



Mary Taylor, CPA
Auditor of State

**MAHONING VALLEY SANITARY DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Mahoning Valley Sanitary District
Trumbull County
P.O. Box 4119
Youngstown, Ohio 44515

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Mahoning Valley Sanitary District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities and each major fund of Mahoning Valley Sanitary District, Trumbull County, Ohio, as of June 30, 2009, and the respective changes in cash financial position for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 1, 2010

The Mahoning Valley Sanitary District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

Our Mission Statement

The Mahoning Valley Sanitary District and its employees are committed to preserving the public health and the natural environment while providing a safe and reliable supply of potable water. The employees of the Mahoning Valley Sanitary District are well trained in order to serve the Mahoning Valley Community in the most efficient, courteous way possible in providing quality service.

Our discussion and analysis of the Mahoning Valley Sanitary District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. The Mahoning Valley Sanitary District ("the District") was formed in 1926 and began supplying water in 1932. The District provides quality water to the member cities – the City of Youngstown and the City of Niles; and by special contract to the Village of McDonald. The members serve surrounding areas such as Girard, Canfield, Mineral Ridge, Lordstown and portions of 10 other townships.

The District is a political subdivision of the State of Ohio established under the authority of the Sanitary Act of Ohio and governed by the Ohio Revised Code Chapter 6115. The District is overseen by the Trumbull and Mahoning County Court of Common Pleas and a Board of Directors that are appointed by the member cities. The Sanitary District Act empowers the District to provide water supply, treatment, transmission feeder systems and storage reservoirs, but not distribution.

Meander Creek Reservoir is seven miles long, covers 2,010 acres with 40 miles of shoreline, and has a capacity of 11 billion gallons. District owned land includes 5,500 acres enclosed by 35 miles of fence. The land is reforested with 4 million evergreens and serves as an unofficial fish and game refuge – with no public access permitted!

The District's current capacity is 60 million gallons per day and the present use is about 24 million gallons per day. The District's water is treated and delivers pure, safe, clear, sparkling, soft, potable water to its member cities.



Photo No. 1 – Meander Reservoir

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Financial Highlights

The District's net assets increased by \$1,052,800 or 8.08 percent. The major reason for the increase in net assets resulted from a revenue stream that allowed for the collection of funds for sludge removal. During the fiscal year those funds were not expended as lagoons were not ready for sludge removal. The funds are earmarked for sludge removal and will be used for that purpose when our lagoons are filled to the capacity that requires sludge removal maintenance. Program revenues accounted for \$14,523,268 or 99.08 percent of total revenues. General revenues were \$134,470 or 0.92 percent of total revenues. The District's Maintenance fund reported a positive fund balance of \$1,448,533, the Bond fund reported a positive fund balance of \$5,786,015 and the Bond Retirement fund reported a positive fund balance of \$6,850,823.

- The District's Board of Directors consists of 4 members, two from the City of Youngstown and two from the City of Niles. Matthew J. Blair served as President of the Board for the majority of fiscal year 2009. Other Board members include; Mark Memmer, Youngstown mayoral appointment, and James Sylvester, Niles city council appointment and Jack R. Vaughn Youngstown city council appointment.
- The Board annually advertises for bids on chemicals that are needed in the purification process. The District will continue to have concerns with costs for the purification process as high cost for energy drives the overall cost for chemicals. The volatility of prices for chemicals as well as our other variable costs such as electricity, natural gas heat and sludge removal will continue to remain an area of concern for District management.
- Fiscal year 2009 saw continued efforts to complete projects that would not be considered annual maintenance, but more in line with capital improvement of the facility. An example of such a project was the award of Contract G-051 for the Fluoride Storage and Feed System Improvements. This project was funded at 77 percent by an OPWC grant and the remaining costs were paid from our Annual Renewal and Replacement Account. The District utilized the Ohio State Purchasing Program, of which we are a member, to purchase materials and pay for labor to replace the entire roof of the Administration and Filter buildings. The costs reflect an impressive discount from market prices. The District received an OWDA loan to finance this repair project.
- The Board of Directors hired one new employee during fiscal year 2009 to bring our total staff of hourly and salary employees to 52. This number includes one part-time reservoir patrolmen. The District's Board did terminate one employee this year and the new employee hired reflected the re-staffing of that position that was open due to termination. The District did not increase overall staffing but did fill open positions to maintain an optimum staffing level. The District had a full time patrolman retire during the year and that position was filled by an existing part time patrolman. The District at year end had not filled the part time position left available by promotion. The Board is intending to fill this part time patrolman position and has proceeded with hiring process which has not been completed at year end.
- The Board, in its final meeting of fiscal year ended June 30, 2009, approved an Estimated Revenue and Expenditure budget for fiscal year 2010 in the amount of \$20,864,716. The District is expecting to receive approximately \$13,704,000 in water revenue from the member cities of Youngstown and Niles. The Village of McDonald participates via a contract with the two member cities.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

- The District submitted Amendment No. 5 to the Ohio EPA for approval prior to the end of fiscal year 2008. The plan was officially approved and the District will be going forward on the projects outlined in the amendment that have been approved and funded through our current revenue rate structure which provides for water revenue rates through June 30, 2010. The following Exhibit A is Amendment No 5 to the District's Official Plan.

Exhibit A

AMENDMENT NO 5 TO THE OFFICIAL PLAN OF THE MAHONING VALLEY SANITARY DISTRICT

The District's Amendment No. 5 to the Official Plan involves the following projects and estimated project costs. These costs were estimated in 2008 and might be higher in some instances depending on when the improvements would proceed.

The proposed capital improvements to be implemented are:

1. Addition of two new Settling Basins and a new Recarbonation System – These improvements would involve the addition of two (2) new settling basins with a total treatment capacity of 60 million gallons a day. The Recarbonation System improvement also calls for the addition of a 60 million gallons a day treatment system to help stabilize the treated water to reduce the buildup of calcium carbonate at the plant and in the distribution system. Estimated project costs are \$16,675,156. These two projects are under design.
2. Head House (Chemical Building) Chemical Feed Improvements – This improvement will involve the replacement of chemical storage and feed equipment for Lime, Sodium Aluminate, Soda Ash and other possible chemicals used in the treatment of water. Estimated Project Costs are \$8,210,000. This project is partially designed, with work having been suspended in 1997.
3. Head House (Chemical Building) Miscellaneous Building Improvements. These improvements will involve the renovation of the building (interior and exterior) electrical system, plumbing, HVAC and masonry. Estimated project costs are \$1,731,000.
4. Instrumentation System Improvements – This project allows for the renovation of the entire plant's operational and monitoring system to be upgraded to include a plant SCADA System. The estimated project cost is \$3,606,000.
5. Berlin Pump Station Improvements – This project will involve the renovation of the District's existing water pump station and intake tower at the Berlin Reservoir. The Berlin Reservoir is used as a source of backup water for the Meander Reservoir during droughts. The estimated project cost is \$2,652,000.
6. Miscellaneous Building Repairs – These improvements would allow for windows, doors, and masonry work to be repaired and/or replaced. These improvements are necessary to renovate buildings constructed with the original plant in the early 1930's. The estimated project cost is \$3,606,000.

The Mahoning Valley Sanitary District

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7. Administration Building Renovations – These improvements will involve the renovation of Administration Offices and Laboratory space in the Administration/Filtration Building. Originally, the Filter Building Renovations were to occur with the Filter System Improvements but the Filter System Improvements System was scaled back. Estimated project costs are \$4,327,000.
8. Distribution Piping and Valving and Venturi Meter Replacement Improvements – This project calls for four phases involving the repair and/or replacement of distribution piping and valves owned by the District which distributes water to the Cities of Niles and Youngstown and the urban areas of Trumbull and Mahoning Counties. The total estimated project costs are \$18,000,000.
9. Sludge Process Improvements – These improvements are being concluded involving the cleaning and disposal of lime sludge from three lagoons. The project costs are \$1,561,000.
10. Fencing – these improvements will involve replacing fencing in and around the District. The estimated project cost is \$1,500,000.

The total cost of these improvements is approximately \$61,868,156.

Following the successful in house launching of the District's 75th anniversary celebration during the entire fiscal year 2008 the District has continued to market its product, Meander Water.

The District now utilizes its product name, MEANDER WATER to communicate to our area customers and vendors. The following is the logo developed for our use by the joint venture of the District, the City of Youngstown and the City of Niles.

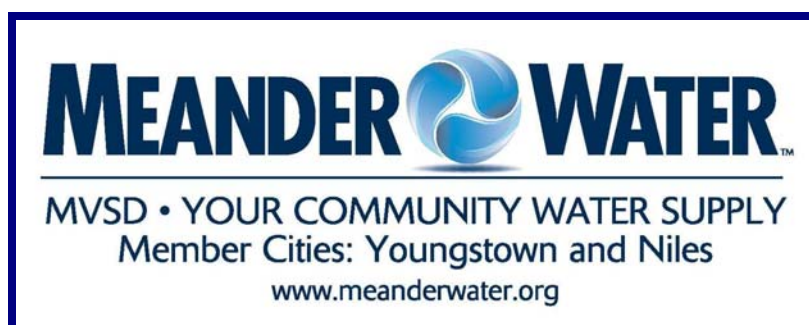


Image No. 1. – New Logo with Tag line and Website

The future marketing plans of the District with regard to promoting widespread use of our product in areas heretofore have not had the opportunity for access to our product are ongoing. The District looks forward to bringing Meander Water to as many Mahoning and Trumbull County residents as possible. This desire, however, will require a concerted effort of our member cities and elected officials in both Counties to expand the service areas that can receive Meander Water. This is a significant and very important mission that our Board has undertaken. These efforts have not been without success as the City of Niles enlarged its area of service to include customers that were previously provided water by a private water company.

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Capital Improvement projects completed during fiscal year 2009 through in house funding and OPWC grants.

- ✓ The Fluoride Storage and Chemical Feed System
- ✓ Emergency demolition of an obsolete coal furnace chimney

Using the Basic Financial Statements

These financial statements are presented in a format consistent with the presentation requirements of GASB Statement No. 34, as applicable, the Mahoning Valley Sanitary District's cash basis of accounting presentation.

This cash basis financial annual report consists of financial statements and notes to those statements. The statements are organized so the reader can understand the Mahoning Valley Sanitary District as a whole and the notes to the statements are integral to the overall understanding of the financial operations of the District.

Basis of Accounting

The District is presenting its financial statements on a cash basis of accounting. This basis does not report GAAP as the District records receipts and disbursements when cash is received and paid. All program revenues are for the sale of water to our member cities which represents 99.08 percent of all revenues; the reader should be advised that though the revenues presented in these statements represent twelve months of program revenues, the current fiscal year's program revenues includes the collection of one month's program revenue from the previous fiscal year, a feature of the cash basis of accounting. Certain expenses that remained unpaid at fiscal year end would not be reported under this basis of accounting and such could be viewed as a shortcoming or a limitation in the cash basis of financial reporting. However, it should be noted that the District uses a fund accounting software that provides for fund cash encumbrances that have been established by a valid Purchase Order. These encumbrances reflect expense from the previous fiscal year, though cash has not been expended at fiscal year end. The end users familiar with fund accounting financial statements should recognize expense not yet paid at year end as encumbrances as they are not identified as accounts payable.

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For the Fiscal Year Ended June 30, 2009
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Reporting the Mahoning Valley Sanitary District as a Whole

The Statement of Net Assets and the Statement of Activities suggest how the District did financially during fiscal year 2009 as there are limitations in reporting as mentioned earlier with the cash basis of accounting. Some funds are required to be established by State statute, while many other funds or sub-account funds are established by the District to help manage money for particular purposes and compliance with a grant provision. The Ohio Revised Code Section 6115 sets the Districts' funds at two: the Maintenance fund and the Bond fund. These statements reflect an additional fund identified as the Bond Retirement fund to provide additional information in the form of a sub-account fund. The District's two types of funds and the District's sub-account funds all use the cash basis of accounting approach and are cumulatively reported in these statements using the Cash Basis of accounting which measures cash and other financial assets that can be readily turned into cash. Net assets may serve over time as a useful indicator of a government's financial position. Net assets of the District increased 8.08 percent primarily as a result of funds collected in the year for debt service due January 2, 2009 and sludge funds collected during the fiscal year and not yet expended. Also, to a lesser extent would be several situations during the fiscal year when budgeted amounts for salaries and benefits were not expended because of employee situations that resulted in unpaid leave. The District also received an increase in their revenue stream. This was the second year of a 3 year revenue stream approved by the Cities of Youngstown and Niles that includes the formal Court of Jurisdiction Journal entry memorializing the 3 year agreement. Fiscal year 2010 concludes the current revenue stream agreement. At this time the Board is currently reviewing the District's operating budget and capital improvement 5 year plan to determine the best course of action for maintaining the District's facilities, maintaining reasonable fund balances, and determining the level of debt that will be appropriate in light of the local/worldwide financial climate.

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to 2008 on a cash basis:

(Table 1)
Net Assets

	Business-Type Activities		
	2009	2008	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$14,085,371	\$13,032,571	\$1,052,800
Net Assets			
Restricted for:			
Debt Service	\$6,782,225	\$6,891,171	(\$108,946)
Other Purposes	1,372,900	1,292,133	80,767
Unrestricted	5,930,246	4,849,267	1,080,979
Total Net Assets	\$14,085,371	\$13,032,571	\$1,052,800

A portion of the District's net assets (57.90 percent) represents resources subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets may be used to meet the District's ongoing activities.

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 shows the changes in net assets for fiscal year 2009 compared to 2008.

(Table 2)
Changes in Net Assets
 Business-Type Activities

	2009	2008	Change
Program Revenues			
Charges for Services	\$13,410,500	\$12,929,084	\$481,416
Capital Grants and Contributions	1,112,768	1,812,918	(700,150)
<i>Total Program Revenues</i>	<u>14,523,268</u>	<u>14,742,002</u>	<u>(218,734)</u>
General Revenues			
Investment Earnings	93,887	408,295	(314,408)
Miscellaneous	40,583	106,887	(66,304)
<i>Total General Revenues</i>	<u>134,470</u>	<u>515,182</u>	<u>(380,712)</u>
<i>Total Revenues</i>	<u>14,657,738</u>	<u>15,257,184</u>	<u>(599,446)</u>
Program Expenses			
Operating Expense	6,717,997	6,995,518	(277,521)
Construction of Facilities/Equipment	1,666,823	2,143,067	(476,244)
Bond Retirement	4,321,809	4,307,924	13,885
OWDA Loan Retirement	898,309	901,984	(3,675)
<i>Total Program Expenses</i>	<u>13,604,938</u>	<u>14,348,493</u>	<u>(743,555)</u>
<i>Change in Net Assets</i>	1,052,800	908,691	144,109
<i>Net Assets Beginning of Year</i>	<u>13,032,571</u>	<u>12,123,880</u>	<u>908,691</u>
<i>Net Assets End of Year</i>	<u>\$14,085,371</u>	<u>\$13,032,571</u>	<u>\$1,052,800</u>

Program revenues represent 99.08 percent of total receipts and are primarily user charges and assessments for services provided.

General revenues represent 0.92 percent of the total receipts primarily made up of investment earnings.

Disbursements for operating expenses represent the costs of running the District. The construction of facilities/equipment disbursements represents costs incurred in the purchase and building of capital assets. The bond retirement disbursements represent costs for the retirement of general obligation bond debt. The OWDA loan retirement disbursements represent costs for the retirement of OWDA loans.

The Board of Directors need to periodically seek additional operating and capital improvement funds. The District's Board must act in accordance with the provisions of the ORC Section 6115 to affect a change in the water rates that increase operational and capital improvement funding. This process includes the input from the District's member cities, Youngstown, Niles and the Village of McDonald as the Court of Jurisdiction which is the Common Pleas Courts of Mahoning and Trumbull look for consensus regarding the need for additional operating and capital funds that the Board of Directors have determined as necessary to maintain the District's operation. The District utilizes a five-year cash financial forecast to estimate revenues and control expenditures to assure water revenues can maintain operations for a significant period of time. Our current five year plan does reflect a need for additional operating resources and projections for funding

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
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Unaudited

needed to complete capital improvement projects that have been planned and presented to the member cities and to the Ohio EPA in the form of the District's Amendment No 5. The revenue stream adjustments that would be necessary based upon the Revised Official Plan and the current 5 year financial plan may be presented to the cities at the end of the current revenue stream agreement which will conclude on June 30, 2010. Careful analysis must be made financially before proposing all projects to the member cities as the nation is facing terrible money contractions. A priority of needs must be established with careful consideration of the impact it will have on the District and its member Cities. The rates that have been established for the sale of water to our member cities will have been in effect for three years at June 30, 2010. Pursuant to an annual water rate review, the purpose of which shall be to determine whether the water rates reflected as of July 1, 2009 and forward can be reasonably reduced without harm to the financial stability of the District and or increased due to increased operating expenditures projections as well as the need for funding capital improvement projects during the next three year rate contract. Our reviews are completed by May 1 of each year. It would be reasonable to assume that the approved water revenue stream approved by the Court will remain in effect through June 30, 2010 without any changes.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. Water revenues including investment earnings must support the net cost of program services.

(Table 3)

	Business-Type	
	Total Cost	Net Cost
	Of Services	of Services
	2009	2009
Operating Expense	\$6,717,997	\$561,722
Construction of Facilities/Equipment	1,666,823	4,713,202
Bond Retirement	4,321,809	(3,458,285)
OWDA Loan Retirement	898,309	(898,309)
Total Expenses	\$13,604,938	\$918,330

As mentioned earlier, the District utilizes the five-year forecast as the original document from which to form succeeding year's operating and debt budget. After updating the forecast for changes in revenue and expenditure assumptions, department heads will operate from the established budget which is prepared and approved by the Board of Directors prior to July 1 of each fiscal year. The line item budgets are reviewed periodically to ensure management becomes aware of any significant variations/changes during the fiscal year.

Capital Assets

The District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Debt

At June 30, 2009 the District had \$31,175,000 in outstanding bonds payable and \$11,280,522 in outstanding OWDA loans payable. The District paid \$2,585,000 in principal on bonds and \$536,403 in principal on OWDA loans outstanding during the fiscal year. The District has a loan agreement with the Ohio Water Development Authority/Environmental Protection Agency in the amount of \$7,105,074 for improvements made to the filtration system. The District has also incurred loan debt liabilities for the Niles Standpipe Replacement Project in the amount of \$1,298,746, the Head House Roof Project (Chemical Feed Building) in the amount of \$1,609,624, the Administration and Filter Building Roof Replacement Project in the amount of \$302,790 and the WTP Lagoon Maintenance Project in the amount of \$1,790,793. In fiscal year 2009, the District entered into an additional loan agreement with the Ohio Water Development Authority/Environmental Protection Agency for the WTP Design Improvements Project in the amount of \$679,652 thus far. The loans for the WTP Lagoon Maintenance Project and the WTP Design Improvements Project have not been finalized and therefore the repayment schedules for these loans are not included in the schedule of debt service payments as of June 30, 2009.

Current Financial Related Activities

The District, by utilizing the process for increasing water rates on bulk water supplied to the member cities, is in good financial position at June 30, 2009. However, the future financial stability of the District is not without challenges. The District may, however, benefit from stimulus money made available through Federal Law. At fiscal year end the District has made all the necessary applications and reporting to Federal and State agencies regarding the stimulus funds and possible awards to the District. The District based on the projects that it has planned and designed stands a good chance at receiving stimulus funds. The District has major and ongoing expense to its water purification plant built in 1926. Rehabilitation or the replacement of obsolete infrastructure vital to the purification of water is a major challenge for management to ensure infrastructure can be preserved as long as possible without affecting our finished product. Should the District receive stimulus funding it will be a tremendous help to our facility and the member cities of Youngstown and Niles shall benefit greatly as the improvements will not add to the debt of the District. The District's current Board and management look to implementing new/cutting edge technology in every area of the operation that is economically cost effective and efficient. Our current Amendment No 5 incorporates some of the latest and best water treatment technology now available and used in the water industry. The five-year forecast which incorporates a capital plan for the same period of time is utilized by management as a tool to manage the District's infrastructure resources effectively. This five-year forecast tool is used by the District to engage our member cities in meaningful dialogue during the fiscal year to keep the Cities technical and political personnel informed of all operating and capital expenditure changes as they can be estimated and/or foreseen to be a major change to our budget. This free exchange of technical and operating information between the District and its member cities has proven to be very beneficial to all entities. As stated earlier in this discussion, our member cities and the District are in the second year of a 3 year operating and capital expenditure budget which became memorialized in the form of the July 1, 2007 Schedule A, our rate schedule for the sale of water to Youngstown, Niles and the Village of McDonald that will be in effect through June 30, 2010. At a time prior to June 30, 2010, the District's Director's, senior staff, and the financial consultant Public Financial Management will have determined the extent of any proposed capital improvements and operating expense adjustments that are in the best interests of the Mahoning Valley Sanitary District.

Another challenge of the District would be the local economy. Our area has experienced the same kinds of economic, i.e. job market and business stagnation problems as quite a few places in the country. Whether we are better or worse than other metropolitan areas is a matter of subjective perception. Based on information

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

published in local newspapers our member cities of Youngstown and Niles are doing as many business growth programs or incentives as feasible to enhance business opportunity and growth in the Mahoning Valley. The District cannot let the quality of its product suffer regardless of economic conditions of our Valley, but adjustments may have to be made regarding our water revenue stream if economic problems continue to burden our area. Regardless of the economic woes that may beset our area, the Board would have to seek additional resources or scale down in areas that would not jeopardize the quality of our delivered product, water. With these problems and circumstances in mind, the prospect of ARRA funds made available to the District will be a positive for this organization. It is this entity's opinion that the nation's infrastructure deficiencies are a grave concern. More federal funds should be made available for infrastructure rebuilding; water, sewer and bridges. Spending in these areas would help substantially to begin the economic recovery everyone is hoping for. How much financial help comes to our community remains to be seen, as well as the extent of the new administration's plan to 'fix' the economy.

A last comment regarding funding for the District's infrastructure would be the future of State funding such as Issue II funds. With the importance that the Mahoning Valley Sanitary District has in our area, our organization would most likely be regarded as an important entity for receiving these Issue II funds. These funds to be available to us would have to be viewed by the voting public as necessary as renewal of these types of State funds go to the ballot for approval. There is always an uncertainty as to whether there will be sufficient funding in this area and how the District's requests for funding will be received. Issue II funding as it now stands will help the District each year to accomplish some form of capital improvement that will not directly affect our water rates for bulk water delivery. It is important that these funds obtained from the State for the purpose of financing or assisting in the financing of the costs of public infrastructure capital improvements for local subdivisions such as the District remain available on a yearly basis.

Contacting the District's Finance Department

This report is designed to provide the reader with a broad overview of the District's financial position, as well as a general understanding of the financial operations of the District. If you have any questions about this report or need any additional financial information, please contact Alan Tatalovich, Secretary/Treasurer, Mahoning Valley Sanitary District, P.O. Box 4119, Youngstown, OH 44515, telephone 330-652-3614.

The Mahoning Valley Sanitary District

Statement of Net Assets - Cash Basis

June 30, 2009

	<u>Business-Type Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,085,371</u>
Net Assets	
Restricted for:	
Debt Service	\$6,782,225
Other Purposes	1,372,900
Unrestricted	<u>5,930,246</u>
<i>Total Net Assets</i>	<u><u>\$14,085,371</u></u>

See accompanying notes to the basic financial statements

The Mahoning Valley Sanitary District

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Capital Grants and Contributions	Business-Type Activities
Business-Type Activities				
Operating Expense	\$6,717,997	\$7,279,719	\$0	\$561,722
Construction of Facilities/Equipment	1,666,823	5,267,257	1,112,768	4,713,202
Bond Retirement	4,321,809	863,524	0	(3,458,285)
OWDA Loan Retirement	898,309	0	0	(898,309)
<i>Total</i>	<u>\$13,604,938</u>	<u>\$13,410,500</u>	<u>\$1,112,768</u>	<u>918,330</u>
General Receipts				
Investment Earnings				93,887
Miscellaneous				40,583
<i>Total General Receipts</i>				<u>134,470</u>
Change in Net Assets				1,052,800
<i>Net Assets Beginning of Year</i>				<u>13,032,571</u>
<i>Net Assets End of Year</i>				<u>\$14,085,371</u>

See accompanying notes to the basic financial statements

The Mahoning Valley Sanitary District

Statement of Fund Net Assets - Cash Basis

Enterprise Funds

June 30, 2009

	<u>Maintenance Fund</u>	<u>Bond Fund</u>	<u>Bond Retirement Fund</u>	<u>Total</u>
Current Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,448,533</u>	<u>\$5,786,015</u>	<u>\$6,850,823</u>	<u>\$14,085,371</u>
Net Assets				
Restricted for:				
Debt Service	\$0	\$113,088	\$6,669,137	\$6,782,225
Other Purposes	1,372,900	0	0	1,372,900
Unrestricted	<u>75,633</u>	<u>5,672,927</u>	<u>181,686</u>	<u>5,930,246</u>
<i>Total Net Assets</i>	<u>\$1,448,533</u>	<u>\$5,786,015</u>	<u>\$6,850,823</u>	<u>\$14,085,371</u>

See accompanying notes to the basic financial statements

The Mahoning Valley Sanitary District
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Fiscal Year Ended June 30, 2009*

	Maintenance Fund	Bond Fund	Bond Retirement Fund	Total
Operating Receipts				
Charges for Services	\$7,279,719	\$4,960,901	\$0	\$12,240,620
Special Assessments	0	0	863,524	863,524
Royalties	0	238,903	0	238,903
Miscellaneous	0	6,263	0	6,263
<i>Total Operating Receipts</i>	<u>7,279,719</u>	<u>5,206,067</u>	<u>863,524</u>	<u>13,349,310</u>
Operating Disbursements				
Personal Services	3,884,477	0	0	3,884,477
Materials and Supplies	2,812,663	20,857	0	2,833,520
<i>Total Operating Disbursements</i>	<u>6,697,140</u>	<u>20,857</u>	<u>0</u>	<u>6,717,997</u>
<i>Operating Income</i>	<u>582,579</u>	<u>5,185,210</u>	<u>863,524</u>	<u>6,631,313</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous - Non Operating Revenue	0	34,320	0	34,320
Miscellaneous - Non Operating Expense	(43,409)	(6,620)	(1,076)	(51,105)
Equipment - Non Operating Expense	(394,890)	(200,000)	0	(594,890)
Capital Charge - Non Operating Revenue	0	67,453	0	67,453
Capital Charge - Non Operating Expense	(67,453)	0	0	(67,453)
Capital Grants	0	158,317	0	158,317
Redemption of Principal	0	(536,403)	(2,585,000)	(3,121,403)
Interest and Fiscal Charges	0	(361,906)	(1,735,733)	(2,097,639)
Proceeds of EPA/OWDA Loan	0	954,451	0	954,451
EPA/OWDA Funds Disbursed	0	(954,451)	0	(954,451)
Investment Earnings	4,768	15,800	73,319	93,887
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(500,984)</u>	<u>(829,039)</u>	<u>(4,248,490)</u>	<u>(5,578,513)</u>
<i>Income (Loss) before Transfers</i>	81,595	4,356,171	(3,384,966)	1,052,800
Transfers In	0	0	2,577,727	2,577,727
Transfers Out	0	(2,577,727)	0	(2,577,727)
<i>Change in Net Assets</i>	81,595	1,778,444	(807,239)	1,052,800
<i>Net Assets Beginning of Year</i>	<u>1,366,938</u>	<u>4,007,571</u>	<u>7,658,062</u>	<u>13,032,571</u>
<i>Net Assets End of Year</i>	<u><u>\$1,448,533</u></u>	<u><u>\$5,786,015</u></u>	<u><u>\$6,850,823</u></u>	<u><u>\$14,085,371</u></u>

See accompanying notes to the basic financial statements

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Note 1 - Reporting Entity

The Mahoning Valley Sanitary District, Trumbull County (the District), is a political subdivision of the State of Ohio and a body corporate created under Section 6115.08 of the Ohio Revised Code (The Sanitary District Act of Ohio) for the purpose of providing a water supply for domestic, municipal and public use to the Cities of Youngstown and Niles and the Village of McDonald.

On February 5, 1998, Substitute House Bill 26 was enacted to amend various sections of the Revised Code. This bill altered the composition and method of appointment of the members of the Board of Directors of the District, limited the compensation paid and benefits provided to board members; required the members of the Board to file financial disclosure statements with the Ohio Ethics Commission, and subjected the District to financial certification requirements prior to expending moneys.

The Board of Directors of the Mahoning Valley Sanitary District is made up of four members. One is appointed by the Mayor of the City of Youngstown, one by the Mayor of the City of Niles, one by the Youngstown City Council, and one by the Niles City Council.

The positions of Secretary and Treasurer were combined on January 15, 1997. The Secretary/Treasurer is the fiscal officer of the District as well as the custodian of the records of the District and its corporate seal.

The Chief Engineer is the superintendent of all the public works and improvements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of net assets and a statement of activities and fund financial statements providing a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements are considered business-type for the District.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The government-wide statement of net assets presents the cash balance of the business-type activities of the District at fiscal year end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the District are financed. The District does not have governmental funds.

Proprietary Funds The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The District has no internal service funds. The following are descriptions of the District's enterprise funds.

Maintenance Fund This fund is required by Ohio Revised Code Section 6115.45. All moneys received as compensation for providing a water supply for domestic, municipal, and public use under Section 6115.19, Ohio Revised Code, is added to the maintenance fund of the District for the purpose of supplying water. The Maintenance Fund is the operating fund of the District.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Bond Fund The bond fund is required by Section 6115.45, Ohio Revised Code. The bond fund consists of proceeds of levies made against the special assessments of benefits equalized and confirmed under Section 6115.01 to 6115.79, inclusive, of the Ohio Revised Code. This fund is also used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. This fund also receives all operating revenue due from the member Cities of Youngstown and Niles and from the Village of McDonald based on an approved water rate schedule. A percentage of the proceeds are transferred to the Maintenance Fund for operating expenses for the District. A percentage of the proceeds are also transferred to the bond retirement fund for debt service payments.

Bond Retirement Fund The bond retirement fund is required by various bond covenants. It is used to account for accumulation of resources and for the payment of principal, interest and related costs.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District does not have a fiduciary fund type.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in the note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2009, investments were limited to Treasury Bills.

The District values investments and cash equivalents at cost. For presentation on the financial statements, the District classifies investments of the cash management pool as cash equivalents.

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

H. Long-term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid.

I. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws, or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for operation and maintenance.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

J. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Proprietary funds report transfers after nonoperating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

K. Budgetary Process

The Ohio Revised Code requires that the maintenance fund be budgeted annually. The Mahoning Valley Sanitary District prepares a budget for the maintenance fund and the bond fund.

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board of Directors must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

Note 3 - Deposits and Investments

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Directors has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,661,033 of the District's bank balance of \$10,411,033 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2009, the District had an investment in Treasury Bills with a carrying and fair value of \$3,850,512, and a maturity of November 12, 2009. All investments are in an internal investment pool.

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. All of the District's investments were in Treasury Bills as of June 30, 2009.

Note 4 - Contingencies

A. Grants

The District receives financial assistance from state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District's operating fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

B. Litigation

The District is a party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

Note 5 - Risk Management

The District is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2009, the District contracted with Love Insurance for various types of insurance coverage as follows:

Type	Coverage	Deductible
Inland Marine	\$792,504	\$1,000
Property	77,608,363	1,000
Electronic Data Processing	50,000	500
Fleet Vehicle		
Physical Damage	50,000	250
Liability	5,000,000	500

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

Healthcare is provided through Anthem with single coverage of \$513.70 per month, husband and wife coverage of \$1,129.11 per month, and full family coverage of \$1,585.79 per month.

Workers' compensation is provided by the State. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 6 - Defined Benefit Pension Plans

Plan Description – The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2009, the members of all three plans were required to contribute 10.0 percent of their annual salaries.

The District's contribution rate for fiscal year 2009 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the fiscal years ended June 30, 2009, 2008, and 2007 were \$174,521, \$189,397, and \$202,703, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. There were no contributions to the member-directed plan for 2009.

Note 7 – Postemployment Benefits

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2009, local government employers contributed at a rate of 14.0 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. In fiscal year 2009, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The District's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2009, 2008, and 2007 were \$174,521, \$143,392, and \$106,686, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 8 - Long-Term Obligations

Original issue amounts and interest rates of the District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities			
<i>General Obligation Bonds</i>			
Sanitary District Refunding Bonds - 1998	4.0 - 5.125%	\$20,685,000	2017
<i>Water Mortgage Revenue Bonds</i>			
Series 1999	4.0 - 5.750%	30,775,000	2019
<i>EPA/OWDA Loans</i>			
Filter System Improvement	3.35%	7,105,074	2026
Niles Standpipe Replacement	3.25%	1,298,746	2027
Chemical Feed Building Roof	3.25%	1,609,624	2027
Administration & Filter Building Roof	4.47%	302,790	2028
WTP Lagoon Maintenance	3.36%	1,790,793	2018
WTP Design Improvements	3.20%	1,685,789	2016

The changes in long-term obligations during the year were as follows:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09	Amounts Due in One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Sanitary District Series 1998	\$12,285,000	\$0	(\$1,135,000)	\$11,150,000	\$1,185,000
<i>Water Mortgage Revenue Bonds</i>					
Series 1999	21,475,000	0	(1,450,000)	20,025,000	1,545,000
<i>EPA/OWDA Loans</i>					
Filter System Improvement	6,441,818	0	(265,405)	6,176,413	285,778
Niles Standpipe Replacement	1,251,756	0	(48,530)	1,203,226	50,119
Chemical Feed Building Roof	1,550,859	0	(59,619)	1,491,240	62,117
Administration & Filter Building Roof	272,905	24,686	(9,410)	288,181	10,292
WTP Lagoon Maintenance	1,336,236	259,013	(153,439)	1,441,810	0
WTP Design Improvements	0	679,652	0	679,652	0
<i>Total EPA/OWDA Loans</i>	<u>10,853,574</u>	<u>963,351</u>	<u>(536,403)</u>	<u>11,280,522</u>	<u>408,306</u>
Total Business-Type Activities	<u>\$44,613,574</u>	<u>\$963,351</u>	<u>(\$3,121,403)</u>	<u>\$42,455,522</u>	<u>\$3,138,306</u>

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The general obligation and water revenue bonds will be paid from the bond retirement fund with user charges for the water.

The sanitary district general obligation bonds were issued in 1998 with a varying interest rate for the purpose of construction of the drain water pump station and high service pump improvements. The amount outstanding as of June 30, 2009 was \$11,150,000.

The District defeased the outstanding debt of the Series 1994 Water Revenue bonds, refinancing the debt with the issuance of the Water Revenue Refunding bonds, Series 1999. The original Water Revenue bonds issued in 1994 were used to pay the \$7.9 million bond anticipation note, as well as providing funds for the Environmental Protection Agency clear well project. The interest rates of the 1994 bonds ranged from 4.65 to 7.75 percent. The Series 1999 Water Revenue bonds have interest rates ranging from 4 to 5.75 percent.

Water Mortgage Revenue bonds of the District are obligations of the District secured by a mortgage upon all assets of the water system. These bonds are payable solely from gross revenues of the water system after provisions for operating and maintenance expenses. These bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers in sufficient amounts to satisfy the annual obligation under the indenture agreement. In addition, special provisions exist regarding covenant violations, redemptions of principal and payment of interest.

The outstanding amount as of June 30, 2009 was \$20,025,000. As of June 30, 2009, the outstanding bonds have a redemption price of 1.01 percent.

The restrictions that were placed upon these bonds by the indenture as of June 30, 2009, restricted the District's bond retirement fund assets held in the Bond retirement fund in an amount of \$1,372,900.

In fiscal year 2005, the District received a \$7,105,074 Ohio Water Development Authority loan for improvements to the filtration system. This loan was issued for a twenty year period with a final maturity in fiscal year 2026.

In fiscal year 2006, the District received a \$1,609,624 Ohio Water Development Authority loan for the replacement of the Chemical Feed roof. This loan was issued for a twenty year period with a final maturity in fiscal year 2027.

In fiscal year 2007, the District was approved for a \$1,298,746 Ohio Water Development Authority loan for the replacement of the Niles Standpipe. This loan was issued for a twenty year period with a final maturity in fiscal year 2027.

In fiscal year 2008, the District was approved for a \$302,790 Ohio Water Development Authority loan for the replacement of the Administration and Filter Building roof. This loan was issued for a twenty year period with a final maturity in fiscal year 2028.

A line of credit has been established with the Ohio Water Development Authority in the amounts of \$1,790,793 for the WTP Lagoon Maintenance project and \$1,685,789 for design improvements to the WTP. These loans have not been finalized and therefore the repayment schedules are not included in the schedule of debt service payments.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2009 are as follows:

	Business-Type Activities					
	General Obligation		Water Mortgage Revenue		OWDA	
	Bonds		Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$1,185,000	\$518,625	\$1,545,000	\$1,079,817	\$408,306	\$303,970
2011	1,235,000	466,428	1,630,000	991,452	422,102	290,173
2012	1,280,000	410,612	1,720,000	902,225	436,366	275,910
2013	1,360,000	346,963	1,815,000	806,780	451,113	261,162
2014	1,410,000	275,981	1,920,000	704,975	466,361	245,915
2015 - 2019	4,680,000	367,463	11,395,000	1,711,837	2,579,240	982,140
2020 - 2024	0	0	0	0	3,045,929	515,450
2025 - 2028	0	0	0	0	1,349,643	63,244
Total	<u>\$11,150,000</u>	<u>\$2,386,072</u>	<u>\$20,025,000</u>	<u>\$6,197,086</u>	<u>\$9,159,060</u>	<u>\$2,937,964</u>

Note 9 – Interfund Transfers

Transfers are used to move revenues from the fund that statute of budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During fiscal year 2009, the bond fund transferred \$2,577,727 to the bond retirement fund to provide money for debt service payments.

Note 10 – Subsequent Event

The Board of Directors entered into an agreement with the Ohio EPA and the Ohio Water Development Authority for two Capital Improvement Projects identified as #1 Distribution Valve Replacement Project and #2 Gate House & Stop Logs Project. The total estimated costs for these two projects are \$5,337,854. The OWDA has encumbered funds in like amount for these projects. The final OWDA loan amount will be financed at 0% interest and paid in equal bi-annual installments.

The financing of these projects will be as follows;

1. Water Supply Revolving Loan	\$2,687,854
2. ARRA Stimulus Funds (principal forgiven)	\$2,300,000
3. Ohio Public Works Commission	\$350,000

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mahoning Valley Sanitary District
Trumbull County
P.O. Box 4119
Youngstown, Ohio 44515

To the Board of Directors:

We have audited the financial statements of the business-type activities and each major fund of the Mahoning Valley Sanitary District, Trumbull County, (The District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management and Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 1, 2010



Mary Taylor, CPA
Auditor of State

**MAHONING VALLEY SANITARY DISTRICT
TRUMBULL COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 2, 2010**