, 2006 and 2005, the School District had \$29,377,233 and \$28,727,222, respectively, invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	<u>2006</u>	<u>2005</u>
Land	\$ 209,837	\$ 209,837
Construction in process	772,167	-
Buildings and improvements	26,176,428	26,063,246
Furniture and equipment	<u>2,218,801</u>	<u>2,454,139</u>
TOTAL	<u>\$ 29,377,233</u>	<u>\$ 28,727,222</u>

Debt Administration

As of July 1, 2004, the School District had total outstanding bond and note principal of \$39,790,000. During the 2004-2005 school year, the School District issued additional debt of \$9,995,000 and made payments against principal of \$2,340,000, resulting in ending outstanding debt as of June 30, 2005, of \$47,445,000. During 2005-2006, the School District borrowed an additional \$10,000,000 and made payments against principal in the amount of \$5,885,000. At June 30, 2006, ending outstanding debt was \$51,560,000.

Table A-6
Outstanding Debt

	<u>2006</u>	<u>2005</u>
GENERAL OBLIGATION NOTES/BONDS		
Notes, Series of 2000	\$ 655,000	\$ 655,000
Bonds, Series of 2001	-	3,825,000
Bonds, Series of 2001A	945,000	1,865,000
Bonds, 1st Series of 2003	9,805,000	9,930,000
Bonds, 2nd Series of 2003	8,710,000	8,870,000
Bonds, 3rd Series of 2003	1,815,000	2,305,000
Bonds, Series of 2004	9,995,000	10,000,000
Bonds, Series of 2005	9,635,000	9,995,000
Bonds, Series of 2006	<u>10,000,000</u>	<u>-</u>
TOTAL	<u>\$ 51,560,000</u>	<u>\$ 47,445,000</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2006

Other obligations include compensated absences (accrued vacation pay and sick leave for specific employees of the School District), early retirement benefits payable and a capital equipment lease payable. More detailed information about our long-term liabilities is included in the notes to the financial statements.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Craig A. Butler, Director of Business Affairs, School District of Cheltenham Township, Administration Building, 1000 Ashbourne Road, Elkins Park, PA 19027-1097, 215-881-6341.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP**STATEMENT OF NET ASSETS (DEFICIT)***June 30, 2006*

	Governmental Activities	Business-Type Activities	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 2,287,905	\$ 102,824	\$ 2,390,729
Investments	16,352,204	16,080	16,368,284
Taxes receivable, net	1,683,201	-	1,683,201
Due from other governments	1,628,840	25,108	1,653,948
Internal balances	166,714	(166,714)	-
Other receivables	688,509	-	688,509
Inventories	80,281	28,532	108,813
Deferred charges	836,528	-	836,528
Land	209,837	-	209,837
Construction in process	772,167	-	772,167
Buildings and improvements	46,854,072	228,750	47,082,822
Furniture and equipment	7,409,729	469,485	7,879,214
Accumulated depreciation	<u>(25,868,572)</u>	<u>(378,502)</u>	<u>(26,247,074)</u>
TOTAL ASSETS	<u>\$ 53,101,415</u>	<u>\$ 325,563</u>	<u>\$ 53,426,978</u>
LIABILITIES AND NET ASSETS (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 6,341,274	\$ 144,090	\$ 6,485,364
Accrued salaries and benefits	69,561	-	69,561
Accrued interest	522,113	-	522,113
Deferred revenue	288,063	10,279	298,342
Long-term liabilities			
Portion due or payable within one year			
Capital leases	142,057	-	142,057
Bonds and notes payable	2,325,000	-	2,325,000
Early retirement benefits	313,402	-	313,402
Due to Tenet Health Systems	495,448	-	495,448
Accumulated compensated absences	70,699	-	70,699
Portion due or payable after one year			
Capital leases	300,247	-	300,247
Bonds and notes payable	49,235,000	-	49,235,000
Early retirement benefits	2,193,816	-	2,193,816
Due to Tenet Health Systems	495,447	-	495,447
Accumulated compensated absences	<u>636,286</u>	<u>-</u>	<u>636,286</u>
TOTAL LIABILITIES	<u>63,428,413</u>	<u>154,369</u>	<u>63,582,782</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	(7,217,548)	319,733	(6,897,815)
Unrestricted	<u>(3,109,450)</u>	<u>(148,539)</u>	<u>(3,257,989)</u>
TOTAL NET ASSETS (DEFICIT)	<u>(10,326,998)</u>	<u>171,194</u>	<u>(10,155,804)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 53,101,415</u>	<u>\$ 325,563</u>	<u>\$ 53,426,978</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 43,662,756	\$ 8,502,944	\$ (34,998,122)	\$ -	\$ (34,998,122)
Support services	24,552,011	3,648,699	(20,636,538)	-	(20,636,538)
Operation of noninstructional services	1,878,134	71,637	(1,164,538)	-	(1,164,538)
Interest on long-term debt	1,653,519	939,020	(714,499)	-	(714,499)
Depreciation and amortization, unallocated	1,941,261	-	(1,941,261)	-	(1,941,261)
TOTAL GOVERNMENTAL ACTIVITIES	73,687,681	13,162,300	(59,454,958)	-	(59,454,958)
BUSINESS-TYPE ACTIVITIES					
Food services	1,524,417	129,593	-	(123,629)	(123,629)
	<u>75,212,098</u>	<u>13,291,893</u>	<u>(59,454,958)</u>	<u>(123,629)</u>	<u>(59,578,587)</u>
GENERAL REVENUES					
Property taxes, levied for general purposes			58,189,492	-	58,189,492
Earned income and mercantile taxes			2,870,458	-	2,870,458
Public utility taxes			91,658	-	91,658
Investment earnings			1,095,892	684	1,096,576
Receipts from member districts			67,872	-	67,872
Refund of prior year revenue			(116,882)	-	(116,882)
Miscellaneous			115,059	-	115,059
TOTAL GENERAL REVENUES			62,313,549	684	62,314,233
CHANGE IN NET ASSETS			2,858,591	(122,945)	2,735,646
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR			(13,185,589)	294,139	(12,891,450)
NET ASSETS (DEFICIT) AT END OF YEAR			(10,326,998)	\$ 171,194	\$ (10,155,804)

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	2005 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,287,905	-	-	\$ 2,287,905
Investments	944,681	15,290,975	116,548	16,352,204
Taxes receivable, net	1,683,201	-	-	1,683,201
Due from other governments	1,628,840	-	-	1,628,840
Due from other funds	1,590,169	-	6,510,620	8,100,789
Other receivables	688,509	-	-	688,509
Inventories	80,281	-	-	80,281
	<u>\$ 8,903,586</u>	<u>\$ 15,290,975</u>	<u>\$ 6,627,168</u>	<u>\$ 30,821,729</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Due to other funds	\$ 61,582	\$ 682,306	\$ 7,190,187	\$ 7,934,075
Accounts payable	6,083,678	242,721	14,875	6,341,274
Accrued salaries and benefits	69,561	-	-	69,561
Deferred revenue	1,971,264	-	-	1,971,264
TOTAL LIABILITIES	<u>8,186,085</u>	<u>925,027</u>	<u>7,205,062</u>	<u>16,316,174</u>
FUND BALANCES (DEFICIT)				
Unreserved				
General Fund	717,501	-	-	717,501
Capital Project Funds	-	14,365,948	(577,894)	13,788,054
TOTAL FUND BALANCES (DEFICIT)	<u>717,501</u>	<u>14,365,948</u>	<u>(577,894)</u>	<u>14,505,555</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 8,903,586</u>	<u>\$ 15,290,975</u>	<u>\$ 6,627,168</u>	<u>\$ 30,821,729</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET DEFICIT OF GOVERNMENTAL ACTIVITIES

June 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 14,505,555
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	209,837
Construction in process	772,167
Buildings and improvements	46,854,072
Furniture and equipment	7,409,729
Accumulated depreciation	(25,868,572)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charges	1,017,868
Accumulated amortization	(181,340)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(522,113)
Capital leases	(442,304)
Bonds and notes payable	(51,560,000)
Due to Tenet Health Systems	(990,895)
Accumulated compensated absences and early retirement	(3,214,203)
<p>Some of the School District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	<u>1,683,201</u>
NET DEFICIT OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(10,326,998)</u></u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General Fund	2005 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 62,264,007	\$ 396,377	\$ 13,078	\$ 62,673,462
State sources	11,734,570	-	-	11,734,570
Federal sources	1,694,502	-	-	1,694,502
TOTAL REVENUES	<u>75,693,079</u>	<u>396,377</u>	<u>13,078</u>	<u>76,102,534</u>
EXPENDITURES				
Instruction	44,804,451	9,994	-	44,814,445
Support services	25,021,655	1,249,534	492,745	26,763,934
Operation of noninstructional services	1,918,292	-	-	1,918,292
Refund of prior year revenue	116,882	-	-	116,882
Capital outlay	-	750,567	-	750,567
Debt service	-	179,256	3,830,273	4,009,529
TOTAL EXPENDITURES	<u>71,861,280</u>	<u>2,189,351</u>	<u>4,323,018</u>	<u>78,373,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,831,799</u>	<u>(1,792,974)</u>	<u>(4,309,940)</u>	<u>(2,271,115)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	3,830,273	3,830,273
Interfund transfers out	(3,830,273)	-	-	(3,830,273)
General obligation bonds issued	-	10,000,000	-	10,000,000
General obligation bonds refunded	-	(3,621,300)	-	(3,621,300)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,830,273)</u>	<u>6,378,700</u>	<u>3,830,273</u>	<u>6,378,700</u>
NET CHANGE IN FUND BALANCES	1,526	4,585,726	(479,667)	4,107,585
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>715,975</u>	<u>9,780,222</u>	<u>(98,227)</u>	<u>10,397,970</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 717,501</u>	<u>\$ 14,365,948</u>	<u>\$ (577,894)</u>	<u>\$ 14,505,555</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 4,107,585

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.

650,011

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which capital outlays exceed amortization in the current period.

110,136

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

65,172

Repayment of bond and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets (deficit).

5,886,448

New borrowings is an increase to the Governmental Funds balance; however, this is an increase to liabilities in the statement of net assets (deficit).

(10,000,000)

In the statement of activities, refunds of previously collected real estate taxes are recorded as a decrease to liabilities. In the Governmental Funds, however, these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

495,447

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

1,480,841

SUBTOTAL ADJUSTMENTS FORWARD

\$ (1,311,945)

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(DEFICIT) TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 4,107,585
SUBTOTAL ADJUSTMENTS FORWARDED	(1,311,945)
 Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	<u>62,951</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,858,591</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2006

	Enterprise Fund
	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 102,824
Investments	16,080
Due from other governments	25,108
Due from other funds	3,286
Inventories	<u>28,532</u>
TOTAL CURRENT ASSETS	<u>175,830</u>
PROPERTY AND EQUIPMENT	698,235
Accumulated depreciation	<u>(378,502)</u>
	<u>319,733</u>
TOTAL ASSETS	<u>\$ 495,563</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 144,090
Due to other funds	170,000
Deferred revenue	<u>10,279</u>
TOTAL CURRENT LIABILITIES	<u>324,369</u>
NET ASSETS	
Invested in capital assets	319,733
Unrestricted	<u>(148,539)</u>
TOTAL NET ASSETS	<u>171,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 495,563</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ <u>1,271,195</u>
OPERATING EXPENSES	
Food service management	1,394,489
Repairs and maintenance	33,242
Depreciation	65,055
Miscellaneous	<u>31,631</u>
TOTAL OPERATING EXPENSES	<u>1,524,417</u>
OPERATING LOSS	<u>(253,222)</u>
NONOPERATING REVENUES	
Earnings on investments	684
State sources	19,307
Federal sources	<u>110,286</u>
TOTAL NONOPERATING REVENUES	<u>130,277</u>
CHANGE IN NET ASSETS	(122,945)
NET ASSETS AT BEGINNING OF YEAR	<u>294,139</u>
NET ASSETS AT END OF YEAR	<u>\$ <u>171,194</u></u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2006

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,271,195
Payments to suppliers	<u>(1,435,756)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(164,561)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loan from General Fund	170,000
Federal sources	95,164
State sources	<u>16,805</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>281,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvement of capital assets	<u>(18,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,814)
Earnings on investments	<u>684</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,130)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,825
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 102,824</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2006

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (253,222)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	65,055
Increase in inventories	(2,310)
Increase in	
Accounts payable	20,973
Deferred revenue	<u>4,943</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (164,561)</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2006

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 49,248	\$ 143,553
Investments	<u>-</u>	<u>50,708</u>
TOTAL ASSETS	<u>49,248</u>	<u>\$ 194,261</u>
LIABILITIES		
Other current liabilities	<u>-</u>	<u>\$ 194,261</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 49,248</u>	

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006

	<u>Trust Funds</u>
ADDITIONS	
Investment income	\$ 645
Contributions	<u>1,355</u>
TOTAL ADDITIONS	2,000
DEDUCTIONS	
Scholarships	<u>9,281</u>
CHANGE IN NET ASSETS	(7,281)
NET ASSETS AT BEGINNING OF YEAR	<u>56,529</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 49,248</u></u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District of Cheltenham Township (the "School District") is located in Elkins Park, Pennsylvania. The School District's tax base includes Montgomery County and consists of Cheltenham Township.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such district who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools, or to pay any school indebtedness which the School District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949 as amended.

The financial statements of the School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Fund provided they do not conflict with or contradict GASB pronouncements. Pronouncements of the FASB issued after November 30, 1989, are not applied in the preparation of the financial statements of the Proprietary Fund.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

The most significant of the School District's accounting policies are described below.

Reporting Entity

In evaluating the School District as a reporting entity, management has addressed all potential component units for which the School District may or may not be financially accountable, and, as such, be includable within the School District's financial statements. In accordance with GASB Statement No. 14, the School District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the School District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the School District's financial statements to be misleading or incomplete.

The tax collector is an elected officer who collects taxes on behalf of the School District. The School District regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate account entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The acquisition, use and balance of the School District's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the School District's Governmental Funds:

General Fund

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

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Debt Service Fund

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

Proprietary Fund

Food Service Fund

The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the government under the terms of a formal trust agreement.

Agency Fund

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Nonexpendable Trust Funds

Nonexpendable Trust Funds are accounted for in essentially the same manner as the Proprietary Fund, using the same measurement focus and basis of accounting. Nonexpendable Trust Funds account for assets of which the principal may not be spent.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The statement of net assets (deficit) and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District. Expenses reported for functional activities include allocated indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances (deficit), which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The School District defines operating revenues as revenues which are a result of providing services and producing and delivering goods in connection with its principal proprietary operations. All other revenues are considered nonoperating.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Cash and Cash Equivalents

Cash and cash equivalents with original maturities of 90 days or less when purchased are considered to be cash on hand, demand deposits and short-term investments.

Investments

Investments are valued at fair value.

Under Section 440.1 of the Public School Act of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

Receivables and Payables

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Inventories

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

Deferred Charges

Deferred charges consist of bond issue costs, which are amortized over the life of the bonds.

	<u>Deferred Charges</u>	<u>Accumulated Amortization</u>	<u>Net</u>
1st Series of 2003	\$ 190,844	\$ (39,524)	\$ 151,320
2nd Series of 2003	66,000	(11,445)	54,555
3rd Series of 2003	160,191	(91,805)	68,386
Series of 2004	210,000	(28,580)	181,420
Series of 2005	204,712	(9,986)	194,726
Series of 2006	186,121	-	186,121
	<u>\$ 1,017,868</u>	<u>\$ (181,340)</u>	<u>\$ 836,528</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost equal to or greater than \$500 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Site improvements	15-20
Buildings and improvements	20-40
Furniture and equipment	5-20

Long-Term Obligations

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

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

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also arises when resources are received by the School District 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 School District has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Property Taxes

School taxes attach as an enforceable lien on property when levied. Taxes are levied on July 1 and are payable on or before October 31. Taxes paid prior to September 1 are payable at a 2% discount, and taxes paid after October 31 are assessed at a 10% penalty. The School District has one independently elected tax collector to bill and collect school taxes. Assessed values are established by the county by using square footage, market value and "like-kind" property comparisons. Any unpaid real estate taxes are liened by December 31 with the county.

Compensated Absences

The School District's policy regarding compensated absences is as follows:

Accumulated Compensated Absences - Vested Benefits

Upon retirement, contractual provisions provide for severance pay based upon certain accumulated compensated absences. Severance pay for professionals is equal to \$70, \$75 and \$80 per day for the first 100, 101 to 200 and 201 to 300 days, respectively, for each unused day of sick and personal leave to a maximum of \$22,500. Severance pay for classified employees is equal to the number of unused days of personal leave based on the daily rate earned plus the unused days of sick leave based upon 25% of the daily rate to a maximum of \$3,500. Severance pay for administrators is equal to the number of unused days of sick and personal leave and unused vacation days based upon 50% of the daily rate to a maximum of \$22,500.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Unrestricted sabbatical leave is available to professionals and administrators in the Pennsylvania Public School System. Effective July 1, 1998, the Pennsylvania law was changed to require professionals and administrators to return to work after being on sabbatical. The first sabbatical is earned with ten years in the system, and another sabbatical is earned seven years after the last sabbatical taken. An employee on sabbatical is paid one-half salary and receives full benefits.

The School District accrues for the aforementioned employee benefits as follows:

Vacation, Sick and Personal Leave

The amount is determined by the appropriate vacation, sick and personal leave payments which would be available to employees if they would leave or retire from the School District and is adjusted for expected turnover rates of employees. Accrued benefit days are multiplied by the appropriate salary and any additional salary-related amounts.

Sabbatical Leave

The amount is based on the periods during which the rights to sabbatical leaves are earned and the probable amounts of salary and salary-related payments that will be paid under the sabbatical program.

Accumulated compensated absences are reflected as a long-term liability unless payments are likely within the upcoming fiscal year. Those costs, determined to be current year costs, are reflected as a liability of the General Fund.

Post-Employment Benefits

Teachers, administrators and support staff who meet certain requirements of service are eligible to purchase retiree health insurance through the School District's group health plan at group rates. The benefit terminates at age 65 when the retiree is eligible for Medicare insurance.

Use of Estimates

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

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE B CASH

The School District's cash and cash investments consist of deposits with financial institutions and U.S. Government and agency securities.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$2,521,360 of the School District's bank balance of \$2,821,360 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized but covered under Act 72	\$ <u>2,521,360</u>
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NOTE C INVESTMENTS

The School District's investments consist of deposits with financial institutions and U.S. Government and agency securities.

As of June 30, 2006, the School District had the following investments in an internal investment pool:

Investment Type	Investment Maturities		Fair Value
	Less Than 1 Year	1 to 5 Years	
State investment pools	\$ 16,368,284	\$ -	\$ 16,368,284

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

Credit Risk

State law limits investments in obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District has no investment policy that would further limit its investment choices. As of June 30, 2006, the School District's investment in the state investment pools was rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. More than 5% of the School District's investments are in state investment pools. These investments are 100% of the School District's total investments.

NOTE D ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2006, consist of the following:

Delinquent real estate taxes	\$ 1,683,201
Due from other governments	<u>1,653,948</u>
	<u>\$ 3,337,149</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE E INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	1998 Capital Project Fund	\$ 1,395
General Fund	2000 Capital Project Fund	736,468
General Fund	2005 Capital Project Fund	682,306
Food Service Fund	General Fund	3,286
1998 Capital Project Fund	General Fund	58,296
2000 Capital Project Fund	1998 Capital Project Fund	6,234,136
1998 Capital Project Fund	2000 Capital Project Fund	218,188
General Fund	Food Service Fund	<u>170,000</u>
		\$ <u>8,104,075</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ <u>3,830,273</u>

Transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 209,837	-	-	\$ 209,837
Construction in process	209,837	772,167	-	772,167
		772,167		982,004
Capital assets being depreciated				
Buildings and improvements	45,780,698	1,073,374	-	46,854,072
Furniture and equipment	6,739,982	669,747	-	7,409,729
	52,520,680	1,743,121	-	54,263,801
Accumulated depreciation	(24,003,295)	(1,865,277)	-	(25,868,572)
TOTAL CAPITAL ASSETS BEING DEPRECIATED	28,517,385	(122,156)	-	28,395,229
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	28,727,222	650,011	-	29,377,233
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings and improvements	228,750	-	-	228,750
Furniture and equipment	451,032	18,453	-	469,485
	679,782	18,453	-	698,235
Accumulated depreciation	(313,447)	(65,055)	-	(378,502)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	366,335	(46,602)	-	319,733
TOTAL CAPITAL ASSETS, net	\$ 29,093,557	\$ 603,409	\$ -	\$ 29,696,966

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

The net book value of each capital asset category for governmental activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 209,837	-	\$ 209,837
Construction in process	<u>772,167</u>	<u>-</u>	<u>772,167</u>
	982,004		982,004
CAPITAL ASSETS BEING DEPRECIATED			
Buildings and improvements	46,854,072	(20,677,644)	26,176,428
Furniture and equipment	<u>7,409,729</u>	<u>(5,190,928)</u>	<u>2,218,801</u>
	54,263,801	(25,868,572)	28,395,229
	<u>\$ 55,245,805</u>	<u>\$ (25,868,572)</u>	<u>\$ 29,377,233</u>

NOTE G

LONG-TERM LIABILITIES

The following is a summary of the changes in general long-term liabilities of the School District for the year ended June 30, 2006. All bonds and notes are general obligations of the School District.

	<u>Balance at June 30, 2005</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>	<u>Due Within One Year</u>
Capital leases	\$ 569,653	-	\$ (127,349)	\$ 442,304	\$ 142,057
General obligation bonds and notes payable	47,445,000	10,000,000	(5,885,000)	51,560,000	2,325,000
Early retirement benefits	3,620,705	-	(1,113,487)	2,507,218	313,402
Due to Tenet Health Systems	1,486,343	-	(495,448)	990,895	495,448
Accumulated compensated absences	<u>1,074,339</u>	<u>-</u>	<u>(367,354)</u>	<u>706,985</u>	<u>70,699</u>
	\$ 54,196,040	\$ 10,000,000	\$ (7,988,638)	\$ 56,207,402	\$ 3,346,606

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

Bonds and notes payable at June 30, 2006, are comprised of the following individual issues:

Series of 2000 General Obligation Notes Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 15,000	4.87%
August 15, 2007	25,000	4.87
August 15, 2008	180,000	5.00
August 15, 2009	190,000	5.00
August 15, 2010	<u>245,000</u>	5.00
	<u>\$ 655,000</u>	

Series of 2001A General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	<u>\$ 945,000</u>	3.15%

1st Series of 2003 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 130,000	1.60%
August 15, 2007	260,000	2.05
August 15, 2008	820,000	2.40
August 15, 2009	850,000	2.70
August 15, 2010	875,000	3.00
August 15, 2011	900,000	3.25
August 15, 2012	930,000	3.37
August 15, 2013	960,000	3.50
August 15, 2014	1,000,000	3.60
August 15, 2015	1,030,000	3.65
August 15, 2016	1,025,000	3.75
August 15, 2017	<u>1,025,000</u>	3.85
	<u>\$ 9,805,000</u>	

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

2nd Series of 2003 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 165,000	2.00%
August 15, 2007	360,000	2.00
August 15, 2008	1,065,000	2.00
August 15, 2009	1,090,000	2.15
August 15, 2010	675,000	2.40
August 15, 2011	685,000	2.50
August 15, 2012	705,000	2.65
August 15, 2013	695,000	2.80
August 15, 2014	640,000	3.00
August 15, 2015	660,000	3.15
August 15, 2016	730,000	3.30
August 15, 2017	<u>1,240,000</u>	3.50
	<u>\$ 8,710,000</u>	

3rd Series of 2003 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 490,000	1.55%
August 15, 2007	<u>1,325,000</u>	1.85
	<u>\$ 1,815,000</u>	

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Series of 2004 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 5,000	2.10%
August 15, 2007	5,000	2.10
August 15, 2008	5,000	2.10
August 15, 2009	65,000	2.40
August 15, 2010	525,000	2.65
August 15, 2011	800,000	2.85
August 15, 2012	820,000	3.10
August 15, 2013	875,000	3.30
August 15, 2014	980,000	3.50
August 15, 2015	1,015,000	3.65
August 15, 2016	1,055,000	3.75
August 15, 2017	1,120,000	3.85
August 15, 2018	<u>2,725,000</u>	4.00
	<u>\$ 9,995,000</u>	

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Series of 2005 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
November 15, 2006	\$ 340,000	3.25%
November 15, 2007	350,000	3.25
November 15, 2008	360,000	3.00
November 15, 2009	370,000	3.00
November 15, 2010	385,000	3.15
November 15, 2011	395,000	3.25
November 15, 2012	410,000	3.38
November 15, 2013	425,000	3.50
November 15, 2014	440,000	3.63
November 15, 2015	455,000	3.75
November 15, 2016	475,000	3.80
November 15, 2017	490,000	4.00
November 15, 2018	510,000	4.00
November 15, 2019	535,000	4.00
November 15, 2020	555,000	4.00
November 15, 2021	575,000	4.13
November 15, 2022	600,000	4.15
November 15, 2023	625,000	4.25
November 15, 2024	655,000	4.38
November 15, 2025	<u>685,000</u>	4.38
	<u>\$ 9,635,000</u>	

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Series of 2006 General Obligation Bonds Outstanding

<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>
August 15, 2006	\$ 235,000	3.50%
August 15, 2007	505,000	3.50
August 15, 2008	525,000	3.55
August 15, 2009	540,000	3.55
August 15, 2010	555,000	3.60
August 15, 2011	580,000	3.65
August 15, 2012	605,000	3.75
August 15, 2013	630,000	3.85
August 15, 2014	650,000	4.00
August 15, 2015	680,000	4.00
August 15, 2016	705,000	4.05
August 15, 2017	310,000	4.10
August 15, 2018	325,000	4.20
August 15, 2019	340,000	4.20
August 15, 2020	350,000	4.20
August 15, 2021	370,000	4.30
August 15, 2022	385,000	4.30
August 15, 2023	400,000	4.30
August 15, 2024	420,000	4.35
August 15, 2025	435,000	4.35
August 15, 2026	<u>455,000</u>	4.35
	<u>\$ 10,000,000</u>	

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

The annual requirements to amortize general obligation bonds and notes payable outstanding as of June 30, 2006, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 2,325,000	\$ 1,630,526	\$ 3,955,526
2008	2,830,000	1,664,202	4,494,202
2009	2,955,000	1,591,208	4,546,208
2010	3,105,000	1,508,426	4,613,426
2011	3,260,000	1,415,180	4,675,180
2012 to 2016	17,965,000	5,411,024	23,376,024
2017 to 2021	13,515,000	2,161,596	15,676,596
2022 to 2026	5,150,000	674,618	5,824,618
2027 to 2031	455,000	9,896	464,896
	<u>\$ 51,560,000</u>	<u>\$ 16,066,676</u>	<u>\$ 67,626,676</u>

Interest costs incurred and charged to expenditures for the year ended June 30, 2006, were \$1,653,519 in the Debt Service Fund.

Capital Leases

The School District entered into a capital lease agreement during the 2003-2004 school year for digital copier equipment. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 73,792	\$ 15,956	\$ 89,748
2008	79,917	9,831	89,748
2009	79,072	3,198	82,270
	<u>\$ 232,781</u>	<u>\$ 28,985</u>	<u>\$ 261,766</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

The School District entered into a capital lease agreement for additional copier equipment during the 2004-2005 school year. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 48,115	\$ 5,561	\$ 53,676
2008	<u>43,131</u>	<u>1,599</u>	<u>44,730</u>
	<u>\$ 91,246</u>	<u>\$ 7,160</u>	<u>\$ 98,406</u>

The School District entered into a capital lease agreement during the 2004-2005 school year for a new telephone system. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 20,150	\$ 9,419	\$ 29,569
2008	21,859	7,710	29,569
2009	23,714	5,855	29,569
2010	25,725	3,844	29,569
2011	<u>26,829</u>	<u>1,115</u>	<u>27,944</u>
	<u>\$ 118,277</u>	<u>\$ 27,943</u>	<u>\$ 146,220</u>

Payable to Tenet Health Systems

During the 2004-2005 school year, the School District agreed to an order of settlement to pay a refund to Tenet Health Systems due to a decrease in the assessed value of its real estate. The following is a schedule of future payments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 495,448
2008	<u>495,447</u>
	<u>\$ 990,895</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Deficit Fund Equity

The 1998 Capital Project Fund had a deficit fund balance of \$(5,959,047) as of June 30, 2006. The fund incurred expenditures in advance of funding. The School District plans to transfer funds from other Capital Project Funds to cover these expenditures during fiscal 2007.

NOTE H **PENSIONS**

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

Plan Description

Name of Plan: The Public School Employees' Retirement System (the "System").

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

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

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

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS site on the Internet--www.psers.state.pa.us/publications/cafr/index.htm.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

Funding Policy

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

Member Contributions: Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members joining the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2006, the rate of employer contribution was 3.77% of covered payroll. The 3.77% rate is comprised of a pension contribution rate of 2.98% for pension benefits and .79% for healthcare insurance premium assistance.

The School District's contributions to PSERS for the years ended June 30, 2006, 2005 and 2004, were \$1,881,610, \$1,770,467 and \$1,377,872, respectively, equal to the required contributions for each year.

NOTE I CONTINGENCIES

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

The School District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the School District solicitor, the ultimate disposition of any matters outstanding at June 30, 2006, will not have a material adverse effect on the School District's financial position.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE J JOINT VENTURE

The Eastern Montgomery County Area Vocational-Technical School Authority (the "Vo-Tech Authority") is a joint venture with eight other school districts. The Vo-Tech Authority is a separate legal entity located in Montgomery County, Pennsylvania, and is not reported as part of the School District's reporting entity. The Vo-Tech Authority is governed by nine members, each of whom is appointed by the Board of School Directors of the participating school districts. The Vo-Tech Authority oversees acquiring, holding, constructing, improving and maintaining the public area Vocational-Technical School buildings. Separate financial statements are available to the public for inspection at the Vo-Tech.

Financial Reporting Relationship with the School District

The School District has agreed to fund a portion (13.35%) of the Guaranteed Lease Revenue Bonds, Series of 2003, of the Vo-Tech Authority. Payments to the Vo-Tech Authority relating to principal and interest on these bonds are categorized as lease payments.

Selected financial information with respect to the Vo-Tech Authority from its June 30, 2006 audited financial statements is presented below.

Statement of Net Assets--Cash Basis

ASSETS	
Funds held by trustee	\$ 9,817
Cash	14,894
Lease rentals receivable	<u>700,000</u>
TOTAL ASSETS	\$ <u>724,711</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Guaranteed Lease Revenue Bonds, Series of 2003	\$ 700,000
 NET ASSETS	 <u>24,711</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>724,711</u>

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

Statement of Activities--Cash Basis

REVENUE RECEIVED	
Lease rental collected	\$ 716,075
Interest earned	<u>468</u>
TOTAL REVENUE RECEIVED	<u>716,543</u>
EXPENDITURES PAID	
Administrative expenses	5,750
Principal payment, Series of 2003 bonds	690,000
Interest paid on Series of 2003 bonds	<u>26,075</u>
TOTAL EXPENDITURES PAID	<u>721,825</u>
CHANGE IN NET ASSETS	(5,282)
NET ASSETS AT BEGINNING OF YEAR	<u>29,993</u>
NET ASSETS AT END OF YEAR	<u>\$ 24,711</u>

Based upon the School District's proportionate share of the real estate market valuation of 13.35%, rental payments to the Vo-Tech Authority were \$92,534 for the year ended June 30, 2006.

The School District's lease payment requirements to the Vo-Tech Authority, which are based upon the Guaranteed Lease Revenue Bonds, Series of 2003, and Cheltenham's 2007 proportionate share of 12.96%, are as follows:

Year Ending <u>June 30,</u>	
2007	<u>\$ 90,720</u>

NOTE K OTHER RISKS

The School District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has purchased various insurance policies to safeguard the assets of the School District from risk of loss.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE L SUBSEQUENT EVENT

In April 2006, the School District executed a lease for a modular building to be located at Elkins Park Elementary to house the students during the construction of a new school building. The lease begins August 1, 2006, and requires monthly payments of \$47,136 through February 2008, at which time the lease changes to a month-to-month tenancy.

NOTE M COMMITMENTS AND CONTINGENCIES

Litigation

The School District is party to litigation involving various School District matters. Based on the opinion of its legal counsel, the School District officials feel that the outcome of any suits will not have a material effect on the financial condition of the School District.

Contingent Liabilities

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local sources	\$ 62,114,645	\$ 62,114,645	\$ 62,264,007	\$ 149,362
State sources	10,127,493	10,127,493	11,734,570	1,607,077
Federal sources	1,440,037	1,440,037	1,694,502	254,465
TOTAL REVENUES	<u>73,682,175</u>	<u>73,682,175</u>	<u>75,693,079</u>	<u>2,010,904</u>
EXPENDITURES				
Instruction	44,848,934	44,848,934	44,804,451	44,483
Support services	23,115,531	23,115,531	25,021,655	(1,906,124)
Operation of noninstructional services	1,570,036	1,570,036	1,918,292	(348,256)
Refund of prior year revenue	-	-	116,882	(116,882)
TOTAL EXPENDITURES	<u>69,534,501</u>	<u>69,534,501</u>	<u>71,861,280</u>	<u>(2,326,779)</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,147,674	4,147,674	3,831,799	(315,875)
OTHER FINANCING USES				
Interfund transfers out	(4,147,674)	(4,147,674)	(3,830,273)	317,401
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>1,526</u>	<u>\$ 1,526</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>715,975</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 717,501</u>	

See accompanying notes to the required supplementary information.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

NOTE A LEGAL COMPLIANCE, BUDGETS

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

1. Prior to May 15, the Business Manager submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
5. Budgets for all funds are adopted on a basis prescribed by the Department of Education.

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and amended budget (which has been adjusted for legally authorized revisions to annual budgets during the year).

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the School District incurred General Fund expenditures that were in excess of the amounts budgeted in the areas of support services and operation of noninstructional services due to special education expenses. Also, the refund of prior year revenue was not budgeted.

SUPPLEMENTARY INFORMATION SECTION

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2006

	Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	1996 Capital Project Fund	1998 Capital Project Fund	2000 Capital Project Fund		
ASSETS					
Investments	\$ -	\$ -	\$ 116,548	\$ -	\$ 116,548
Due from other funds	-	276,484	6,234,136	-	6,510,620
TOTAL ASSETS	\$ -	\$ 276,484	\$ 6,350,684	\$ -	\$ 6,627,168
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Due to other funds	\$ -	\$ 6,235,531	\$ 954,656	\$ -	\$ 7,190,187
Accounts payable	-	-	14,875	-	14,875
TOTAL LIABILITIES	-	6,235,531	969,531	-	7,205,062
FUND BALANCES (DEFICIT)					
Unreserved	-	(5,959,047)	5,381,153	-	(577,894)
Capital Project Funds					
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ -	\$ 276,484	\$ 6,350,684	\$ -	\$ 6,627,168

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT)
 OTHER GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	1996 Capital Project Fund	1998 Capital Project Fund	2000 Capital Project Fund		
REVENUES					
Local sources	\$ 10,938	\$ 916	\$ 1,224	\$ -	\$ 13,078
EXPENDITURES					
Support services	400,791	91,954	-	-	492,745
Debt service	-	-	-	3,830,273	3,830,273
TOTAL EXPENDITURES	<u>400,791</u>	<u>91,954</u>	<u>-</u>	<u>3,830,273</u>	<u>4,323,018</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(389,853)	(91,038)	1,224	(3,830,273)	(4,309,940)
OTHER FINANCING SOURCES					
Interfund transfers in	-	-	-	3,830,273	3,830,273
NET CHANGE IN FUND BALANCES	(389,853)	(91,038)	1,224	-	(479,667)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>389,853</u>	<u>(5,868,009)</u>	<u>5,379,929</u>	<u>-</u>	<u>(98,227)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ <u>-</u>	\$ <u>(5,959,047)</u>	\$ <u>5,381,153</u>	\$ <u>-</u>	\$ <u>(577,894)</u>



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Cheltenham Township, Elkins Park, Pennsylvania, as of and for the year ended June 30, 2006, which collectively comprise the School District of Cheltenham Township, Elkins Park, Pennsylvania's basic financial statements and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the School District of Cheltenham Township, Elkins Park, Pennsylvania's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District of Cheltenham Township, Elkins Park, Pennsylvania's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FA-06-1 and FA-06-2.

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School District of Cheltenham Township, Elkins Park, Pennsylvania'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FA-06-1 and FA-06-2.

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

Mailli Falconiero & Company, LLP

November 10, 2006



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**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 Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

COMPLIANCE

We have audited the compliance of the School District of Cheltenham Township, Elkins Park, Pennsylvania, 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, 2006. The School District of Cheltenham Township, Elkins Park, Pennsylvania'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 School District of Cheltenham Township, Elkins Park, Pennsylvania's management. Our responsibility is to express an opinion on the School District of Cheltenham Township, Elkins Park, Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 School District of Cheltenham Township, Elkins Park, Pennsylvania'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 on the School District of Cheltenham Township, Elkins Park, Pennsylvania's compliance with those requirements.

As described in items FA-06-1 and FA-06-2 in the accompanying schedule of findings and questioned costs, the School District of Cheltenham Township, Elkins Park, Pennsylvania, did not comply with requirements regarding reporting that are applicable to its Title I programs. Compliance with such requirements is necessary, in our opinion, for the School District of Cheltenham Township, Elkins Park, Pennsylvania, to comply with the requirements applicable to those programs.

To the Board of Directors
School District of Cheltenham Township
Elkins Park, Pennsylvania

In our opinion, except for the noncompliance described in the preceding paragraph, the School District of Cheltenham Township, Elkins Park, Pennsylvania, 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, 2006.

INTERNAL CONTROL OVER COMPLIANCE

The management of the School District of Cheltenham Township, Elkins Park, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District of Cheltenham Township, Elkins Park, Pennsylvania'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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District of Cheltenham Township, Elkins Park, Pennsylvania's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FA-06-1 and FA-06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

Maillie Falconier & Company, LLP

November 10, 2006

**ADDITIONAL INFORMATION - FEDERAL
AWARDS PROGRAM AUDIT**

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grant Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2005	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
Title I	I	84.010	13-050080	July 1, 2004 to September 30, 2005	\$ 591,796	\$ 394,531	\$ 394,531	\$ -	\$ -	\$ -
Title I	I	84.010	13-060080	July 1, 2005 to September 30, 2006	630,145	630,145	-	630,145	630,145	-
Title II, Educational Technology	I	84.318	55-040080	July 1, 2003 to September 30, 2004	14,144	6,601	6,601	-	-	-
Title II, Educational Technology	I	84.318	55-050080	July 1, 2004 to September 30, 2005	14,170	7,557	7,557	-	-	-
Title II, Educational Technology	I	84.318	55-060080	July 1, 2005 to September 30, 2006	10,533	10,533	-	10,533	10,533	-
Title IIA	I	84.367	20-050080	July 1, 2004 to September 30, 2005	243,696	162,464	162,464	-	-	-
Title IIA	I	84.367	20-060080	July 1, 2005 to September 30, 2006	170,882	170,882	-	170,882	170,882	-
Title III, Language Instruction	I	84.365	10-005080	July 1, 2004 to September 30, 2005	38,486	19,243	19,243	-	-	-
Title III, Language Instruction	I	84.365	10-006080	July 1, 2005 to September 30, 2006	10,218	3,716	-	10,218	10,218	6,502
Title V, Innovative Education	I	84.298	11-050080	July 1, 2004 to September 30, 2005	14,087	7,513	7,513	-	-	-
Title V, Innovative Education	I	84.298	11-060080	July 1, 2005 to September 30, 2006	9,038	9,038	-	9,038	9,038	-
Drug-Free Schools	I	84.186	100-040080	July 1, 2003 to September 30, 2004	17,068	2,438	2,438	-	-	-
Drug-Free Schools	I	84.186	100-050080	July 1, 2004 to September 30, 2005	17,068	9,890	9,890	-	-	-
SUBTOTAL FORWARD					\$ 1,434,551	\$ 1,434,551	\$ 610,237	\$ 830,816	\$ 830,816	\$ 6,502

Source Codes:

- I = Indirect funding
- S = State share

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grant Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2005	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
SUBTOTAL FORWARDED										
Safe Schools	I	84.186	N/A	July 1, 2004 to September 30, 2005	\$ 14,678	2,936	14,678	\$ 830,816	\$ 830,816	\$ 6,502
Safe Schools	I	84.186	N/A	July 1, 2005 to September 30, 2006	-	13,422	-	-	-	11,742
Passed through the Montgomery County Intermediate Unit No. 23										
Disabilities Act - Part B (IDEA-B)	I	84.027	N/A	July 1, 2003 to September 30, 2004	651,893	4,271	4,271	-	-	-
Disabilities Act - Part B (IDEA-B)	I	84.027	N/A	July 1, 2004 to September 30, 2005	717,211	717,211	717,211	-	-	-
Disabilities Act - Part B (IDEA-B)	I	84.027	N/A	July 1, 2005 to September 30, 2006	738,330	411,546	-	738,330	738,330	326,784
TOTAL U.S. DEPARTMENT OF EDUCATION										
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	-	July 1, 2004 to June 30, 2005	-	95,164	6,311	110,286	110,286	21,433
National School Lunch Program	S	N/A	-	July 1, 2005 to June 30, 2006	-	16,805	1,173	19,307	19,307	3,675
Passed through the Pennsylvania Department of Agriculture										
Value of U.S.D.A. donated commodities	I	10.550	-	July 1, 2005 to June 30, 2006	41,910	41,910	(5,336)	36,967	36,967	(10,279)
TOTAL U.S. DEPARTMENT OF AGRICULTURE										
TOTAL EXPENDITURES										
LESS STATE SHARE										
TOTAL EXPENDITURES OF FEDERAL AWARDS										
						\$ 2,721,011	\$ 1,347,372	\$ 1,716,399	\$ 1,716,399	\$ 342,760

See accompanying note to the schedule of expenditures of federal awards.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the School District's federal awards programs and does not present transactions that would be included in financial statements of the School District presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

Donated Commodities

Donated commodities were valued according to cost estimates provided by the U.S.D.A.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the School District of Cheltenham Township.
2. Reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. Instances of noncompliance material to the financial statements of the School District of Cheltenham Township were disclosed during the audit.
4. Reportable conditions were disclosed during the audit of the federal awards programs reported in the 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. These conditions are not reported as material weaknesses.
5. The auditors' report on compliance for the major federal awards programs for the School District of Cheltenham Township expresses a qualified opinion.
6. The programs tested as major programs included:
 - Title I - 84.010
 - IDEA-B - 84.027
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The School District of Cheltenham Township was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Reportable Conditions

See FA-06-1 and FA-06-2.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

Reportable Conditions

FA-06-1 ESEA, Title I - CFDA No. 84.010

Condition: The final expenditures report for the year ended June 30, 2006, was not filed timely with the Pennsylvania Department of Education.

Criteria: The final expenditures report is a required report to be submitted at the end of the program period.

Effect: Failure to submit the above-mentioned report in a timely manner could result in the suspension of the project's payments.

Recommendation: The Project Coordinator and the Director of Business Affairs should meet on a monthly basis to review compliance with federal financial awards in the area of financial reporting for all projects.

Response: We concur with the recommendation.

FA-06-2 ESEA, Title I and IDEA-B - CFDA Nos. 84.010 and 84.027 (A similar condition was noted in prior year finding FA-05-2.)

Condition: Program expenditures charged to the general ledger were not accounted for accurately. The postings to the general ledger were reviewed and subsequently adjusted after year end to reflect the proper grant expenditures.

Criteria: Internal controls are not in place to ensure actual program expenditures are classified correctly to the general ledger.

Effect: Failure to account for program expenditures results in inaccurate program accounting.

Recommendation: The Project Coordinators and the Director of Business Affairs should review and compare actual program expenditures against reported expenditures.

Response: We concur with the recommendation.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2006

FA-05-1 ESEA, Title I - CFDA No. 84.010 (A similar condition was noted in prior year finding FA-04-1.)

Condition: The Reconciliation of Cash on Hand Quarterly Reports for the year ended June 30, 2005, were not submitted timely to the Pennsylvania Department of Education.

Criteria: The Reconciliation of Cash on Hand Quarterly Report is a required report to be submitted quarterly under the programs.

Effect: Failure to submit the above-mentioned report could result in the suspension of the project's payments.

Current Status: Corrective action was taken in the current year and the reports were filed.

FA-05-2 ESEA, Title I and IDEA-B - CFDA Nos. 84.010 and 84.027 (A similar condition was noted in prior year finding FA-04-3.)

Condition: Program expenditures charged to the general ledger were not accounted for accurately. The postings to the general ledger were reviewed and subsequently adjusted after year end to reflect the proper grant expenditures.

Criteria: Internal controls are not in place to ensure actual program expenditures are classified correctly to the general ledger.

Effect: Failure to account for program expenditures results in inaccurate program accounting.

Current Status: Corrective action was not taken in the current year. See current year finding FA-06-2.

SCHOOL DISTRICT OF CHELTENHAM TOWNSHIP

Administration Building
1000 Ashbourne Road
Elkins Park, PA 19027-1097

Commonwealth of Pennsylvania/Office of the Budget
Comptroller Operations/Bureau of Audits
Division of Subrecipient Audit Review
Bell Tower, Strawberry Square, 6th Floor
303 Walnut Street
Harrisburg, PA 17101-1808

Dear Sir/Madam:

The School District of Cheltenham Township respectfully submits the following corrective action plan for the year ended June 30, 2006.

Independent Auditor: Maillie, Falconiero & Company, LLP
PO Box 680
Oaks, PA 19456-0680

Audit Period: June 30, 2006

- A. The findings from the June 30, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.
- B. Findings - Financial Statements Audit

Reportable Conditions

See FA-06-1 and FA-06-2

- C. Findings - Federal Awards Program Audit

Reportable Conditions

U.S. Department of Education

FA-06-1 ESEA, Title I - CFDA No. 84.010

Recommendation: The Project Coordinator and the Director of Business Affairs should meet on a monthly basis to review compliance with federal financial awards in the area of financial reporting for all projects.

Response: We concur with the recommendation. The anticipated completion date is June 30, 2007.

Commonwealth of Pennsylvania/Office of the Budget
Comptroller Operations/Bureau of Audits
Division of Subrecipient Audit Review
Bell Tower, Strawberry Square, 6th Floor
303 Walnut Street
Harrisburg, PA 17101-1808

FA-06-2 ESEA, Title I - CFDA No. 84.010
IDEA-B - CFDA No. 84.027

Recommendation: The Project Coordinator and the Director of Business Affairs should review and compare actual program expenditures against reported expenditures.

Response: We concur with the recommendation. The anticipated completion date is June 30, 2007.

If you should have any questions and/or comments, please do not hesitate to contact me at 215-881-6341.

Sincerely,

Craig A. Butler
Director of Business Affairs

APPENDIX D
Specimen of Municipal Bond Insurance Policy



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)