



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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2008, 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 June 5, 2009, 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

June 5, 2009

The Mahoning Valley Sanitary District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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, 2008. 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, 2008

Unaudited

Financial Highlights

The District's net assets increased by \$908,691 or 7.50 percent. Program revenues accounted for \$14,742,002 or 96.62 percent of total revenues. General revenues were \$515,182 or 3.38 percent of total revenues. The District's Maintenance fund reported a positive fund balance of \$1,366,938, the Bond fund reported a positive fund balance of \$4,007,571 and the Bond Retirement fund reported a positive fund balance of \$7,658,062.

- The District's Board of Directors consists of 4 members, two from the City of Youngstown and two from the City of Niles. Jack Vaughn served as President of the Board for the majority of fiscal year 2008. Other Board members include; Matthew J. Blair, Niles mayoral appointment, Mark Memmer, Youngstown mayoral appointment, and James Sylvester, Niles 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 2008 saw continued efforts to complete projects that would not be considered annual maintenance, but more in line with capital improvement of the facility. 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 four new employees during 2008 to bring our total staff of hourly and salary employees to 53. This number includes two part-time reservoir patrolmen. The District's Board did terminate two employees this year and the new employees hired reflected the re-staffing of those positions that were open due to terminations. The District did not increase overall staffing but did fill open positions to maintain an optimum staffing level.
- In January of 2007 the Board of Directors adopted a program of improvement that was designated Amendment No. 4 to the Official Plan of the Mahoning Valley Sanitary District. The Official Plan of the District will in fiscal year 2009 be amended once again to reflect a change in the overall capital improvements that were first amended with Amendment No. 4. The District will be presenting to the Ohio EPA Amendment No. 5 of the Official Plan for review and approval.
- The Board, in its final meeting of fiscal year ended June 30, 2008, approved an Estimated Revenue and Expenditure budget for fiscal year 2009 in the amount of \$18,906,014.
- The following exhibit is the Amendment No. 5 to be presented to the Ohio EPA for approval. This plan is estimated to be submitted prior to the end of calendar year 2008.

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

The Mahoning Valley Sanitary District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

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 costs of these improvements is approximately \$61,868,156.

The end of our fiscal year, June 30, 2008, marked an historic 75th anniversary celebration of The Mahoning Valley Sanitary District's 1st day of business. On July 9, 1932 The Mahoning Valley Sanitary District began the purification of water and the delivery of potable water to its two member cities Youngstown and Niles. The Board of Directors and its entire staff committed time and effort to bring this important information to the public's awareness. For the first time in the District's history on a beautiful sunny and warm September Saturday, the Board and its staff welcomed the community in a day long celebration of its plant facility. The day long event included a very early morning start of a District supervised day of fishing for kids 12 and younger. Those youngsters lucky enough to catch a "Meander fish" were rewarded for their accomplishment with a picture of themselves and their "catch" on the District's website, meanderwater.org. The day of fishing advertised as a One Time Adventure was enjoyed by all.



Photo No. 2 – Two young girls enjoying the fish they caught.



Photo No. 3 – Another young man showing off the fish he caught.

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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In addition to the fishing extravaganza, the District's staff provided guided and informative tours at regularly timed intervals throughout the day. These tours were well received by the nearly 1,000 people who came to visit our facility to participate in the day's activities. The day was a grand success with 2,000 people touring and fishing at Meander Lake.



Photo No. 5 –Each person had to sign in prior to taking the plant tour.



Photo No. 4 – Plant Tours by Chief Engineer, Holloway

Following the successful in house launching of the District's 75th anniversary celebration, the Board of Directors in a joint and co-operative effort with the Cities of Youngstown and Niles embarked on a marketing plan to present The Mahoning Valley Sanitary District to its area residents as its "community water supply". The joint venture of the entities included the contracting of a local advertising firm that with the detailed and substantive input of senior management from the Cities and the District, formulated a marketing plan that described our facility and what it has provided for many years to our area. The District utilized all forms of media advertising to bring its long history and story to the local public. In addition to promoting the facility and the wonderful product that the District delivers, the marketing plan unveiled to the area a product name that was patented and registered in the State of Ohio with the Secretary of State. A kick-off press conference was held on the premises with many local and state officials attending.



Photo No. 6 – Trumbull County Commissioner, Polivika



Photo No. 7 –President of the Board of Directors, Vaughn

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

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.

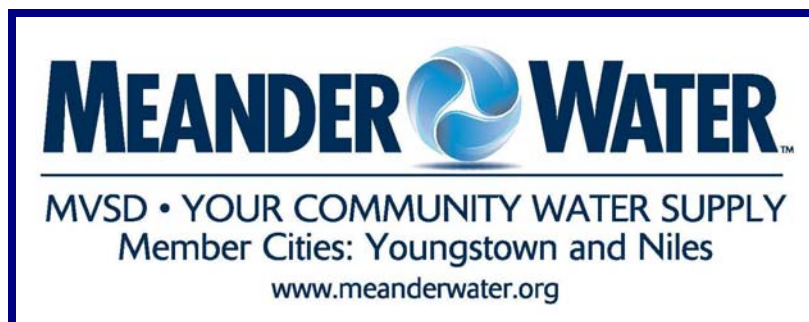


Image No. 1. – New Logo with Tag line and Website

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.

Major Capital Improvement projects completed during fiscal year 2008

- ✓ The Administration and Filter Gallery Roof System - Estimated costs of \$330,603 upon completion
- ✓ Removal and Land Application/Beneficial Reuse of Lime Sludge (cleaning sludge lagoons C, E and G) - Estimated costs of \$1,790,793 upon completion

The loan debt liability has been established with amortized loan agreements with the Ohio Water Development Authority/EPA/Water Pollution Control Loan Fund with an estimated total amount of \$2,121,396 upon completion.

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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 96.62 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.

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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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 2008 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 7.50 percent primarily as a result of funds collected in the year for debt service due July 2, 2008 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 2009 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 2008 compared to 2007 on a cash basis:

(Table 1)
Net Assets

	Business-Type Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalentents	\$13,032,571	\$12,123,880	\$908,691
Net Assets			
Restricted for:			
Debt Service	6,891,171	7,167,304	(276,133)
Other Purposes	1,292,133	1,248,965	43,168
Unrestricted	4,849,267	3,707,611	1,141,656
Total Net Assets	\$13,032,571	\$12,123,880	\$908,691

A portion of the District's net assets (62.79 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, 2008
Unaudited

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007.

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

	2008	2007	Change
Program Revenues			
Charges for Services	\$12,929,084	\$11,425,646	\$1,503,438
Capital Grants and Contributions	1,812,918	2,718,429	(905,511)
<i>Total Program Revenues</i>	<u>14,742,002</u>	<u>14,144,075</u>	<u>597,927</u>
General Revenues			
Investment Earnings	408,295	509,194	(100,899)
Miscellaneous	106,887	11,955	94,932
<i>Total General Revenues</i>	<u>515,182</u>	<u>521,149</u>	<u>(5,967)</u>
<i>Total Revenues</i>	<u>15,257,184</u>	<u>14,665,224</u>	<u>591,960</u>
Program Expenses			
Operating Expense	6,995,518	6,586,236	409,282
Construction of Facilities/Equipment	2,143,067	2,715,639	(572,572)
Bond Retirement	4,307,924	4,347,257	(39,333)
OWDA Loan Retirement	901,984	258,711	643,273
<i>Total Program Expenses</i>	<u>14,348,493</u>	<u>13,907,843</u>	<u>440,650</u>
<i>Change in Net Assets</i>	908,691	757,381	151,310
<i>Net Assets Beginning of Year</i>	<u>12,123,880</u>	<u>11,366,499</u>	<u>757,381</u>
<i>Net Assets End of Year</i>	<u>\$13,032,571</u>	<u>\$12,123,880</u>	<u>\$908,691</u>

Program revenues represent 96.62 percent of total receipts and are primarily user charges and assessments for services provided.

General revenues represent 3.38 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 debt.

The Board authorized an annual timber contract to Clear Lake Lumber which allows selected cutting of hardwood timber on District property. The District received \$62,880 for this timber sale.

The Board of Directors need to periodically seek additional operating/and or 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

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
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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 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 be in effect for three years and ending 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, 2008 and forward can be reasonably reduced without harm to the financial stability of the District. 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 for the entire period 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 2008	of Services 2008
Operating Expense	\$6,995,518	(\$123,974)
Construction of Facilities/Equipment	2,143,067	4,010,112
Bond Retirement	4,307,924	(2,590,645)
OWDA Loan Retirement	901,984	(901,984)
Total Expenses	\$14,348,493	\$393,509

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, 2008

Unaudited

Debt

At June 30, 2008 the District had \$33,760,000 in outstanding bonds payable and \$10,853,574 in outstanding OWDA loans payable. The District paid \$2,440,000 in principal on bonds and \$515,500 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 \$7,225,282 to fund the Filter Improvement Project titled Contract 181. The District also incurred loan debt liabilities for the Niles Standpipe Replacement Project in the amount of \$1,298,746 and the Head House Roof Project (Chemical Feed Building) in the amount of \$1,624,190. In fiscal year 2008, the District entered into two additional loan agreements with the Ohio Water Development Authority/Environmental Protection Agency for the Administration and Filter Building Roof Replacement Project and the WTP Lagoon Maintenance Project in the amounts of \$278,105 and \$1,336,236 thus far, respectively. All loans except for the Niles Standpipe Replacement Project loan 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, 2008.

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, 2008. However, the future financial stability of the District is not without challenges, especially in light of the major economic meltdown occurring in our country. Major and ongoing expense to a water purification plant built in 1926 is the rehabilitation or the replacement of obsolete infrastructure vital to the purification of water. One challenge for management is to ensure infrastructure can be preserved as long as possible without affecting our finished product. 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 apprised 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. Though the District employs a concise and reasonable five-year operating and capital investment forecast, adjustments would have to be made if further economic problems occur. The quality of our product cannot suffer regardless of economic circumstances that might force revenue forecasts to be revised downward. In these scenarios 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 new federal administration has offered hope to local governments across the country with plans to help improve the

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

infrastructure nationwide. 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. Short term help does not appear to be in the offering so prudent analysis of the economic environment will benefit the public sector as well as the private sector.

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, 2008

	<u>Business-Type Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,032,571</u>
Net Assets	
Restricted for:	
Debt Service	6,891,171
Other Purposes	1,292,133
Unrestricted	<u>4,849,267</u>
<i>Total Net Assets</i>	<u><u>\$13,032,571</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, 2008

	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	\$6,995,518	\$6,871,544	\$0	(\$123,974)
Construction of Facilities/Equipment	2,143,067	4,340,261	1,812,918	4,010,112
Bond Retirement	4,307,924	1,717,279	0	(2,590,645)
OWDA Loan Retirement	901,984	0	0	(901,984)
<i>Total</i>	<u>\$14,348,493</u>	<u>\$12,929,084</u>	<u>\$1,812,918</u>	<u>393,509</u>
General Receipts				
Investment Earnings				408,295
Miscellaneous				106,887
<i>Total General Receipts</i>				<u>515,182</u>
Change in Net Assets				908,691
<i>Net Assets Beginning of Year</i>				<u>12,123,880</u>
<i>Net Assets End of Year</i>				<u>\$13,032,571</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, 2008

	<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>\$1,366,938</u>	<u>\$4,007,571</u>	<u>\$7,658,062</u>	<u>\$13,032,571</u>
Net Assets				
Restricted for:				
Debt Service	0	112,782	6,778,389	6,891,171
Other Purposes	1,292,133	0	0	1,292,133
Unrestricted	<u>74,805</u>	<u>3,894,789</u>	<u>879,673</u>	<u>4,849,267</u>
<i>Total Net Assets</i>	<u><u>\$1,366,938</u></u>	<u><u>\$4,007,571</u></u>	<u><u>\$7,658,062</u></u>	<u><u>\$13,032,571</u></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, 2008*

	Maintenance Fund	Bond Fund	Bond Retirement Fund	Total
Operating Receipts				
Charges for Services	\$6,871,544	\$4,040,405	\$0	\$10,911,949
Special Assessments	0	0	1,717,279	1,717,279
Timber Sales	0	62,880	0	62,880
Royalties	0	164,992	0	164,992
Miscellaneous	0	11,281	0	11,281
<i>Total Operating Receipts</i>	<u>6,871,544</u>	<u>4,279,558</u>	<u>1,717,279</u>	<u>12,868,381</u>
Operating Disbursements				
Personal Services	3,680,828	0	0	3,680,828
Contractual Services	0	0	0	0
Materials and Supplies	2,795,870	0	0	2,795,870
Capital Outlay	394,856	489,246	0	884,102
Miscellaneous	42,200	9,780	1,481	53,461
<i>Total Operating Disbursements</i>	<u>6,913,754</u>	<u>499,026</u>	<u>1,481</u>	<u>7,414,261</u>
<i>Operating Income (Loss)</i>	<u>(42,210)</u>	<u>3,780,532</u>	<u>1,715,798</u>	<u>5,454,120</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous - Non Operating Revenue	0	95,606	0	95,606
Capital Charge - Non Operating Revenue	0	71,984	0	71,984
Capital Charge - Non Operating Expense	(71,984)	0	0	(71,984)
Capital Grants	0	159,097	0	159,097
Redemption of Principal	0	(515,500)	(2,440,000)	(2,955,500)
Interest and Fiscal Charges	0	(386,484)	(1,866,443)	(2,252,927)
Proceeds of EPA/OWDA Loan	0	1,653,821	0	1,653,821
EPA/OWDA Funds Disbursed	0	(1,653,821)	0	(1,653,821)
Investment Earnings	45,871	88,611	273,813	408,295
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(26,113)</u>	<u>(486,686)</u>	<u>(4,032,630)</u>	<u>(4,545,429)</u>
<i>Income (Loss) before Transfers</i>	<u>(68,323)</u>	<u>3,293,846</u>	<u>(2,316,832)</u>	<u>908,691</u>
Transfers In	121,983	0	2,475,873	2,597,856
Transfers Out	0	(2,475,873)	(121,983)	(2,597,856)
<i>Change in Net Assets</i>	<u>53,660</u>	<u>817,973</u>	<u>37,058</u>	<u>908,691</u>
<i>Net Assets Beginning of Year</i>	<u>1,313,278</u>	<u>3,189,598</u>	<u>7,621,004</u>	<u>12,123,880</u>
<i>Net Assets End of Year</i>	<u>\$1,366,938</u>	<u>\$4,007,571</u>	<u>\$7,658,062</u>	<u>\$13,032,571</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, 2008

Note 1 - Reporting Entity

The Mahoning Valley Sanitary District, Trumbull County (the District), is a political subdivision of the State 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 position of Secretary and Treasurer was combined on January 15, 1997. The Secretary/Treasurer is the fiscal officer of the District and 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, 2008

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

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, 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, 2008

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.

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 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.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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.

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.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, \$9,042,367 of the District's bank balance of \$9,342,367 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment 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, 2008, the District had an investment in Treasury Bills with a carrying and fair value of \$3,846,964, and a maturity of November 13, 2008. 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, 2008.

Note 4 - Contingencies

A. Grants

The District receives financial assistance from federal 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 general 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, 2008.

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.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, the District contracted with Love Insurance for various types of insurance coverage as follows:

Type	Coverage	Deductible
Inland Marine	\$782,804	\$1,000
Property	75,347,924	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 \$498.79 per month, husband and wife coverage of \$1,096.33 per month, and full family coverage of \$1,539.75 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 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 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, 2008, the members of all three plans were required to contribute 10.0 percent of their annual salaries.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The District's contribution rate for pension benefits for the period from July 1 through December 31, 2007, was 13.85 percent; for the period from January 1 through June 30, 2008 the rate increased to 14.0 percent. For all of fiscal year 2008, a portion of the District's contribution equal to 6 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined.

The District's required contributions for pension obligations to the traditional and combined plans for the fiscal years ended June 30, 2008, 2007, and 2006 were \$189,397, \$202,703, and \$204,608, respectively; 100 percent has been contributed for 2008, 2007 and 2006. There were no contributions to the member-directed plan for 2008.

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 the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 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 contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. For the period from July 1 through December 31, 2007, local government employers contributed 13.85 percent of covered payroll; for the period from January 1 through June 30, 2008 this increased to 14.0 percent. 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 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 6.00 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payments amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$143,392, \$106,686 and \$92,756 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which 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%	7,225,282	2026
Niles Standpipe Replacement	3.25%	1,298,746	2027
Chemical Feed Building Roof	3.25%	1,624,190	2027
Administration & Filter Building Roof	4.47%	330,603	2028
WTP Lagoon Maintenance	3.36%	1,790,793	2018

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

	Balance 06/30/07	Additions	Reductions	Balance 06/30/08	Amounts Due in One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Sanitary District Series 1998	\$13,355,000	\$0	(\$1,070,000)	\$12,285,000	\$1,135,000
<i>Water Mortgage Revenue Bonds</i>					
Series 1999	22,845,000	0	(1,370,000)	21,475,000	1,450,000
<i>EPA/OWDA Loans</i>					
Filter System Improvement	6,815,163	31,200	(404,545)	6,441,818	0
Niles Standpipe Replacement	1,278,401	20,345	(46,990)	1,251,756	48,529
Chemical Feed Building Roof	1,609,624	0	(58,765)	1,550,859	0
Administration & Filter Building Roof	0	278,105	(5,200)	272,905	0
WTP Lagoon Maintenance	0	1,336,236	0	1,336,236	0
<i>Total EPA/OWDA Loans</i>	<u>9,703,188</u>	<u>1,665,886</u>	<u>(515,500)</u>	<u>10,853,574</u>	<u>48,529</u>
Total Business-Type Activities	<u>\$45,903,188</u>	<u>\$1,665,886</u>	<u>(\$2,955,500)</u>	<u>\$44,613,574</u>	<u>\$2,633,529</u>

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, 2008 was \$12,285,000.

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, 2008 was \$21,475,000. As of June 30, 2008, 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, 2008, restricted the District's bond retirement fund assets held in the Bond retirement fund in an amount of \$1,292,133.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$7,225,282 for improvements to the filtration system approved by the Ohio EPA, \$1,298,746 for replacement of the Niles Standpipe, \$1,624,190 for the replacement of the Chemical Feed roof, \$330,603 for the replacement of the Administration and Filter Building roof and \$1,790,793 for the WTP Lagoon Maintenance project. All loans except for the Niles Standpipe loan have not been finalized and therefore the repayment schedules for these loans are not included in the schedule of debt service payments.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2008 are as follows:

	Business-Type Activities					
	General Obligation Bonds		Water Mortgage Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$1,135,000	\$567,925	\$1,450,000	\$1,167,808	\$48,529	\$40,291
2010	1,185,000	518,625	1,545,000	1,079,817	50,120	38,701
2011	1,235,000	466,428	1,630,000	991,452	51,761	37,059
2012	1,280,000	410,612	1,720,000	902,225	53,458	35,363
2013	1,360,000	346,963	1,815,000	806,780	55,209	33,611
2014 - 2018	6,090,000	643,444	10,765,000	2,343,499	304,394	139,709
2019 - 2023	0	0	2,550,000	73,313	357,636	86,467
2024 - 2027	0	0	0	0	330,649	24,633
Total	\$12,285,000	\$2,953,997	\$21,475,000	\$7,364,894	\$1,251,756	\$435,834

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, the bond fund transferred \$2,475,873 to the bond retirement fund to provide money for debt service payments. The bond retirement fund transferred \$121,983 to the maintenance fund for the emergency purchase of a raw water screen used for processing water.

Note 10 – Subsequent Events

The Board of Directors of the Mahoning Valley Sanitary District applied for a Water Supply Revolving Loan to fund the Design & Engineering of three (3) Capital Improvement Projects anticipated to commence in the near term. In July 2008 the Ohio Water Development Authority informed the Mahoning Valley Sanitary District that the loan had been approved and the funds were encumbered in the amount of \$1,676,889.

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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 Mahoning Valley Sanitary District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 5, 2009



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
JUNE 30, 2009