OFFICIAL STATEMENT **Ratings: Standard & Poor's Corporation: "AA+" (Negative Outlook)**
(Insured by: AGM)
(See "Bond Insurance" and "Bond Rating" herein)

In the opinion of Bond Counsel, under existing laws, regulations and judicial decisions and assuming continuing compliance by the School District with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on and accruals of original issue discount with respect to the Bonds are excluded from gross income for purposes of federal income taxation and are not items of tax preference for purposes of the federal alternative minimum tax. Furthermore, in the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds are exempt from Pennsylvania corporate net income tax and from Pennsylvania state and local personal income tax.

$15,280,000
STO-ROX SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
$985,000 General Obligation Bonds, Refunding Series A of 2011
$ 14,295,0000 General Obligation Bonds, Refunding Series B of 2011

Refunding Series A of 2011
Dated: September 15, 2011
Due: December 15 (of the years as shown on inside front cover)
Interest Payable: June 15 and December 15
First Interest Payment Date: December 15, 2011

Refunding Series B of 2011
Dated: September 15, 2011
Due: December 15 *(of the years shown on inside front cover)*
Interest Payable: June 15 and Decemer 15
First Interest Payment Date: December 15, 2011

The General Obligation Bonds, Refunding Series A of 2011 (the "Series A Bonds") will be issued as Current Interest Bonds in the aggregate principal amount of $985,000. The Series A Bonds will mature on December 15, 2011 through December 15, 2014 as shown on the inside front cover and will pay interest semi-annually, from their Dated Date on June 15 and December 15 of each year, commencing December 15, 2011.

The General Obligation Bonds, Refunding Series B of 2011 (the "Series B Bonds") will be issued as Current Interest Bonds in the aggregate principal amount of $14,295,000. The Series B Bonds will mature on December 15, 2011 through December 15, 2029 as shown on the inside front cover and will pay interest semi-annually, from their Dated Date on June 15 and December 15 of each year, commencing December 15, 2011. The Series A Bonds and Series B Bonds will be herein collectively referred to as (the "Bonds").

When issued, the Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. So long as Cede & Co. is the registered owner, reference herein to the registered owner of Bonds shall mean Cede & Co., and not the Beneficial Owners (as defined herein). DTC will act as securities depository of the Bonds, and purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Beneficial Owners will not receive certificates representing their interest in the Bonds. See "Book-Entry Only System" herein. Principal of, and premium, if any, on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A, Pittsburgh, Pennsylvania, (the "Paying Agent"). So long as Cede & Co. is the registered owner, the Paying Agent will pay principal of, and interest on the Bonds to DTC, which will remit such principal and interest to its Participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners of the Bonds, as more fully described herein. See "Book-Entry Only System" herein. *The Series B Bonds are subject to optional and mandatory sinking fund redemption, as more fully set forth herein.*

SECURITY: The Bonds are general obligations of the Sto-Rox School District (the "School District"), payable from its taxes and other available revenues which, in the opinion of Bond Counsel, presently include pledging tax "to the extent permitted by law", which may be levied on all taxable real property within the School District to the extent permitted by law (see "Security for the Bonds " herein). The School District has covenanted that it will provide in its budget in each year, and will duly and punctually pay or cause to be paid from the sinking funds established under the Resolution of the School District under which the Bonds are issued, or from any other of its available revenues or funds, the principal of and interest on every Bond on the date, at the place and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District irrevocably has pledged its full faith, credit and taxing power.

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 ASSURED GUARANTY MUNICIPAL CORP. ("AGM")

ASSURED GUARANTY® MUNICIPAL

MATURITY SCHEDULE
(See Inside Front Cover)

The Bonds are offered when, as and if issued and received by the Managing Underwriter, subject to prior sale and subject to the unqualified approving legal opinion of the Law Offices of Wayne D. Gerhold, Bond Counsel, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the School District by its counsel, Gregory Gleason, Esquire, Pittsburgh, Pennsylvania. The Bonds are expected to be delivered in definitive form in Pittsburgh, Pennsylvania, on or about September 20, 2011.

PiperJaffray®

The date of this Official Statement is August 18, 2011.

$15,280,000
STO-ROX SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

<u>$985,000 General Obligation Bonds, Refunding Series of A 2011</u>

Dated: September 15, 2011 **Due:** December 15 (as shown below)

Year	Amount	Coupon	Yield	Price
2011	$240,000	2.000%	0.600%	100.329%
2012	240,000	2.000%	0.880%	101.373%
2013	250,000	2.000%	1.050%	102.093%
2014	255,000	2.000%	1.230%	102.434%

(Plus Accrued Interest)

$15,280,000
STO-ROX SCHOOL DISTRICT
(Allegheny County, Pennsylvania)

$14,295,000 General Obligation Bonds, Refunding Series of B 2011

Dated: September 15, 2011 **Due:** December 15 (as shown below)

Year	Amount	Coupon	Yield	Price
2011	$280,000	2.000%	0.600%	100.329%
2012	295,000	2.000%	0.880%	101.373%
2013	305,000	2.000%	1.050%	102.093%
2014	305,000	2.000%	1.230%	102.434%
2015	685,000	2.000%	1.430%	102.333%
2016	710,000	2.000%	1.790%	101.044%
2017	725,000	2.000%	2.200%	98.839%
2018	745,000	2.250%	2.600%	97.703%
2019	775,000	2.750%	2.950%	98.544%
2020	790,000	3.000%	3.180%	98.566%
2021	820,000	3.125%	3.400%	97.636%
2023 *	1,730,000	3.500%	3.800%	97.081%
2025 *	1,865,000	4.000%	4.100%	98.924%
2026	990,000	4.000%	4.150%	98.313%
2027	1,035,000	4.000%	4.250%	97.084%
2028	1,090,000	4.125%	4.330%	97.522%
2029	1,150,000	4.250%	4.400%	98.126%

(Plus Accrued Interest)

**TERM BONDS*

SUMMARY STATEMENT

This Summary Statement is subject to all respects to more complete information contained in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	Sto-Rox School District, Allegheny County, Pennsylvania.
Bonds	$985,000 aggregate principal amount of General Obligation Bonds, Refunding Series A of 2011. The Series A Bonds are dated September 15, 2011 and will pay interest semi-annually on June 15 and December 15 as more fully shown on the Inside Front Cover. $14,295,000 aggregate principal amount of General Obligation Bonds, Refunding Series B of 2011. The Series B Bonds are dated September 15, 2011 and will pay interest semi-annually on June 15 and December 15 as more fully shown on the Inside Front Cover. The Series A Bonds and Series B Bonds are herein collectively referred to as (the "Bonds").
Redemption Provisions	The Series A Bonds are not subject to optional or mandatory sinking fund redemption prior to matuirty. The Series B Bonds maturing after December 15, 2016 are subject to redemption in whole or in part, at the option of the School District on December 15, 2016 or any date thereafter at 100% of the principal amount thereof plus interest accrued to the date of redemption.
Application of Proceeds	The proceeds of the sale of the Series A Bonds will be used: (1) to currently refund all of the outstanding General Obligation Bonds, Refunding Series of 1998; and (2) to pay the costs of issuance of the Series A Bonds. The proceeds of the sale of the Series B Bonds will be used: (1) to currently refund a portion of the outstanding General Obligation Refunding Bonds, Series of 2001; and (2) to pay the costs of issuance of the Series B Bonds.
Form	Fully registered.
Security	The Bonds are general obligations of the School District for which it pledges its full faith, credit and taxing power.
Insurance	The Bonds carry a commitment from Assured Guaranty Municipal Corp. ("AGM") which assures the payment of the principal and interest to the registered owners of the Bonds under an insurance policy to be issued at the time of delivery of the Bonds.
Rating	The Bonds are expected to receive a rating of "AA+" (negative outlook) from Standard and Poor's Corporation, with the understanding that the above described municipal bond insurance policy will be issued at the time of settlement of the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE AND BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriter to give any information or to make any representations, other than those contained within this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 by any person in any State in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth has been obtained from the School District and other sources that are believed to be reliable, but the Underwriter does not guarantee the accuracy or completeness of the information nor is the information to be construed as a representation by the Underwriter and, except for the information supplied by the School District, it is not to be construed as a representation or warranty by 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 the affairs of the School District since the date hereof. The School District has deemed this Official Statement to be final for the purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix C - Specimen Municipal Bond Insurance Policy".

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STO-ROX SCHOOL DISTRICT
Allegheny County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Elizabeth Smith	President
Kelly Cropper Hall	Vice President
June Fleming	Board Member
Timothy Haines	Board Member
Jeanne Hughes	Board Member
Kevin Kochirka	Board Member
Jean Mayes	Board Member
Dr. Edward Maritz, Jr.	Board Secretary
Luanne Schipani	Treasurer

SCHOOL ADMINISTRATION

Dr. Michael A. Panza	Superintendent
Mr. Edward Yorke	Business Manager

SOLICITOR

Gregory Gleason, Esquire
Law Offices of Ira Weiss
Pittsburgh, Pennsylvania

BOND COUNSEL

Law Offices of Wayne D. Gerhold
Pittsburgh, Pennsylvania

PAYING AGENT AND SINKING FUND DEPOSITORY

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

MANAGING UNDERWRITER

Piper Jaffray & Co.
Pittsburgh, Pennsylvania

$15,280,000
STO-ROX SCHOOL DISTRICT
(Allegheny County, Pennsylvania)
General Obligation Bonds, Refunding Series A of 2011
General Obligation bonds, Refunding Series B of 2011

INTRODUCTION

This Official Statement, including the Cover Page and the Appendices, is furnished by the Sto-Rox School District, (Allegheny County, Pennsylvania) (the "School District") in connection with the offering of $15,280,000 aggregate principal amount of the General Obligation Bonds, Refunding Series A of 2011 (the "Series A Bonds") and the General Obligation Bonds, Refunding Series B of 2011 (the "Series B Bonds"). The Series A Bonds and Series B Bonds are herein collectively referred to as the ("Bonds"). The Bonds are being issued under and pursuant to a Resolution duly adopted by the Board of School Directors on August 18, 2011 (the "Resolution"). The Resolution has designated The Bank of New York Mellon Trust Company, Pittsburgh, Pennsylvania, as Sinking Fund Depository and Paying Agent ("Paying Agent") in respect of the Bonds. The Bonds are being issued according to the governmental authority of the School District contained within the Public School Code of 1949, as amended (Act of March 10, 1949, P.L. 30, No. 14, as amended) (the "School Code"), pursuant to the procedures contained within the Local Government Unit Debt Act, of December 19, 1996 (P.L. 1158, No. 177).

PURPOSE OF THE BONDS

The Bonds

The proceeds of the sale of the Series A Bonds will be used: (1) to currently refund all of the outstanding General Obligation Bonds, Refunding Series of 1998; and (2) to pay the costs of issuance of the Series A Bonds.

The proceeds of the sale of the Series B Bonds will be used: (1) to currently refund a portion of the outstanding General Obligation Refunding Bonds, Series of 2001; and (2) to pay the costs of issuance of the Series B Bonds.

COMPOSITION OF THE BOND ISSUE

The estimated sources and uses of funds are summarized as follows:

SOURCES:	
Principal Amount of Bonds	$15,280,000.00
Plus: Accrued Interest	6,710.94
Less: Net Original Issue Discount	(175,840.15)
TOTAL SOURCES	$15,110,870.79
USES:	
Refunding Escrow Deposit	$14,068,350.46
Accrued Interest to Debt Service Fund	6,710.94
Costs of Issuance (1)	310,178.39
Miscellaneous (Additional Proceeds)	725,631.00
TOTAL USES	$15,110,870.79

(1) *Includes bond discount, bond counsel, school district solicitor, municipal bond insurance, rating fee, document printing, paying and escrow agent, swap amendment fee, CUSIP, registration fees, advertising and miscellaneous.*

THE REFUNDING PROGRAM

A portion of the proceeds of the Series A Bonds will be deposited into the 1998 Bonds Sinking Fund held by The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Paying Agent for the 1998 Bonds. Such proceeds will be sufficient to pay: 1) all principal of and interest due on the 1998 Bonds maturing on and after December 15, 2011, December 15, 2012 and December 15, 2014 to be called for redemption on September 21, 2011 at a redemption price of 100%.

A portion of the proceeds of the Bonds will be deposited into the 2001 Bonds Sinking Fund held by Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, as Paying Agent for the 2001 Bonds. Such proceeds will be sufficient to pay: 1) all principal of and interest due on the 2001 Bonds maturing on and after December 15, 2012 through 2016 and December 15, 2022, 2026 and 2029 will be called for redemption on December 15, 2011 at a redemption price of 100%.

THE BONDS

Description

The Bonds, designated "Sto-Rox School District, General Obligation Bonds, Refunding Series A of 2011" and “General Obligation Bonds, Refunding Series B of 2011” are limited to $15,280,000 in aggregate principal amount.

The Bonds will be issued in fully registered form, without coupons, in $5,000 denominations, or integral multiples thereof within a maturity.

Security

The Bonds are general obligations of the School District, payable from its taxes and other available revenues which, in the opinion of Bond Counsel, presently include pledging tax "to the extent permitted by law", which may be levied on all taxable real property within the School District (see "Security for the Bonds" herein). The School District has covenanted that it will provide in its budget in each year, and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or from any other of its available revenues or funds, the principal of and interest on every Bond on the date, at the place and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District irrevocably has pledged its full faith, credit and taxing power.

Payment of Principal and Interest on the Bonds

Principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender thereof at the principal corporate trust office of the Paying Agent.

Interest on each Bond is payable to the registered owner of such Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless the Bond is registered and authenticated as of an interest payment date, in which event the Bond shall bear interest from said interest payment date, or unless the Bond is registered and authenticated prior to the Dated Date of this issue, in which event the Bond shall bear interest from said Dated Date, or unless no interest has been paid (and the Bond shall be in default), in which event the Bond shall bear interest from the date on which interest was last paid on the Bond, in all cases, semiannually on June 15 and December 15 of each year, beginning December 15, 2011 until such principal sum is paid. Interest on each Bond is payable by check or draft 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 of the calendar 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 the Bond not less than fifteen (15) days preceding such special record date.

Transfer, Exchange and Registration of Bonds

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent at its principal corporate trust 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 in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same maturity and form for the aggregate amount which the registered owner is entitled to receive at the earliest practicable time. 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.

Book-Entry-Only System

The information in this section concerning DTC (as hereinafter defined), and DTC's book-entry system was obtained from material provided by DTC. Neither the School District nor the Underwriter takes any responsibility for the accuracy thereof.

Certificates representing ownership of the Bonds will not be issued to the purchasers of the Bonds. Rather, The Depository Trust Company, New York, New York ("DTC"), will act as securities depository under a book-entry system for the Bonds. Unless such system is discontinued, the provisions described under this caption, "Book-Entry-Only System" (including provisions regarding payments to and transfers by the owners of beneficial interests in the Bonds) will be applicable to the Bonds. If such system is discontinued, the provisions described under "Discontinuation of Book-Entry-Only System" below will be applicable.

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity set forth on the inside cover page hereof, in the aggregate principal amount of such maturity, will be 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. DTC, the world's largest depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts thereby eliminating the need for physical movement of securities certificates. Direct DTC Participants ("Direct Participants") include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as both U.S. and non-U.S., brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange School District. More information about DTC can be found at www.dtcc.com.

Purchasers of the Bonds under the DTC system must be made by or through Direct Participants, which receive a credit balance for the Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase, but are expected to receive a written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership in the Bonds will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. Interest on and principal of the Bonds will be paid by the Paying Agent to DTC, or its nominee, and then paid by DTC to the Direct Participants and thereafter paid by the Direct Participants to the Indirect Participants or to the Beneficial Owners when due.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

PRINCIPAL AND INTEREST PAYMENTS ON THE BONDS WILL BE MADE TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS. UPON RECEIPT OF MONEYS, DTC'S CURRENT PRACTICE IS TO CREDIT IMMEDIATELY THE ACCOUNTS OF DIRECT PARTICIPANTS IN ACCORDANCE WITH THEIR RESPECTIVE HOLDINGS SHOWN ON THE RECORDS OF DTC. PAYMENTS BY DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS TO BENEFICIAL OWNERS WILL BE GOVERNED BY STANDING INSTRUCTIONS AND CUSTOMARY PRACTICES, AS IS NOW THE CASE WITH MUNICIPAL SECURITIES HELD FOR THE ACCOUNTS OF CUSTOMERS OR REGISTERED IN "STREET NAME" AND WILL BE THE RESPONSIBILITY OF SUCH DTC PARTICIPANTS AND NOT OF DTC, THE PAYING AGENT OR THE SCHOOL DISTRICT, SUBJECT TO ANY STATUTORY AND REGULATORY REQUIREMENTS AS MAY BE IN EFFECT FROM TIME TO TIME.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or Registered Owners of the Bonds or Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Under the Resolution, payments made by the Paying Agent to DTC or its nominee shall satisfy the School District's obligations under the Resolution to the extent of such payments.

For every transfer and exchange of the Bonds, the Paying Agent may charge DTC and DTC may charge the DTC Participants and the DTC Participants may charge the Beneficial Owners a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Discontinuance of Book-Entry-Only System

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, Bond certificates are required to be printed and delivered as described below and in the Resolution. A Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder.

The School District may determine to discontinue the system of book-entry transfer through DTC (or a successor securities depository). In such event, Bond certificates will be printed and delivered as described below and in the Resolution.

Unless otherwise noted, the information contained in this section has been extracted from a report from DTC entitled "Book Entry-Only Municipals". No representation is made by the School District or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

In the event that the Book-Entry-Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations, upon surrender thereof at the designated corporate trust office of the Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Paying Agent for such purpose only upon the surrender thereof to the Paying Agent together with a duly executed assignment in form satisfactory to the School District and the Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Paying Agent may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds.

The School District and the Paying Agent shall not be required: (a) to issue or transfer or exchange any Bond during a period beginning at the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on the Interest Payment Date; or (b) to issue or transfer or exchange any Bond then considered for redemption during the period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of such Bonds to be redeemed and ending at the close of business on the day on which the notice of redemption is mailed; or (c) to transfer or exchange any portion of any Bond selected for redemption until after the redemption date.

Delivery of Certificates; Registered Owners

Bond certificates in fully registered form will be delivered to, and registered in the name of DTC or its nominee, Cede & Co., and in the event that the book-entry-only system for the Bonds is discontinued, the DTC Participants or such other persons as such DTC Participants may specify (which may be the DTC Participants or Beneficial Owners), in authorized denominations of $5,000 or integral multiples thereof. The ownership of the Bonds so delivered (and any Bonds thereafter delivered upon a transfer or exchange described below) shall be registered in registration books to be kept by the Paying Agent as Registrar and the School District and the Paying Agent shall be entitled to treat the registered owners of such Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution.

Denominations

The Bonds will be issued in denominations of $5,000 principal or maturity amount or any integral multiple thereof.

Redemption

<u>Series A Bonds</u>

The Series A Bonds are not subject to optional or mandatory sinking fund redemption prior to matuirty.

<u>Series B Bonds</u>

Optional Redemption. The Series B Bonds maturing after December 15, 2016 are subject to redemption, prior to maturity, in whole or in part, at the option of the School District in any order of maturity, on December 15, 2016 or on any date thereafter at 100% of the principal amount thereof plus interest accrued to the date fixed for redemption.

Mandatory Redemption. The Series B Bonds stated to mature on December 15, 2023 and 2025 are subject to mandatory redemption prior to maturity by lot, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, on December 15 of each of the following years and in the following principal amounts:

Redemption Date	Principal Amount to be Redeemed
2022	$855,000
2023 *	875,000
2024	915,000
2025 *	950,000

* Stated Maturity

Manner of Redemption

If less than all Bonds of any one maturity are to be redeemed at any particular time, such Bonds to be called for redemption shall be chosen by lot, within such maturity, by the Paying Agent.

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

Notice of Redemption

Any redemption under the preceding provisions shall be made upon notice of redemption by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, postage prepaid, to all registered owners of the Bonds to be redeemed at their last addresses shown on the Registration Books maintained by the Paying Agent; provided, however, failure to mail such notice or any defect in the notice so mailed or in the mailing thereof shall not affect the validity of the proceedings for such redemption. If the School District has mailed the notice of redemption and has provided funds for the payment of the principal of the Bonds called for redemption and interest thereon, interest on such Bonds shall cease to accrue after said redemption date.

SECURITY FOR THE BONDS

The Bonds, as general obligation bonds of the School District, are payable from the pledge, for the payment of principal and interest on the Bonds, of the full faith, credit and taxing power of the School District, including pledging tax "to the extent permitted by law", which may be levied upon all real property in the School District taxable for School District purposes.

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 available revenues or funds, the principal of and the interest on the Bonds as and when due in each year at the dates and places and in the manner stated in the Bonds, and for such budgeting, appropriation, and payment, the School District has irrevocably pledged its full faith, credit and taxing power. Additionally, the School Code presently provides for withholding and direct application of State subsidies in the event of failure of a school district to pay debt service on its bonded indebtedness. (See also "STATE AID TO SCHOOL DISTRICTS" and "STATE ENFORCEMENT OF DEBT SERVICE PAYMENTS" herein).

STATE AID TO SCHOOL DISTRICTS

Under the Constitution of the Commonwealth of Pennsylvania, (the "Commonwealth") the Commonwealth is charged with the duty of supporting and maintaining an efficient public school system. As one means of fulfilling this mandate, the General Assembly has rendered financial assistance to school districts by means of a system of partial reimbursement in the current fiscal year, based on expenditures of the school district made in the preceding fiscal year. In the case of debt service requirements, the reimbursement is made for debt service paid in the current fiscal year. These reimbursements are determined by formulae established by the School Code.

The School Code establishes that such factors as a school district's weighted average daily population, equalized millage, population density, actual cost of instruction, children of low income families (payments and additional special assistance), health services, vocational curriculum, certain transportation matters, school building rentals, sinking fund charges, assessed valuation, and market value are relevant to these formulae.

The General Assembly has also provided partial reimbursement for sinking fund payments, and lease rental payments to a municipal authority, in support of school building projects approved by the Pennsylvania Department of Education. In the case of rental and/or sinking fund reimbursements, the reimbursements are determined by formulae established by the School Code. Rental and/or sinking fund reimbursement from the Commonwealth for school projects is determined by multiplying the "Reimbursable Percentage" assigned to the school building project by the school district's "Market Value Aid Ratio". A school district's Market Value Aid Ratio may change each year, as it is based on such factors as enrollment, assessed valuation and market valuation. As a result, the Commonwealth payment of rental and/or sinking fund reimbursement may also change each year.

All public school subsidies, including rental and/or sinking fund reimbursements, are conditioned on appropriations by the General Assembly of the Commonwealth. The General Assembly, in discharging the Constitutional duty of the Commonwealth, has been providing reimbursement to school districts for over a hundred years.

STATE ENFORCEMENT OF DEBT SERVICE PAYMENTS

Section 633 of the School Code, as amended by Act 150 of 1975, provides that in all cases where the board of 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 depositary for such bond issue. (Act 333 provides the same withholding procedure in respect of authority rental payments.)

SECTION 633 COVERAGE

2010-11 State Aid Ratio	.8068
Series A Bonds	
Reimbursable Percentage of the Bonds	74.18%
Average Annual Debt Service (This Issue)	$254,938
Estimated Annual Local Effort (This Issue)	$102,358
Series B Bonds	
Reimbursable Percentage of the Bonds	48.17%
Average Annual Debt Service (This Issue)	$1,053,474
Estimated Annual Local Effort (This Issue)	$644,069
Total Average Annual Lease Rental & Debt Service (for Year Ending June 30, 2010)	$1,775,000
Total Budgeted State Appropriations	$13,445,415
Combined Section 633 Coverage	7.57X

THE SCHOOL DISTRICT

At a special meeting of the Sto-Rox School District Board of Directors held on May 11, 1992, a request was made to the Pennsylvania Department of Education to intervene and declare Sto-Rox School District a distressed School District. This request was made because of the School District’s inability to pay amounts due to the Joint Board of School Districts under Board agreement for more than ninety days and the District’s inability to prepare a balanced budget for the 1992-93 school year.

On May 21, 1992, a “Certificate of Distress” was issued by the Department of Education. The Department of Education appointed a special Board of Control for the purpose of restoring financial stability. The Board of Control instituted various measures for the 1992/93, 1993/94, 1994/95, 1995/96 and 1996/97 years (including an increase in real estate tax millage and furlough of district employees) in an attempt to improve the financial condition of the School District.

Through such measures, the School District has changed its General Fund deficit of $2,292,985 as of June 30, 1992, to a positive fund balance of $1,324,140 as of June 30, 1999 and a positive fund balance of $539,271 as of June 30, 2008. In addition, the District has created a capital reserve fund for needed improvements with a balance of $2,009,089 as of June 30, 1999 and a balance of $180,000 as of April 30, 2009. The School District was removed from distressed status on February 11, 1999.

Overall, the District has embarked upon a renaissance in which the Educational Programs, the Facilities, and Finances are all being addressed simultaneously. The effect has been to create a positive perception of the District which is embraced by the employees and the community.

TAXING POWERS OF THE SCHOOL DISTRICT

The School District is a school district of the third class, on the basis of population.

School districts of the third class are empowered, under the School Code, to levy an annual tax on assessed valuation of real estate, for general purposes, not exceeding 25 mills, and an annual per capita tax on each resident over 18 years of age, not exceeding $5.00.

In addition, school districts of the third class are authorized to levy an annual tax on assessed valuation of taxable real estate to the extent permitted by law:

1. to pay up to and including the salaries and increments of the teaching and supervisory staff;

2. to pay rentals due any municipality authority, nonprofit corporation, or the State Public School Building Authority;

3. to pay interest and principal on any indebtedness incurred pursuant to the Debt Act or any prior act governing the issuance of indebtedness; and

4. to pay for the amortization of a bond issue which provided for a school building prior to the first Monday of July, 1959.

Under the Act 511 of December 31, 1965, P.L. 1257, effective January 1, 1966 (The Local Tax Enabling Act), which replaces and repeals Act 481 of June 25, 1947, P.L. 1145, additional taxes may be levied by school districts of the third class (subject to division with other political sub-divisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege), subject to the following limitations:

Tax on Occupations - no rate limit set by the Local Tax Enabling Act if a millage or percentage of the assessed valuation of occupations is used as a base.

Per Capita Tax	$10.00
Gross Receipts of wholesalers	1 mill *
Gross Receipts of	1 1/2 mills *
Wages, salaries, commissions and other earned income of individuals	1%
Retail Sales involving transfer of title or possession of tangible personal Property	2%
Transfers of title of real property	1%
Flat rate occupation and occupational privilege tax	$10.00
Admissions (except Motion Picture Theaters)	10%

*May be limited to rates in effect in November 30, 1988 by The Local Tax Reform Act, Act 145, approved December 13, 1988.

The aggregate amount of taxes under the Local Tax Enabling Act may not exceed 12 mills on the latest total market value of assessable real estate.

The taxes provided in this Law are subject to apportionment with municipalities co-extensive with the School District where such municipalities exercise the right to such apportionment.

ACT 1 OF SPECIAL SESSION 2006 AS AMENDED IN 2011 (THE TAXPAYER RELIEF ACT)

Under The Taxpayer Relief Act, signed by the Governor of Pennsylvania on June 27, 2006, Pennsylvania Act No. 1 of Special Session 2006, effective immediately (hereinafter the "Relief Act"), school districts become eligible to receive state funds from a recently-enacted state tax on gaming, to be applied to a dollar for dollar reduction in local real estate taxes.

The Relief Act expands the State's current rent rebate program for senior citizens and calls for local electorate consideration of increases to local wage or income taxes in order to increase the amount of money available to reduce property taxes.

Without voter approval by referendum (a so-called "back-end referendum"), School Districts may not increase the rate of any tax for school purposes by more than the Index (defined below), increase the rate of any earned income tax levied under Act 511 (the Local Tax Enabling Act) or levy any tax not previously imposed. The Index 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. For school districts with 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.

Beginning with Fiscal Year 2012-2013 a board of school directors of a school district may not increase the rate of a tax levied for the support of the public schools by more than the applicable Index without voter approval, except to the extent required for the following purposes:

Pennsylvania Act No. 1 of the Special Session of 2006 ("Act 1") is intended to provide property tax relief to Pennsylvania homeowners by limiting the taxation of real property by Pennsylvania school districts ("School Districts"). Act 1 restricts School Districts from increasing the rate of any tax for school purposes above an index (the "Index") determined by the Department of Education of the Commonwealth (the "Department") unless the School District first obtains voter approval *or* the School District falls within one of the exceptions (discussed below) set forth in Section 333 of Act 1.

On June 30, 2011, Section 333 of Act 1 was amended (the "Amendment") so that, beginning on January 1, 2012, the following seven (7) exceptions which are currently listed in Act 1 will no longer be available to School Districts that seek to raise property taxes above the Index: (1) costs incurred in responding to or recovering from an emergency or disaster; (2) costs to implement a court or administrative order; (3) costs to pay interest and principal on academic and non-academic buildings; (4) costs incurred responding to conditions posing an immediate threat or physical harm; (5) costs necessary to maintain per-student local tax revenue or actual instruction expense per average daily membership; (6) costs incurred to maintain revenues from property taxes, income taxes, and basic education and special education funding allocations at the level of the Index; and (7) costs of providing health care related benefits attributable to a collective bargaining agreement. These exceptions will not be available for School Districts when considering budgets in fiscal year 2012-13 and thereafter.

The Amendment leaves the following four (4) categories in which School Districts can raise property taxes above the Index without requiring a referendum: (1) costs to pay interest and principal on indebtedness incurred prior to September 4, 2004 for Act 72, hereinafter defined, schools and the refinancing of such debt and prior to June 27, 2006 for non-Act 72 schools and the refinancing of such debt; (2) costs to pay interest and principal on electoral debt; (3) special education expenses; and (4) state pension payments. With respect to special education expenses, the Amendment provides that increases in aid from the Commonwealth of Pennsylvania must be subtracted before calculating the amount for which a School District can claim an exception. Act 72 of 2004 which became law on July 5, 2004 ("Act 72"), was intended to provide significant property tax relief throughout the Commonwealth of Pennsylvania by making available to school districts revenue derived by the Commonwealth under the Slots Act, hereinafter defined, and by authorizing increases to earned income or wage taxes. Act 71 of 2004 (the "Slots Act") expanded gaming in Pennsylvania to include, fourteen slot venues – seven at racetracks, five non-track parlors and two at resort-based locations and creates a property tax relief fund to be funded with a portion of the revenues to be received by the Commonwealth from the new gaming activities.

Pursuant to the Amendment, the state pension payment exception applies to a school district's share of payments to the Public School Employees' Retirement System ("PSERS") if the increase in the amount of the estimated payments between the current year and the upcoming year, as determined by the Department, is greater than the Index. The School District's share of payments to PSERS for the current year is determined by the Department using the lesser of the School District's total compensation for the current year or the School District's total compensation for the 2011-12 school year. The Amendment freezes a School District's share of payments for the upcoming year as determined by the Department to the lesser of the School District's estimated total compensation for the upcoming year or total compensation for the 2011-12 school year.

The increase in the rate of any tax pursuant to the above exceptions by the Pennsylvania Department of Education and must not produce revenue in excess of the anticipated dollar amount of the expenditure for which the exception is allowed. If the Department of Education disapproves the school district's petition or request to increase taxes pursuant to one or more of the allowable exceptions, the school district may submit a referendum question to the voters at the election immediately preceding the start of the school district fiscal year in which the proposed tax increase would take effect. If the referendum is not approved, however, the board of school directors may not approve an increase in the tax rate of more than the Index.

The Prior Bonds being refinanced by the Bonds are indebtedness of the School District that was incurred under the Debt Act prior to the effective date of the Relief Act, and hence the portion of the Bonds allocable to the refunding of the Prior Bonds are grandfathered under the exception from the referendum requirement of the Relief Act described above since such portion of the Bonds represent indebtedness incurred under the Act to refinance debt incurred before the effective date of Act 1. However, if the School District desires to increase taxes under this exception, Section 333(f)(2)(iii) requires that the School District first apply for the approval of the Pennsylvania Department of Education (the "Department of Education"). At this point, little information is available regarding the methods or policies the Department of Education will apply in reviewing such applications and so no assurance can be given regarding the ability of the School District to obtain such approval from the Department of Education or, absent, the same, any approval in a referendum. The refinancing exception is not available for the portion of the Bonds allocable to capital projects of the School District. It is not expected that any increase in the rate of any tax will be required to pay the principal (or, in the case of Capital Appreciation Notes, the accreted value) and interest on the Bonds~~.~~

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

Legislation Limiting Unreserved Fund Balances

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

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

"Estimated ending unreserved fund balance" is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditures or not legally or otherwise segregated for 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.

ABSENCE OF LITIGATION

There is no litigation of any nature now pending, or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, or any proceedings of the School District, taken in connection with the issuance or sale of the Bonds, the security provided for the payment of the Bonds, or the existence or powers of the School District. At Closing, the School District will deliver a certificate and the School District's Solicitor will issue an opinion each stating that there is no litigation pending or, to its knowledge, threatened against the School District which, in any way, questions or might affect the existence of the School District, the validity of or the security for the Bonds or their issuance, sale or delivery.

TAX EXEMPTION

Federal Tax Exemption

Bond Counsel is expected to issue its opinion that, under existing laws, regulations and judicial decisions, and assuming continuing compliance by the School District with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes and (b) and are not items of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Accruals of original issue discount with respect to a Bond allocable to an owner of the Bond under a constant yield method of accrual (a) are not included in gross income for Federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss upon sale, exchange, redemption or other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause interest on and accruals of original issue discount with respect to the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Pennsylvania Tax Exemption

Bond Counsel is also expected to issue its opinion that the Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds are exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth, or by any of its political subdivisions, under present statutory and case law. As a result of a change in the Pennsylvania statutory law effective in 1993, gain from the sale or exchange of the Bonds are <u>not</u> exempt from Pennsylvania state or local taxation.

Financial Institutions' Cost of Carrying Tax-Exempt Bonds

Under the Code, financial institutions will be denied 100 percent of their interest expense deductions that are allocable by formula to tax-exempt obligations acquired after August 7, 1986; the former provision of the Internal Revenue Code of 1954 with respect to a 20 percent disallowance continues to apply with respect to tax-exempt obligations acquired on or before August 7, 1986. These provisions are effective for tax years beginning after December 31, 1986.

Branch Profits Tax

For foreign corporations, interest on the Bonds, could be subject to a branch profits tax imposed by Section 884 of the Code.

A prospective foreign corporate purchaser of the Bonds should consult its professional tax advisors as to the impact of the branch profits tax on its U.S. tax liability.

Interest Reporting Requirements

Under the Code, all taxpayers are required to report on their Federal income tax returns, for tax years beginning after December 31, 1986, the amount of interest received or accrued during the year that is exempt from Federal income tax. It is not clear whether this provision applies to accruals of original issue discount with respect to a tax-exempt bond.

Taxable Social Security Benefits Calculations

Under the Code, a percentage of Social Security benefits received by a taxpayer is to be included in gross income for income tax purposes if the taxpayer's "modified adjusted gross income" plus a specified percentage of Social Security benefits exceeds a stipulated dollar amount based upon a taxpayer's filing status. "Modified adjusted gross income" for this purpose includes interest received or accrued on the Bonds.

A prospective purchaser of the Bonds who are receiving Social Security benefits should consult his professional tax advisors as to the effect interest income derived from the Bonds may have upon his income tax liability.

Original Issue Discount

The difference between the initial offering price to the public of the Series B Bonds maturing Decmeber 15, 2017 through 2021, December 15, 2023, 2025 and 2026 through 2029 (the "OID Bonds") and the amount payable on such Bonds at maturity is treated as original issue discount ("OID").

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

Holders of OID Bonds should consult their own tax advisors as to the treatment of OlD and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Original Issue Premium

The Series A Bonds which mature on December 15, 2011 through 2014 (the "Premium Bonds") were sold at an original issue premium. The Series B Bonds which mature on December 15, 2011 through 2016 (the "Premium Bonds") were sold at an original issue premium. The amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes the premium on such Premium Bond. Under the Code, the premium on the Premium Bonds is an adjustment to basis and may amortized. No deduction is allowable on account of such premium. The method of amortization may be the method regularly employed by the taxpayer if such method is reasonable, or, in all other cases must be the method prescribed by applicable Treasury Regulations, which provide that the amortizable bond premium is an amount which bears the same ratio to the bond premium on the Premium Bond as number of months in the taxable year during which the bond was held by the taxpayer bears to the number of months from the beginning of the taxable year (or, if the bond was acquired in the taxable year, from the date of acquisition) to the date of maturity. The basis of the Premium Bond is reduced by the amount of the amortizable bond premium. Purchasers of a Premium Bond, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of the premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Property and Casualty Insurance Company Income Taxes

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

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

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

Tax on Excess Passive Net Income of S Corporation

An S corporation may be subject to Federal income taxation on passive investment income, including interest on the Bonds, if the S corporation has subchapter C earnings and profits at the close of the taxable year and the S corporation's passive investment income exceeds 25 percent of its gross receipts for the taxable year. A prospective purchaser of the Bonds which is an S corporation should consult its professional tax advisors as to the effect of interest from the Bonds on its tax liability.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended, the School District has covenanted in the Resolution for the benefit of the holders and beneficial owners of the Bonds, provide to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA") for municipal securities or through any other electronic format or system prescribed by the MSRB for the purposes of Section (b)(5) of the Rule on an annual basis, its general purpose financial statement presented in conformity with generally accepted accounting principles (the "Report"), together with updates of the tabular information appearing in Appendix B hereto (to the extent not included in the Report), commencing with the Report tabular information for the fiscal year ending June 30, 2011. The Report and tabular information must be provided on April 1st following the end of the relevant fiscal year. If the Report does not include independently audited financial statements, the School District must also provide independently audited financial statements when and if available. The School District has also covenanted in the Resolution to provide to MSRB through EMMA:

(i) to the Municipal Securities Rule Making Board's ("MSRB") through its Electronic Municipal Market Access system ("EMMA") in accordance with the Rule, certain annual financial information and operating data generally consistent with the information contained in the audited Financial Statements and Bonds the information will be provided on or before April 1, 2012 and April 1st of each year thereafter, as long as the Bonds remain outstanding or are not defeased, for the fiscal year ending on the preceding June 30th;

(ii) The following events with respect to the Bonds shall constitute Reportable Events and shall be provided to the MSRB no later than ten (10) business days after the occurrence:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds
7. Modifications to rights of holders of the Bonds, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person (or any other entity that is an obligated person within the meaning of the Rule with respect to the Bonds)
13. The consummation of a merger, consolidation, or acquisition involving the Obligated Person (or any other entity that is an obligated person within the meaning of the Rule with respect to the Bonds) or the sale of all or substantially all of the assets of the Obligated Person or any such obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. The appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. Failure to make an annual financial information filing on a timely basis.

Bond that the SEC requires the listing of (1) through (14), above, although some of the events may not be applicable to the Bonds.

The Continuing Disclosure Certificate will provide Bondholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with their terms; however, a default under the Continuing Disclosure Certificate does not constitute a default under the Resolutoin. The Continuing Disclosure Certificate may be revised from time to time as permitted or required by applicable law, without the consent of the Bondholders, and may be terminated upon the economic defeasance of all outstanding Bonds, or other arrangement, whereby the Obligated Person is released from any further obligation with respect to the Bonds. Covenants in the Resolution and the Continuing Disclosure Certificate may also be terminated, without the consent of the Bondholders, at such time as continuing disclosure is no longer required by applicable law. The Obligated Person will promptly notify the MSRB via EMMA of any revision or termination of the disclosure covenants. The sole remedy for a breach by the Obligated Person of its covenants to provide financial statements, tabular information and notices of material events is an action to compel performance of such covenants. Under no circumstances may monetary damage be assessed or recovered, nor will any such breach constitute a default under the Bonds.

The School District will file at a single designation to the Electronic Municipal Market Access (EMMA) system located at www.emma.msrb.org. Filings with EMMA shall be in electronic format as pdf files.

Bondholders are advised that the Resolution and the Continuing Disclosure Certificate, copies of which are available at the administrative office of the School District, should be read in their entirety for more complete information regarding their content.

The School District has failed to file annually financial information on a continuing basis for the last five years. The School District has implemented procedures through its business office to assure compliance with its Continuing Disclosure Obligations. Questions relating to the School District's Continuing Disclosure Obligations can be addressed to the School District's Director of Administrative Services, 600 Russellwood Avenue, McKees Rocks, Pennsylvania, 15136.

RATING

Standard & Poor's Corporation ("S&P") is expected to assign its municipal bond rating of "AA+" (negative outlook), conditioned upon delivery of an insurance policy by AGM for the Bonds at the time of delivery of the Bonds. Such rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that such rating will remain in effect for any given period of time or that it may not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 Appendix C 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.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (negative outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 8, 2011, S&P published a Research Update in which it affirmed the “AA+” financial strength rating of AGM. At the same time, S&P revised the ratings outlook on AGM to negative from stable. Reference is made to the Research Update a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

Capitalization of AGM

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,050,613,849 and its total net unearned premium reserve was approximately $2,254,726,646, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

FUTURE FINANCINGS

No additional financing is contemplated by the School District within the immediately foreseeable future.

NEGOTIABILITY OF BONDS

The Bonds have all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, and are negotiable instruments, subject to the provisions for registration contained in the Resolution.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of the Law Offices of Wayne D. Gerhold, Bond Counsel, Pittsburgh, Pennsylvania, whose approving legal opinion is printed on the Bonds. Gregory Gleason, Esquire, Law Offices of Ira Weiss, Pittsburgh, Pennsylvania, the School District's Solicitor, will pass upon certain legal matters for the School District.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District at an aggregate purchase price of $14,951,359.85 plus $6,710.94 of accrued interest. This price takes into consideration $175,840.15 of net original issue discount, and $152,800.00 of Underwriter's discount.

The Bond Purchase Contract provide that the Underwriter will purchase all the Bonds, if any are purchased. The initial public offering prices set forth on the cover page may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page hereof.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (for purposes of this paragraph only, the "**Agreement**") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co, including the Series 2011 Certificates. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

The Underwriter has read and participated in the preparation of certain portions of this Official Statement and has supervised the compilation and editing thereof. The Underwriter has not, however, independently verified the factual and financial information contained in this Official Statement and, accordingly, expresses no view as to the sufficiency or accuracy hereof.

MISCELLANEOUS

Officials of the School District have furnished certain information in this Official Statement relating to the School District and the purposes for which the Bonds are being issued. The School District has certified to the Underwriter that this final Official Statement does not, to the School District's knowledge, contain any untrue statement of a fact or omit any statement of any material fact required to be stated therein, pertaining to the School District or the purposes for which the Bonds are being issued.

All references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions, and reference is hereby made to the complete documents relating to such matters for further information. Copies of such complete documents will be furnished by the School District on request.

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

STO-ROX SCHOOL DISTRICT

BY: /s/ Elizabeth Smith
President, Board of School Directors
President

APPENDIX A

STO-ROX SCHOOL DISTRICT

ECONOMIC AND DEMOGRAPHIC DATA

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DESCRIPTION OF THE SCHOOL DISTRICT

General

The Sto-Rox School District encompasses 2.9 square miles, and is comprised of Stowe Township (population 6,706) and the Borough of McKees Rocks (population 6,622). The District is bordered by the Ohio River to the north and the City of Pittsburgh three miles to the east. The District is traversed by Pennsylvania State Routes 65 and 51, which run east/west along the Ohio River, and by Pennsylvania State Route 60 and Interstate 79, which run north/south along the district's western border. Downtown Pittsburgh is just minutes away via routes 51 and 65, and the Greater Pittsburgh International Airport is a twenty-minute drive down Route 60.

Transportation

Air travel is provided by the Pittsburgh International Airport which is located within close proximity of the School District. The Greyhound Bus Lines, Allegheny County Port Authority and Yellow Cab Company offers transportation for the area.

Health Care

Most Pittsburgh hospitals and health care facilities are within easy access of the School District. The Ohio Valley and Suburban General Hospitals are within minutes from the School District.

Higher Educational Facilities

Allegheny County provides area residents with numerous higher educational facilities in addition to business and technical schools which complement the colleges and universities in the area. Nearly 75,000 students attend institutions of higher learning in the Pittsburgh Metropolitan Area. Some of the major colleges and universities located with in commuting distance of the School District include: Community College of Allegheny County, Carlow College, Carnegie-Mellon University, Chatham College, Duquesne University, LaRoche College, Pennsylvania State University (McKeesport Campus), Pittsburgh Theological Seminary, Point Part College, Robert Morris College and The University of Pittsburgh.

Public Utilities

West View Water Authority provides water for the residents of the School District.

Duquesne Light Company provides electrical service to the residents of the School District and Columbia and Equitable Gas Companies are the major suppliers of natural gas.

Verizon provides telephone service in the School District.

Communications

The School District has access to the mass media systems of the Pittsburgh Metropolitan Area. There are numerous radio and television stations originating out of Pittsburgh. All the major national networks are available.

Population

School District population figures are presented below:

	1980	1990	2000
Stowe Township	9,202	7,681	6,706
McKees Rocks Borough	8,742	7,691	6,622
The School District	17,944	15,372	13,328
Allegheny County	1,450,085	1,336,449	1,281,666
Pennsylvania	11,864,720	11,881,643	12,281,054

Source: U.S. Department of Commerce - Bureau of Census

School District Facilities

Shown below is a table of existing facilities of the School District.

	Year Built	Year(s) of Renovations and/or Additions	Grades	2010-11 Enrollment
Kindergarten and Elementary Schools:				
Sto-Rox Elementary	1997	-	K-5	727
Middle and Secondary Schools:				
Sto-Rox Middle School	2002	-	6-8	295
Sto-Rox Senior High School	1923	1926, 1965 1978, 2002	9-12	378

Source: School District Officials

School District Enrollment

Actual and projected enrollments of the School District as required to be reported to the Department of Education are shown in the table below:

Actual Enrollments

Year	Kindergarten	Elementary	Middle	Secondary	Total
2001-02	110	652	409	411	1,582
2002-03	118	606	455	454	1,633
2003-04	108	565	393	478	1,544
2004-05	105	517	375	485	1,482
2005-06	134	499	356	469	1,495
2006-07**	127	570	313	466	1,565
2007-08	112	535	309	447	1,482
2008-09	120	532	277	432	1,453
2009-10	128	445*	377*	389	1,339
2010-11	142	584	293	380	1,399

Projected Enrollments*

Year	Kindergarten	Elementary	Middle	Secondary	Total
2011-12	130	499	292	394	1,315
2012-13	158	486	239	390	1,273

**During the 2009-10 year, the 5th grade was at the middle school. This is why there is a drop in the elementary numbers and a slight increase in secondary numbers for that year. 2010-11 5th grade went back to the elementary school.*

***Pleasant Ridge Housing Development opened the end of 2005. Generally this is the reason for the 2006-07 enrollment increase. When we returned after the summer of 2006, there were a lot of school age students that enrolled in the District at that time and has just moved into Pleasant Ridge. After a few years, it seemed to have leveled out and students began moving away from other areas of the District.*

The District currently has 321 students enrolled in non-public schools. Operational changes in any of these schools could increase the District enrollment projections.

Source: School District Officials and PA Department of Education.

School District Employment

Wages and salaries paid by the School District in the categories of Administration, Instruction and Supporting Personnel are shown below.

Wages and Salaries

Year	Administration	Instruction	Supporting Personnel	Totals
1998-99	$759,088	$6,552,543	$1,447,914	$8,759,545
1999-00	739,609	6,630,147	1,523,569	8,893,325
2000-01	772,075	6,999,356	1,432,998	9,204,429
2001-02	923,120	7,162,947	1,612,288	9,698,355
2002-03	840,712	6,871,051	1,607,771	9,319,534
2003-04	801,387	6,911,341	1,375,890	9,088,618
2004-05	782,145	6,478,626	1,430,965	8,691,736
2005-06	786,076	6,376,438	1,535,453	8,697,967
2006-07	959,464	6,555,717	1,570,054	9,085,235
2007-08	983,698	6,257,844	1,805,623	9,047,165
2008-09	961,466	6,533,083	1,983,660	9,478,209
2009-10	934,479	6,419,232	1,902,436	9,256,147

Source: School District Officials

Union Participation

There are two unions which represent School District employees. There are 118 employees represented by the Sto-Rox Education Association, whose contract expires June 30, 2011. There are also 69 employees represented by the Educational Service Personnel Association (E.S.P.A.), whose contract expires June 30, 2012.

Source: School District Officials

MAJOR REAL ESTATE TAXPAYERS

Largest Taxpayers:

Ten Largest Taxpayers	Product/Service	2010 Assessed Valuation
Standard Forge Products	Forgings	$4,833,600
PMLR Properties, Inc.	Warehousing and Manufacturing	3,850,000
McKees Rocks Industrial	Industrial Park	3,700,300
Gordon Terminal Service	Oil Storage	3,626,000
Old Town Properties	Shopping Plaza	2,800,000
Gernsman, Harold Family	Pepsi	2,584,800
Pierce Leany Corporation	Office Information Storage Facility	1,880,500
JNJ Properties	Vehicle Service	1,543,700
Continental Transportation Lines	Trucking	1,543,000
The Maronda Foundation	Real Estate	1,519,200
Total		$27,881,100

Source: School District Officials

REAL ESTATE VALUATION HISTORY

Real property values in the School District for the school years are as follows:

School Year	Assessed Value**	Market Value
2003-04	$328,278,182	$227,955,129*
2004-05	323,387,272	224,544,800*
2005-06	319,066,497	223,595,700*
2006-07	319,607,907	233,116,500*
2007-08	319,000,000	233,407,500*
2008-09	318,598,865	233,115,434*
2009-10	318,000,000	318,000,000
2010-11	315,000,000**	315,000,000**

Source: School District Officials
**Source: State Tax Equalization Board*
***Estimated*

TAX STRUCTURE
For the Year 2010-11

Municipality Taxes:

Real Estate Transfer	.5%
Earned Income	.5%
Local Services Tax	$47

School District Taxes:

Real Estate Tax (Mills)	25mills
Real Estate Transfer	.5%
Earned Income	.5%
Local Services Tax/ Occupational Tax	$5.00

Source: School District

School District Pension Program

School districts in the Commonwealth of Pennsylvania (the "Commonwealth") participate in a Commonwealth-administered pension program. Under this program, contributions are made by each of three parties - the School District, the Commonwealth and the employee. All the School District's full time employees, part time employees salaried over eighty days and hourly employees with over five hundred hours per year, participate in the program. Currently, each party to the program contributes a fixed percentage of the employee's salary. The employee contributes from 6.25% to 7.50% of his salary, while the School District contributes 4.76%. The Commonwealth matches the School District's contribution. School District contributions are made on a quarterly basis and employee contributions are deducted each month and are held until the quarterly remittal.

Shown below is a summary of the School District's annual retirement contributions to the pension program:

School Year	Annual Retirement Contributions
2006	$406,750
2007	588,942
2008	625,259
2009	485,529
2010	459,707

The School District is current in all payments.
Source: School District (Business Office).

REAL ESTATE TAX COLLECTION HISTORY

Years Ending June 30,

	2010	2009	2008	2007	2006
Assessed Valuation	$315,000,00	$318,000,000	$321,318,082	$319,607,907	$320,347,647
Millage Rate	25	25	25	25	25
Levy	$7,875,000	$7,950,000	$8,032,952	$7,990,198	$8,008,691
Current Collections	$5,905,000	$5,767,828	$6,860,460	$6,783,687	$6,922,049
Total Collections	$7,022,585	$7,888,495	$7,810,313	$7,762,033	$7,827,621
% Current Collections to Current Levy	74.98%	72.00%	85.40%	84.90%	86.43%
% Total Collections to Current Levy	89.17%	99.10%	97.23%	97.14%	97.74%

Five Year Average of % Current Collections to Current Levy 80.74%
Five Year Average of % Total Collections to Current Levy 96.08%

Source: School District (Business Office)

Largest Employers in the School District (2011):

LARGEST EMPLOYERS

Employer	Principal Business	Number of Employees
Pepsi Cola	Bottled and Canned Soft Drinks	331
Brand Energy Services.	Manufacturing	267
Sto-Rox School District	Public School System	236
W.L. Roenigh, Inc.	Transportation	237
Standard Forge Products	Forgings	178
General Wire Spring Co.	Manufacturing	167
Axion Automotive	Automotive	137
Ruthrauff, inc.	HVAC Contractors	136
McKees Rocks Forgings	Forgings	123
FOR Neighborhood Health Council	Community Health	95
Gordon Terminal Service	Manufacturing	97

Source: School District Officials and certain employers.

SCHOOL DISTRICT INDEBTEDNESS

Borrowing Capacity

The borrowing capacity of the School District is regulated by the Debt Act, which establishes the debt limits for local government units, including school districts and municipalities. Under the Debt Act, the School District may incur debt in an unlimited amount when such debt is approved by a majority of the School District's voters at a municipal, general or primary election. Nonelectoral debt, or debt not approved by the School District's electorate, may not exceed 225% of the School District's borrowing base, as that term is defined in the Debt Act, after the deduction of any authorized exclusion from nonelectoral debt, as calculated below. The aggregate net lease rental debt plus net nonelectoral debt incurred in behalf of the School District may not exceed 225% of the School District's borrowing base after the deduction of authorized exclusions from lease rental and nonelectoral debt. The borrowing base of the School District is shown below.

DEBT STATEMENT
PURSUANT TO SECTION 8110
LOCAL GOVERNMENT UNIT DEBT
STO-ROX SCHOOL DISTRICT ("Municipal Unit")
Allegheny County, Pennsylvania
Statement as of August 18, 2011

	ELECTORAL	NONELECTORAL	LEASE RENTAL
I. The gross indebtedness of the School District is:			
A. Electoral Debt	0		
B. Nonelectoral (Direct) Debt (Include all Bonds, Notes or other Loans, exclude Tax Anticipation Notes or Loans)			
G.O. Bonds, Refunding Series of 1998		$950,000.00	
G.O. Bonds, Refunding Series of 2001		12,915,000.00	
G.O. Notes, Refunding Series A of 2009		1,290,275.30	
G.O. Bonds, Series B of 2009		2,885,000.00	
G.O. Bonds, Refunding Series C of 2009		1,020,000.00	
Tax Anticipation Loan (to be repaid)		0.00	
B. Lease Rental Debt	0	0.00	$ 0
TOTAL	$ 0	$19,060,275.30	$ 0

II. Credits and exclusions claimed at this time are:

	Nonelectoral	Lease Rental
A. All funds in sinking funds and net bond proceeds	$ -0-	$ -0-
B. Current appropriations for payment of principal and interest	-0-	-0-
C. Uncollected amounts of assessments (to extent available for payment of principal)	-0-	-0-

		Nonelectoral	Lease Rental
	D. Delinquent taxes and other municipal liens	-0-	-0-
	E. Self-liquidating and subsidized debt properly excluded and currently excludable	-0-	-0-
	F. Surplus cash not specifically appropriated and available for payment of principal**	-0-	-0-
	G. Other solvent debts	-0-	-0-
	H. Indemnifying insurance coverage in Connection with debt	-0-	-0-
	TOTAL CREDITS AND EXCLUSIONS	-0-	-0-
	TOTAL NET INDEBTEDNESS	$19,060,275.30	-0-
III.	The original issuance principal amount of bonds or notes being issued or evidencing lease rental debt		
	G.O. Bonds, Refunding Series A of 2011 (This issue)	$ 985,000.00	
	G.O. Bonds, Refunding Series B of 2011 (This issue)	$14,295,000.00	
		$15,280,000.00	
IV.	The principal amount of bonds or notes which will no longer be deemed to be outstanding pursuant to Section 8250 after settlement of this issue. *(Refunding Issues only)*		
	G.O. Bonds, Refunding Series of 1998	($950,000.00)	
	G.O. Refunding Bonds, Series of 2001	($12,780,000.00)	

The Borrowing Base shown on the attached Borrowing Base Certificate is: $22,615,379.00*

Applicable Debt Limitations:

Nonelectoral plus Lease Rental Borrowing Base X (225%) $50,884,602.75*

**Estimated, Subject to change.*

BORROWING BASE CALCULATION
STO-ROX SCHOOL DISTRICT
As of June 30,

Fiscal Year	**2011***	**2010**	**2009**
Total Revenues (all money received)	$22,790,000	$23,608,000	$22,847,178
Less:			
(i) Subsidies or reimbursements from USA or Commonwealth of Pennsylvania given or paid on account of projects financed by debt	($466,347)	($466,347)	($466,347)
(ii) Project revenues, rates, and special assessments pledged or budgeted for specific self-liquidating debt, or for payments under leases, guaranties, or other forms of agreements which could constitute lease rental debt	-	-	-
(iii) Interest from funds pledged or budgeted for the payment or security of outstanding debt and interest on bond or note proceeds, if similarly pledged	-	-	-
(iv) Grants and gifts in aid of, or Measured by the construction or acquisition of, specific projects	-	-	-
(v) Proceeds from disposition of capital assets and other non-recurring items including bond or note proceeds not considered income under GAAP	-	-	-
Total Deductions	($466,347)	($466,347)	($466,347)
Total Revenues	$22,323,653	$23,141,653	$22,380,831
Total Revenues for Three Years			$67,846,137 *
Borrowing Base (Average Total Revenues for Three Year Period)			$22,615,379 *

**Estimated, Subject to change.*

STO-ROX SCHOOL DISTRICT
BONDED AND NOTE INDEBTEDNESS

SCHEDULE OF BONDED INDEBTEDNESS

	Gross Before State Aid	Net After State Aid
DIRECT DEBT:		
G.O. Bonds, Refunding Series A of 2011(This Issue)	$ 985,000.00	$ 453,100.00
G.O. Bonds, Refunding Series B of 2011(This issue)	14,295,000.00	8,738,533.00
G.O. Notes, Refunding Series A of 2009	1,290,275.30	850,291.43
G.O. Bonds, Series B of 2009	2,885,000.00	2,885,000.00
G.O. Bonds, Refunding Series C of 2009	1,020,000.00	1,020,000.00
G.O. Bonds, Refunding Series of 2001	135,000.00	88,803.00
TOTAL DIRECT DEBT	$20,610,275.30	$14,035,727.43
OVERLAPPING DEBT:		
Allegheny County (.55% Share) (1)	$3,790,189.00	$3,790,189.00
Stowe Township	7,523,356.00	7,523,356.00
Borough of McKees Rocks	3,660,000.00	3,660,000.00
TOTAL OVERLAPPING DEBT	$14,973,545.00	$14,973,545.00
TOTAL NET DIRECT AND OVERLAPPING DEBT	$35,583,820.30	$29,009,272.43

DEBT RATIOS:

Ratio of Net Direct Debt to:	
Market Value (2009-10)	4.41%
Assessed Value (2009-10)	4.41%
Ratio of Net Direct Debt Per Capita (2000)	$1,053.10
Ratio of Net Direct and Overlapping Debt to:	
Market Value (2009-10)	9.12%
Assessed Value (2009-10)	9.12%
Ratio of Net Direct Debt Per Capita (2000)	$2,176.57

Market Value – (2009-10) $318,000,000
Assessed Value – (2009-10) $318,000,000
Population - (2000) – 13,328

(1) .55% share based on ratio of 2009 County ($58,180,773,464) and School District assessed values. Total Net Direct Debt of the County as of December 2009 is $689,125,322.

Source: School District's Financial Statements, Municipality Business Officials and Allegheny County Institutional District and Controllers Offices.

APPENDIX B

STO-ROX SCHOOL DISTRICT

FINANCIAL STATEMENTS

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STO-ROX SCHOOL DISTRICT

GENERAL FUND BUDGET
FOR THE YEARS ENDING JUNE 30,
SUMMARY OF ESTIMATED REVENUES
AND OTHER FINANCING SOURCES

	Budget 2011
Estimated Beginning Fund Balance Available for Appropriation	$ 2,302,296
Revenues from Local Sources	8,128,000
Revenues from State Sources	13,445,415
Revenues from Federal Sources	1,744,000
Other Financing Sources	0
Estimated Revenues & Other Financing Sources	$23,317,415
Total Estimated Fund Balance, Revenues and Other Financing Sources	$25,619,711

SUMMARY OF ESTIMATED EXPENDITURES
AND OTHER FINANCING USES

	Budget 2011
Instruction	$12,875,458
Support Services	8,513,169
Operation of Noninstructional Services	280,937
Facilities, Construction and Improvement Services	50,000
Other Financing Uses	
Debt Service	1,775,000
Budgetary Reserve	0
Fund Transfers	116,793
Total Estimated Expenditures and Other Financing Uses	$23,611,357
Appropriation of Prior Year Encumbrances	6,399
Total Appropriations	$23,617,756
Ending Unreserved Fund Balance (Total Estimated Revenues & Other Financing Sources Less: Total Appropriations)	2,001,955
Total Appropriations and Ending Fund Balance	$25,619,711

Source: School District Budget.

STO-ROX SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30th,

	2006	**2007**	**2008**	**2009**
Revenues:				
Local Sources	$9,320,508	$9,453,554	$9,499,829	$8,325,660
State Sources	10,181,274	10,847,013	11,235,431	12,893,501
Federal Sources	1,595,758	1,435,169	1,837,133	1,628,017
Refunds of Prior Year Expenditures	0	0	0	0
Total Revenues and other Financing Sources	**$21,097,540**	**$21,735,736**	**$22,572,393**	**$22,847,178**
Expenditures:				
Instruction	$11,810,077	$12,790,137	$13,463,596	$14,152,135
Support Services	6,883,138	7,159,949	8,516,876	8,197,797
Operational and Non Instructional services	273,589	304,332	377,747	326,652
Facilities acquisition, construction and improvement services	34,383	37,222	269,191	48,845
Debt Services	1,640,271	1,644,086	1,644,472	1,727,038
Total Expenditures and Other Financing Uses	**$20,641,458**	**$21,935,726**	**$24,271,882**	**$24,452,467**
Revenues in Excess of (Less than) Expenditures	456,082	(199,990)	(1,699,489)	(1,605,289)
Other Financing Sources	0	0	32,093	2,101,548
Revenues and Other Financing Sources over Expenditures and Other Financing Uses	**$456,082**	**($199,990)**	**($1,667,396)**	**$496,259**
Fund Balance, Beginning of Year	**$3,217,542**	**$3,673,624**	**$3,473,634**	**$1,806,238**
Fund Balance, End of Year	**$3,673,624**	**$3,473,634**	**$1,806,238**	**$2,302,497**

Source: School District Annual Financial Statements.

STO-ROX SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
YEAR ENDED JUNE 30th,

	2006	2007	2008	2009
Assets:				
Cash	$ 171,339	$ 953,248	$ 608,520	$ 574,898
Investments	3,699,593	2,529,752	1,089,575	3,071,796
Taxes Receivable	1,914,071	2,033,842	2,348,233	2,450,888
Due from Other Funds	705,317	709,666	700,951	750,212
Due from Other Governmental Units	847,907	1,077,039	1,363,084	0
Other Receivables	471	59,893	138,252	74,500
Prepaid Expenses	203,076	198,514	220,399	209,064
Total Assets	**$7,541,774**	**$7,561,954**	**$6,469,014**	**$7,131,449**
Liabilities:				
Interfund Payable	$ 0	$ 0	$ 0	$ 31,708
Intergovernmental Payables	3,295	0	0	0
Accounts Payable	672,483	727,903	592,569	672,059
Accrued Salaries, Benefits, Payroll Taxes and Withholdings	1,202,022	1,150,627	1,427,204	1,370,380
Deferred Revenues	1,969,850	2,193,240	2,376,755	2,448,716
Other Current Liabilities	20,500	16,550	266,248	306,089
Total Liabilities	**$3,868,150**	**$4,088,320**	**$4,662,776**	**$4,828,952**
Fund Equity:				
Reserved for Prepaid Expenses	$203,076	$198,514	$220,399	$09,064
Reserved for Encumbrances	0	0	23,619	6,399
Unreserved Designated for Special Education Costs	200,000	200,000	0	0
Unreserved Designated for Repayment of Debt	1,428,005	1,225,477	1,022,949	2,087,034
Unreserved Undesignated for General Fund	1,842,543	1,849,643	539,271	0
Total Fund Equity	**$3,673,624**	**$3,473,634**	**$1,806,238**	**$2,302,497**
Total Liabilities and Fund Equity	**$7,541,774**	**$7,561,954**	**$6,469,014**	**$7,131,449**

Source: School District Annual Financial Statements.

Sto-Rox School District (the "District") is located in Allegheny County, Pennsylvania. The District's tax base consists of Stowe Township and the Borough of McKees Rocks.

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

The Board of Directors (the "Board") has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any school herein provided, or to pay any school indebtedness, which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the Board is vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

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

Reporting Entity:
The Board is the basic level of government, which has financial accountability and control over all activities related to the public school education in the District. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since Board members are elected from the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement No. 14, which are included in the District's reporting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Venture:
The District is one of twelve member school districts of the Parkway West Area Vocational-Technical School ("Parkway"). Parkway provides vocational-technical training and education to participating students of the member districts. Parkway is controlled and governed by the Joint Board, which is composed of all the school board members of all of the member districts. Direct oversight of Parkway operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the joint venture exercises specific control over the fiscal policies or operations of Parkway. The District's share of annual operating and capital costs for Parkway fluctuates based on the percentage of enrollment of each member district in the school. The District's financial obligation to Parkway for the year ended June 30, 2009 has been reported in the District's General Fund. The District paid $435,596 as its share of costs to Parkway. The District has no equity interest in Parkway as of June 30, 2009. Complete financial statements for Parkway can be obtained from the administrative offices at 7101 Steubenville Pike, Oakdale, Pennsylvania 15071.

Jointly Governed Organizations:
The District is a participating member of the Allegheny Intermediate Unit ("AIU"). Operations of the AIU are directed by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve AIU's annual operating budget.

The AIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the AIU. The AIU contracts with participating districts to supply special education services, computer services and to act as a conduit for certain federal programs.

Fund Accounting:
The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent.

The District uses the following funds:

GOVERNMENTAL FUNDS - These funds are used to account for most of the District's finances. The measurement focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. The District has no non-major funds. Fiduciary funds are reported by fund type.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. The District has no non-major funds. Fiduciary funds are reported by fund type.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Budgetary Data:
In accordance with Act 1, the District elected not to increase the real estate tax rate above the index established by the Pennsylvania Department of Education and, therefore, follows the procedures outlined below in establishing the budgetary data reflected in the basic financial statements:

1. Prior to May 31, the Board submits 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 for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The budget of the District is the approved spending plan of the District for the year and the Board is prohibited from obligating funds in excess of these amounts. The Board may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues or from temporary loans. Legal budgetary control is maintained by the Board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the Board. Budget information in the Budgetary Comparison Schedule is presented at or below the legal level of budgetary control. Several functions had expenditures that exceeded the budgeted amount; however, these overages were absorbed by surpluses in other functions and fund balance. Total expenditures exceeded the appropriations for the year which is a violation of school code.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
7. There were supplemental budgetary appropriations or amendments proposed or approved during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Legal budgetary control is maintained by the District Board at the functional object level. Transfers between functional objects, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the District Board. Budget information in the Budgetary Comparison Schedule for the General Fund is presented at or below the legal level of budgetary control. Several functions have expenditures that exceeded the budgeted amount; however, these overages were absorbed by surpluses in other functions, revenues and fund balance.

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

Cash and Cash Equivalents:
Cash and cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less.

Investments:
Investments are carried at market value based on quoted market prices.

Receivables/Payables:
Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Internal balances of the governmental activities do not include $14,179 due from fiduciary funds. These amounts have been reflected as "other receivables."

Accounts Receivable:
Accounts receivable are recorded at the invoiced amount. The District determines the allowance for doubtful accounts based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories and Prepaid Items:
Inventories of the Food Service Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2009, consist of the following:

Food	$	1,601
Paper supplies		1,737
Donated commodities		7,121
Total Inventory	$	10,459

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than $5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Land improvements	5
Building improvements	25
School buildings	50
Furniture and fixtures	20
Equipment	8 - 15
Vehicles	10
Library and textbooks	15
Food service equipment	5 - 15

Long-Term Obligations:
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt. These would be reported as "other assets" on the Statement of Net Assets. The District has no material bond issue costs or discounts to amortize.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Subsequent Events:
In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 21, 2010, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

> Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) 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 and (d) shares of an investment company registered under the Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

The deposit and investment policy of the District adheres to State statutes and prudent business practice. There were no deposits or investment transactions during the year that were in violation of either the State statutes or the policy of the District.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

A portion of the District's cash and investments are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), which is a fund very similar to mutual funds. PSDLAF operates in accordance with appropriate State laws and regulations and under State oversight. The reported value of the pool is the same as the fair value of the pool shares.

Investments:
As of June 30, 2009, the District had the following investments reported as cash equivalents below:

Investments		Fair Value
PSDLAF	$	388,917
Money market		22,170
TOTAL	$	411,087

Deposits:

Custodial Credit Risk - Deposits:
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2009, $926,521 of the District's bank balance of $1,687,685 was exposed to custodial credit risk as it was uninsured and the collateral was held by the pledging bank's trust department and was not in the District's name.

Interest Rate Risk:
The 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.

Credit Risk:
The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2009, the District's investment in the PSDLAF - Liquid Series and Max Series were rated AAAm by Standard & Poor's. The District's investment in the money market fund was not rated.

Concentration of Credit Risk:
The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2009, the District has no investments subject to concentration of credit risk.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

Custodial Credit Risk:
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

Reconciliation to Financial Statements:

Uncollateralized amount above	$	926,521
Plus: Insured amount		350,077
Deposit in transit		2,920,250
Less: Outstanding checks		(620,263)
Carrying amount - cash balances		3,576,585
Plus: Petty cash		10,979
Cash equivalents reported as investments above		411,087
Total Cash and Investments per Financial Statements	$	3,998,651

NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE

The District has two independently elected tax collectors who are responsible for the collection of taxes. Assessed values are established by the County Board of Assessment. The District tax rate for the year ended June 30, 2009 was 25.0 mills ($25 per $1,000 of assessed valuation) as levied by the Board of School Directors. Assessed value at June 30, 2009.was $283.8 million.

The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% Discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% Penalty period
January 15	Turnover to delinquent collector

The District, in accordance with U.S. generally accepted accounting principles, recognizes the delinquent and unpaid taxes receivable, reduced by an allowance for uncollectible taxes, as determined by management. A portion of the net amount estimated to be collectible, which was measurable and available within sixty days, was recognized as revenue and the balance deferred in the fund financial statements.

NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE - CONTINUED

The balances at June 30, 2009 are as follows:

	Gross Taxes Receivable	Allowance Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real estate	$ 5,537,675	$ 3,316,940	$ 2,220,735	$ 100,068	$ 2,120,667
Earned income and other taxes	230,153	-	230,153	230,153	-
	$ 5,767,828	$ 3,316,940	$ 2,450,888	$ 330,221	$ 2,120,667

Deferred revenue consists of $2,120,667 of real estate taxes and $328,049 of federal, state and local funds received in advance of expenditures.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2009:

Receivable (Payable)	General Fund	Proprietary Fund
PA Department of Education	$ 370,489	$ -
Federal subsidies - ACCESS Leader	72,305	-
Federal subsidies - Title I	106,276	-
Federal subsidies - Reading First	20,187	-
Federal subsidies - Improving Teacher Quality	62,006	-
Federal subsidies - Education Technology	31,813	-
Federal subsidies - IDEA	62,136	-
Federal subsidies - Inclusive Practices	25,000	-
Intergovernmental Receivables	$ 750,212	$ -

STO-ROX SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,343,900	$ -	$ -	$ 2,343,900
Capital assets being depreciated:				
Land improvements	1,131,151	-	-	1,131,151
Buildings and improvements	27,018,542	16,500	-	27,035,042
Equipment, furniture and fixtures	599,271	8,999	-	608,270
Vehicles	108,693	23,346	-	132,039
Library and text books	763,325	-	-	763,325
Total Capital Assets Being Depreciated	29,620,982	48,845	-	29,669,827
Less accumulated depreciation for:				
Land improvements	649,049	50,746	-	699,795
Building and improvements	9,810,824	791,198	-	10,602,022
Equipment, furniture and fixtures	335,693	43,265	-	378,958
Vehicles	86,526	6,096	-	92,622
Library and text books	750,479	12,288	-	762,767
Total Accumulated Depreciation	11,632,571	903,593	-	12,536,164
Governmental Capital Assets Being Depreciated, Net	17,988,411	(854,748)	-	17,133,663
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 20,332,311	$ (854,748)	$ -	$ 19,477,563

Business-Type Activities:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Equipment	$ 498,849	$ -	$ -	$ 498,849
Accumulated depreciation for:				
Equipment	404,014	24,891	-	428,905
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 94,835	$ (24,891)	$ -	$ 69,944

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

Instruction:	
Regular	$ 836,133
Special	3,765
Other	2,383
	842,281
Support Services:	
Pupil personnel	790
Instructional staff	15,074
Business	7,176
Operation of plant and maintenance services	20,961
Student transportation services	2,102
Non-instructional Services:	
Student activities	13,041
Unallocated depreciation expense	2,168
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 903,593

NOTE 6 - LONG-TERM LIABILITIES

Bonds Payable:
Bonds payable outstanding at June 30, 2009 are as follows:

General Obligation Notes - Refunding Series A of 2009: The District issued capital appreciation notes dated June 29, 2009 with stated maturity value of $2,230,000. Principal maturities occur on December 15, 2019 through 2022. Interest is payable semi-annually on June 15 and December 15. Interest rates vary from 4.60% to 4.90%. The notes were issued to currently refund a portion of the outstanding general obligation bonds, refunding series of 1998 and to pay the bond issue costs.	$	1,290,275
General Obligation Bonds - Series B of 2009: The District issued general obligation bonds dated June 15, 2009 in the original principal amount of $3,000,000. Principal maturities occur on June 15, 2010 through 2019. Interest is payable semi-annually on June 15 and December 15. Interest rates vary from 1.25% to 3.60%. The bonds were issued to provide funds to pay unfunded debt of the District and the bond issue costs.		3,000,000
General Obligation Bonds - Refunding Series C of 2009: The District issued general obligation bonds dated June 15, 2009 in the original principal amount of $1,355,000. Principal maturities occur on June 1, 2010 through 2013. Interest is payable semi-annually on June 1 and December 1. Interest rates vary from 1.25% to 2.20%. The bonds were issued to currently refund the outstanding general obligation bonds, series of 2003 and the bond issue costs.		1,355,000
General Obligation Bonds - Series of 2001: The District is liable for general obligation bonds dated April 15, 2001 in the original amount of $13,845,000. Principal maturities occur on December 15 through the year 2029. Interest is payable semi-annually on June 15 and December 15 at interest rates ranging from 3.40% to 5.125%.		13,165,000
General Obligation Bonds - Series of 1998: The District is liable for general obligation bonds dated June 1, 1998 in the original principal amount of $5,980,000. Principal maturities occur on December 15 through the year 2014. Interest is payable semi-annually on June 15 and December 15. Interest rates vary from 3.70% to 4.70%.		1,375,000
Total Bonds Payable at June 30, 2009	$	20,185,275

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all outstanding debt and obligations, except for compensated absences, for the years ending June 30 are as follows:

	General Obligation Notes Series of 2009 A	General Obligation Bonds Series of 2009 B	General Obligation Bonds Series of 2009 C	General Obligation Bonds Series of 2001	General Obligation Bonds Series of 1998	General Obligation Bonds Total	Total Interest
2010	$ -	$ 115,000	$ 335,000	$ 120,000	$ 205,000	$ 775,000	$ 833,472
2011	-	115,000	335,000	130,000	220,000	800,000	818,244
2012	-	120,000	340,000	135,000	220,000	815,000	794,428
2013	-	125,000	345,000	140,000	230,000	840,000	768,529
2014	-	480,000	-	145,000	245,000	870,000	740,420
2015 - 2019	-	2,045,000	-	2,580,000	255,000	4,880,000	3,142,005
2020 - 2024	2,230,000	-	-	3,825,000	-	6,055,000	2,083,507
2025 - 2029	-	-	-	4,940,000	-	4,940,000	956,492
2030	-	-	-	1,150,000	-	1,150,000	29,469
	2,230,000	3,000,000	1,355,000	13,165,000	1,375,000	21,125,000	10,166,566
Less Deferred Interest	(939,725)	-	-	-	-	(939,725)	-
Totals	$ 1,290,275	$ 3,000,000	$ 1,355,000	$ 13,165,000	$ 1,375,000	$ 20,185,275	$ 10,166,566

Advance Refunding:
The General Obligation Bonds - Series of 2001 were used to advance refund the General Obligation Bonds - Series of 2000. The net proceeds from the issuance of the General Obligation Bonds - Series of 2001 were deposited in irrevocable trusts with an escrow agent to provide debt service payments until the General Obligation Bonds - Series of 2000 are called. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District's long-term liabilities.

As of June 30, 2009, outstanding general obligation bonds of the District in the amount of $12,330,000 were considered to be defeased with a related $12.45 million held in escrow funds.

Compensated Absences:
Compensated absences are comprised of accumulated unused sick days and vacation days. The aggregate liability is $204,971 as of June 30, 2009.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Employees of the District can accumulate unused sick days and upon separation, receive compensation for the unused days. The liability for unused sick days amounted to $150,790 as of June 30, 2009 and is included in compensated absences.

Under the current plan, the following is a summary of the items covered:

Administrators - Rate paid equals $30 per day.
Teachers - Rate paid equals $25 per day.
Non-Professionals - Rate paid equals $20 per day for the first 50 days, $25 per day for the next 50 days and $30 per day for each day in excess of 100.

In addition to the above sick day policy, administrators and non-professionals can accumulate and receive compensation for unused vacation pay. The policy describes that upon retirement, any unused vacation days will be paid at a daily rate commensurate to the administrator's current salary. This liability has a balance of $54,181 at June 30, 2009 and is included in compensated absences.

Long-term liability balance and activity for the year ended June 30, 2009 is as follows:

	Balance 7/1/2008	Additions	Payments	Balance 6/30/2009	Amount Due in One Year
General obligation bonds	$ 17,870,000	$ 5,645,275	$ (3,330,000)	$ 20,185,275	$ 775,000
Compensated absences	197,511	7,460	-	204,971	34,988
Totals	$ 18,067,511	$ 5,652,735	$ (3,330,000)	$ 20,390,246	$ 809,988

Payments on bonds are made by the General Fund. The compensated absence liabilities will be liquidated by the General Fund. Total interest paid during the year ended June 30, 2009 was $862,130.

NOTE 7 - RISK MANAGEMENT

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium ("Consortium") which purchases health benefits on behalf of participating public school districts. The District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled $2,242,388 and $2,169,963 for the years ended June 30, 2009 and 2008, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium's net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawals.

NOTE 7 - RISK MANAGEMENT - CONTINUED

As of June 30, 2009, the total net assets available for benefits of the Consortium were $57,665,632 of which $626,998 is attributable to the District. No asset has been recorded for this amount.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District monitors their insured programs and increases insurance coverage as needed. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The District has no unfunded liability.

NOTE 8 - POST-EMPLOYMENT BENEFITS

Plan Description:
The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report and the District is implementing GASB Statement 45 prospectively.

Funding Policy:
Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on "pay as you go" financing. For eligible members who have previously retired, there are 8 groups of employees for which varying benefits are being received. For Group 1, the District covers up to $7,000 per year for medical, prescription drug and dental benefits, including dependent coverage, up to the time the member is of Medicare eligibility age. Benefits will continue to the spouse of a deceased member until the member would have reached Medicare eligibility age. For Group 2, the District covers up to $10,000 per year for medical, prescription drug and dental benefits, including dependent coverage, up to the time the member is of Medicare eligibility age. For Groups 3 and 7, the District covers the full cost per year of medical, prescription drug, dental and vision benefits, including dependents, with benefits ceasing at member Medicare eligibility age. For Group 4, the District covers the full cost per year of medical, prescription drug, dental and vision benefits, including dependents. In addition, the member receives a yearly stipend for having changed to a lower cost plan. Benefits cease at member Medicare eligibility age. For Group 5, the District provides a yearly stipend for the member electing to waive insurance coverage, with the benefit ceasing at Medicare eligibility age. For Group 6, the member pays the full cost of insurance coverage and benefits continue until member terminates coverage. For Group 8, the District covers the cost of insurance after a $300 per year contribution from the member, with benefits ceasing at Medicare eligibility age.

NOTE 8 - POST-EMPLOYMENT BENEFITS - CONTINUED

For teachers who retire with 35 years of service or between the ages of 60 and 64 with less than 35 years of service, the District covers the cost of single coverage for medical and prescription drug benefits. The member can purchase dependent and/or other coverage at the members' own expense. Benefits cease at member Medicare eligibility age. If the member does not meet the requirements for the District subsidy but requirements are met for the Act 110/43 benefit, member and spouse may continue coverage by paying the full premium.

For professional staff who submit an irrevocable letter of retirement by November 30, 2007, specifying a retirement date not later than June 30, 2010 but have not retired or submitted retirement dates effective prior to the 2007-2008 school year, the District covers up to $10,000 per year for medical and prescription drug benefits for the member and dependents, with benefits ceasing at member Medicare eligibility age.

For non-professional union and part-time employees with no benefits, if the requirements are met for the Act 110/43 benefit, the member may obtain coverage by paying the full premium.

For the fiscal year ended June 30, 2009, the District contributed $533,564 to the plan related to retirees.

Annual OPEB Cost and Net OPEB Obligation:
The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 6 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 841,865
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	841,865
Contributions made	(533,564)
Increase in net OPEB obligation	308,301
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 308,301

NOTE 8 - POST-EMPLOYMENT BENEFITS - CONTINUED

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 841,865	63.3%	$ 308,301

Funded Status and Funding Progress:
As of July 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $3,679,672 for the District and the actuarial value of assets was $0 for each plan, resulting in an unfunded actuarial accrued liability (UAAL) of $3,679,672 for the District. The covered payroll (annual payroll of active employees covered by the plan) was $9,408,524 for the District, and the ratio of the UAAL to the covered payroll was 39.11% for the District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuations, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% initially, decreasing 0.5% per year to an ultimate rate of 5% in 2015 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar, 6-year open period.

NOTE 9 - EMPLOYEE RETIREMENT PLAN

Plan Description:
The District contributes to the Commonwealth of Pennsylvania Public School Employees Retirement System ("PSERS"), a governmental cost-sharing multi-employer defined benefit plan. Benefit provisions of the plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975, as amended) (24 Pa C. S. 8101-8535) and may be amended by an act of the Pennsylvania legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contributions upon termination of a member's employment in the public school sector. PSERS 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, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index. htm.

Funding Policy:
The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS 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 7.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 contribute at 7.50% (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.

The contributions required of employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2009, the rate of employer contributions was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.00% for pension benefits and .76% for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2009, 2008 and 2007 were $485,428, $625,529 and $588,942, respectively. This amount is equal to the required contribution for each year.

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of Interfund Receivables and Payables at June 30, 2009:

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	$ 16,624	$ 48,332
Capital Reserve Fund	-	2,445
Proprietary Fund	48,332	-
Fiduciary Fund	-	14,179
	$ 64,956	$ 64,956

Interfund balances between the General Fund and the Capital Reserve Fund represent payments made by the General Fund during 2006 for capital assets which have not been reimbursed by the Capital Reserve Fund by June 30, 2009. Interfund balances between the General Fund and the Proprietary Fund represent subsidy payments deposited in the General Fund during 2009 which have not been remitted to the Proprietary Fund by June 30, 2009. Interfund balances between the General Fund and the Student Activities Fund, a fiduciary fund, represent payments made for activities/events from the General Fund during 2009 which have not yet been reimbursed by the Activities Fund by June 30, 2009.

The interfund transfer between the General Fund and Proprietary Fund was for the purpose of eliminating the balance due to the General Fund from the Proprietary Fund that had accumulated over several years and was not expected to be repaid by the Proprietary Fund based on past results of its operations.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The School District is a defendant in various lawsuits. Management does not believe the settlement of these matters will have a material effect upon the District's financial condition.

The District receives a number of state and federal grants. The grants may be subject to audit by the granting agency to determine if activities undertaken by the District comply with conditions of the grant. Management believes no material liability would arise from any such audit.

The District has entered into a management services agreement for copying and printing services. The term of the agreement is for sixty months at $14,740 per month with the first payment made September 2006. The amount expended for the year ended June 30, 2009 is $251,463. The following is a summary of future minimum payments under the agreement for the fiscal years ending:

2010		$ 176,880
2011		176,880
2012		29,480
	Total	$ 383,240

NOTE 12 - DERIVATIVE INSTRUMENTS

SWAP of 2005

Objective of the swap. The basis swap was designed to produce up front savings to the District and leave ongoing debt service intact. The District received an up-front payment of $411,000 in fiscal year 2005.

Terms, fair values and other risk. The terms, including the counterparty and credit ratings of the outstanding swaps, as of June 30, 2009, are included below. The District's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Sto-Rox School District Swap Portfolio

Related Bonds	Counterparty	Credit Rating by Moody's/S&P	Issuer Pays	Issuer Receives	Amount ($m)	Option to Cancel	Maturity
Refunding Bonds, Series 2001	Wachovia Bank	Aa2/AA-	BMA	64% of 1M LIBOR + 30 basis points	$13,165,000	YES	12/15/29

On March 4, 2005, the District elected to enter into a 64% of LIBOR plus 30 basis points basis swap to hedge the fixed rate General Obligation Refunding Bonds - Series of 2001.

Fair value. The swap had a negative fair value as of June 30, 2009 of $850,476. This fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

Credit risk. Credit risk is the risk that the District will have exposure to a swap counterparty under the swap. Credit risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap agreement. The swap agreements contain a collateral agreement with the counterparty. The swap requires collateralization of the "replacement value" of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis risk. Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The District bears basis risk on its swap. The swap has basis risk since the District receives a percentage of LIBOR to offset the actual fixed bond rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual fixed rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

NOTE 12 - DERIVATIVE INSTRUMENTS - CONTINUED

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the District's underlying fixed-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax exempt to taxable yields. The District is receiving 64% of LIBOR (a taxable index) plus 30 basis points on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its debt.

Termination risk. The District or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. Such a termination would potentially expose the District to the possibility that the District could have to make an untimely termination payment. The risk that the District will have to come up with a large termination payment in the event of default of a Swap Counterparty is mitigated by the fact that the same market conditions that would create an obligation on behalf of the District to make a termination payment will also create an environment whereby the District could obtain a replacement swap with similar economic terms with a new counterparty who would be willing to pay an up-front amount approximately equal to the termination payment owed by the District.

The District's swap agreement includes a "One-Way Optional Termination at Market" provision of the swap whereby the District will have the option to terminate the swap at market at any time. If the District were to elect to terminate under this provision, the market-based termination amount would be calculated and would be paid either by the Swap Counterparty or by the District, depending on the market conditions at the time of the District's exercise of this Termination Option. Because this option was structured as "one-way" in the District's favor, the Swap Counterparty does not have the option to terminate the swap at any time at market. This option is only provided to the District.

SWAP of 2009

Objective of the swap. In connection with its restructuring of debt by refunding certain maturities of outstanding Bonds and issuing the new Series of 2009 Bonds, the District converted its Constant Maturity Swaps ("CMS") to Basis Swaps. The conversion was implemented as follows:

1. Existing Series of Bonds: The outstanding CMS Swaps on the Series 1998 and 2003 Bonds with Deutsche Bank were terminated by amending them to Basis Swaps. The CMS "overlay" Swap on the Series 2001 Bonds, also with Deutsche Bank, was terminated. In the case of the Series 1998 and Series 2003, amortization of the Basis Swaps reflects the reduced principal amounts resulting from the partial refunding of these Series. In the case of the Series 2001 Bonds, the Basis Swap with Wachovia remained unchanged.
2. New Series of Bonds: In the case of the Series 2009A and 2009B Bonds, new Basis Swaps were established. In the Case of the Series 2009C Bonds, a new Basis Swap was deemed not to be economical due to its size and maturity and consequently not included in this Swap.

NOTE 12 - DERIVATIVE INSTRUMENTS - CONTINUED

The termination/amendment of the CMS swaps will produce value due to the steepening of the yield curve. In the case of the Series 2001 CMS Swaps, this value was used to "buy up" the formula on the amended Basis Swap for the Series to a level more advantageous to the District. In the case of the Series 2001 CMS "overlay" Swap, the termination produced an upfront payment which was used to "buy-up" the formula of all Basis Swaps as needed with the objective of producing an identical formula for all the Basis Swaps.

Terms, fair values and other risk. The terms, including the counterparty and credit ratings of the outstanding swaps, as of June 30, 2009, are included below. The District's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

On June 22, 2009, the School District entered into a CMS agreement with an effective date of June 29, 2009, with the following terms:

Sto-Rox School District Swap Portfolio

Related Bonds	Counterparty	Credit Rating by Moody's/S&P	Issuer Pays	Issuer Receives	Notional Amount ($m)	Option to Cancel	Maturity
Refunding Bonds, Series 1998	Deutsche Bank	Aa1/A+	SIFMA	80% of 1M LIBOR +30	$1,375,000	YES	12/15/14
GO Bonds, Series 2009A	Deutsche Bank	Aa1/A+	SIFMA	80% of 1M LIBOR +30	$1,287,929	YES	6/15/23
GO Bonds, Series 2009B	Deutsche Bank	Aa1/A+	SIFMA	80% of 1M LIBOR +30	$3,000,000	YES	6/15/19

Fair value. The swap had a negative fair value as of June 30, 2009 of $34,678. The market values were estimated by using a calculated mathematical approximation of market value derived from proprietary models as of a given date.

Credit risk. Credit risk is the risk the District will have exposure to a swap counterparty under the swap. Credit risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap agreement. The swap agreement contains a collateral agreement with the counterparty. The swap requires collateralization of the "replacement value" of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis risk. Basis risk for Series 2001 bonds is the same as the SWAP of 2005 above. Basis risk for Series 1998, 2009A and 2009B bonds refers to the potential mismatch between the variable interest rate received from the swap provider versus the variable interest rate paid by the District to the swap provider. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

NOTE 12 - DERIVATIVE INSTRUMENTS - CONTINUED

Tax risk. Tax risk is a form of basis risk since it affects the ratio at which variable rate demand bonds (and therefore the resultant SIFMA Index value) trade relative to 1-month LIBOR. Generally, decreases in marginal income tax rates for individuals and corporations make tax-exempt income less attractive to owners of tax-exempt debt, resulting in higher tax-exempt interest rates relative to rates on taxable instruments. Such an occurrence would most likely cause an increase in the ratio of SIFMA to 1-month LIBOR, which would increase the level of the District's ongoing payments to the Swap Provider relative to what it was receiving. As marginal tax rates drop, there is a level at which the cash flow under the Basis Swap would become negative from the District's standpoint, decreasing the District's overall benefit. In an extreme case where tax exemption on municipal bonds was eliminated or a "flat" tax introduced, SIFMA would most likely trade at a level of approximately 100% of 1-month LIBOR.

Termination risk. The District or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. Such a termination would potentially expose the District to the possibility that the District could have to make an untimely termination payment. The risk that the District will have to come up with a large termination payment in the event of default of a Swap Counterparty is mitigated by the fact that the same market conditions that would create an obligation on behalf of the District to make a termination payment will also create an environment whereby the District could obtain a replacement swap with similar economic terms with a new counterparty who would be willing to pay an up-front amount approximately equal to the termination payment owed by the District.

The District's swap agreement includes a "One-Way Optional Termination at Market" provision of the swap whereby the District will have the option to terminate the swap at market at any time. If the District were to elect to terminate under this provision, the market-based termination amount would be calculated and would be paid either by the Swap Counterparty or by the District, depending on the market conditions at the time of the District's exercise of this Termination Option. Because this option was structured as "one-way" in the District's favor, the Swap Counterparty does not have the option to terminate the swap at any time at market. This option is only provided to the District.

NOTE 13 - NEW ACCOUNTING STANDARDS

The Government Accounting Standards Board has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition and measurement of derivative instruments on the statement of net assets. The District has not yet determined the impact of Statement No. 53 to its financial statements. No impact is expected as the District currently has no derivatives. The District is required to implement this Statement by the year ended June 30, 2010.

NOTE 13 - NEW ACCOUNTING STANDARDS - CONTINUED

The Government Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information and classifies fund balances into the following categories - non-spendable, restricted, committed, assigned and unassigned. The District has not yet determined the impact of Statement No. 54 to its fund balances. The District is required to implement Statement No. 54 by the year ended June 30, 2011.

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

Form 500NY (5/90)