



Mary Taylor, CPA
Auditor of State

**MAHONING VALLEY SANITARY DISTRICT
TRUMBULL COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Mahoning Valley Sanitary District
Trumbull County
1181 Ohltown McDonald Road
Mineral Ridge, Ohio 44446

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, 2007, 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, 2007, and the respective changes in modified 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 22, 2008 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.

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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 22, 2008

The Mahoning Valley Sanitary District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

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, 2007. 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 Dam

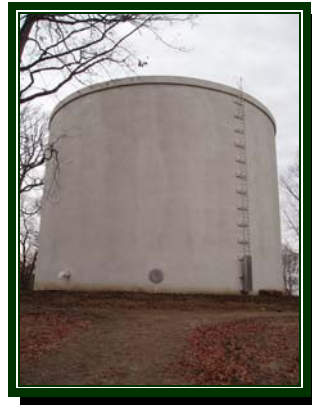


Photo No. 2 – Completed Niles Standpipe Project

Financial Highlights

The District's net assets increased by \$757,381 or 6.66 percent. Program revenues accounted for \$14,144,075 or 96.45 percent of total revenues. General revenues were \$521,149 or 3.55 percent of total revenues. The District's Maintenance fund reported a positive fund balance of \$1,313,278, the Bond fund reported a positive fund balance of \$3,189,598 and the Bond Retirement fund reported a positive fund balance of \$7,621,004.

- The District's Board of Directors consists of 4 members, two from the City of Youngstown and two from the City of Niles. James Sylvester served as President of the Board for the majority of fiscal year 2007. Other Board members include; Matthew J. Blair, Niles mayoral appointment. Ted Szmaj, Youngstown mayoral appointment and Jack Vaughn, Youngstown city council appointment.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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- 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.
 - Fiscal year 2007 saw the completion of three capital improvement projects that had been planned and started in the previous fiscal year. The filter improvement project, the Head House Roof project and the Niles Standpipe project were all completed in fiscal year 2007.
 - The Board of Directors hired five new employees during 2007 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 process to replace this employee is ongoing.
 - 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 following Exhibit A attachment to the Judgment Approving the Amendment to the Official Plan by the Court of Common Pleas summarizes the new plan.
 - The Board in its final meeting of fiscal year ending June 30, 2007, approved an Estimated Revenue and Expenditure budget for fiscal year 2008 in the amount of \$14,517,293.

AMENDMENT NO. 4 TO THE OFFICIAL PLAN OF THE MAHONING VALLEY SANITARY DISTRICT

This District's Amendment No. 4 to the Official Plan involves the following projects and estimated project costs. The costs were estimated in 2005 and might be slightly higher in some instances. The proposed capital improvements to be implemented are:

- 1) Addition of two new Settling Basins – These improvements would involve the addition of two new settling basins and the installation and improvements to the chemical rapid mix equipment and chambers. Estimated Project Costs are \$5,500,000. This Project is partially designed, with work suspended in 1997.
- 2) Re-carbonation System – This improvement calls for the addition of a re-carbonation 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 \$5,600,000. This project is partially designed, with work suspended in 1997.
- 3) Rehabilitation of Existing Settling Basin – This improvement involves the renovation of six existing settling basins. These renovations would involve repairing the existing concrete tanks, replacing the revolving settling equipment within the tank, plumbing and electrical improvements, and miscellaneous system improvements. Estimated Project Costs are \$11,500,000. This project is partially designed, with work suspended in 1997.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

- 4) 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 \$6,000,000. This project is partially designed, with work suspended in 1997.
- 5) 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 \$1,200,000.
- 6) 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 \$2,500,000.
- 7) Berlin Pump Station Improvements – This project will involve the renovation of MVSD'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 \$2,200,000.
- 8) Miscellaneous Building Repairs – These improvements would allow for window, 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. The Estimated Project Cost is \$2,500,000.
- 9) Administration Building Renovations – These improvements will allow for 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 Improvement Project was scaled back. Estimated Project Costs are \$3,000,000.
- 10) Distribution Piping and Valving and Venturi Meter Replacement Improvements – This calls for 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 Estimated Project Costs are \$16,000,000.
- 11) Sludge Process Improvements – These improvements would involve the cleaning and disposal of lime sludge from four Lagoons. The Estimated Project Costs are \$4,000,000.
- 12) The total costs of the above projects are approximately \$60,000,000.

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Major Capital Improvement projects completed during Fiscal Year 2007

The Mahoning Valley Sanitary District ("MVSD") completed 3 major capital improvement projects during the 2007 fiscal year. The following summarizes the estimated total loan debt liability that the District incurred with these projects.

- Filter Improvement project – Estimated costs of \$7,225,282
- Head House Roof Repair project – Estimated costs of \$1,624,190
- Niles Standpipe project – Estimated costs of \$1,347,637

The loan debt liability has been established with loan agreements with the Ohio Water Development Authority/Environmental Protection Agency with an estimated total amount of \$10,197,109.

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 96.45 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 include the collection of delinquent accounts 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.

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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 2007 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 6.66 percent primarily as a result of funds collected in the year for debt service due July 2, 2007 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.

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to 2006 on a cash basis:

(Table 1)
Net Assets

	Business-Type Activities		
	2007	2006	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$12,123,880	\$11,366,499	\$757,381
Net Assets			
Restricted for:			
Debt Service	7,167,304	7,331,681	(164,377)
Other Purposes	1,248,965	1,094,200	154,765
Unrestricted	3,707,611	2,940,618	766,993
Total Net Assets	\$12,123,880	\$11,366,499	\$757,381

A portion of the District's net assets (69.42 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, 2007
Unaudited

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006.

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

	2007	2006	Change
Program Revenues			
Charges for Services	\$11,425,646	\$10,935,906	\$489,740
Capital Grants and Contributions	2,718,429	6,043,780	(3,325,351)
<i>Total Program Revenues</i>	<u>14,144,075</u>	<u>16,979,686</u>	<u>(2,835,611)</u>
General Revenues			
Investment Earnings	509,194	379,598	129,596
Miscellaneous	11,955	64,034	(52,079)
<i>Total General Revenues</i>	<u>521,149</u>	<u>443,632</u>	<u>77,517</u>
<i>Total Revenues</i>	<u>14,665,224</u>	<u>17,423,318</u>	<u>(2,758,094)</u>
Program Expenses			
Operating Expense	6,586,236	6,418,327	167,909
Construction of Facilities/Equipment	2,715,639	6,062,271	(3,346,632)
Bond Retirement Fund	4,347,257	4,325,936	21,321
OWDA Loan Retirement	258,711	0	258,711
<i>Total Program Expenses</i>	<u>13,907,843</u>	<u>16,806,534</u>	<u>(2,898,691)</u>
Special Item			
Lawsuit Settlement	0	(69,500)	69,500
<i>Change in Net Assets</i>	757,381	547,284	210,097
<i>Net Assets Beginning of Year</i>	<u>11,366,499</u>	<u>10,819,215</u>	<u>547,284</u>
<i>Net Assets End of Year</i>	<u>\$12,123,880</u>	<u>\$11,366,499</u>	<u>\$757,381</u>

Program revenues represent 96.45 percent of total receipts and are primarily user charges and assessments for services provided.

General revenues represent 3.55 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 \$61,192 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

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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 forecast does reflect a need for additional operating resources beginning with fiscal year 2008.

The Board of Directors acted upon the need for additional operating and capital improvement expenditures by initiating the rate review process early on in fiscal year 2007. The process began with Amendment No. 4 to the Official Plan. This amendment changed the overall scope of the improvements the District had established as primary for the rehabilitation of the plant facilities. This plan was presented to our Court of Jurisdiction and the Court approved said plan with its judgment entry of March 1, 2007. During the fiscal year the Board of Directors provided detailed cost schedules of capital improvement projects that were necessary to be started and completed within the next three year rate schedule beginning July 1, 2007 to our member cities, Youngstown and Niles and to the Village of McDonald. Over the course of the fiscal year presentations were made to our member city officials detailing projected operating expenses required for the next three years. This entirely open process with our member cities culminated in an approved increase to our water revenue flow by the Court of Jurisdiction effective July 1, 2007. The rates 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, 2007 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 flow 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. The table 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
	2007	2007
Operating Expense	\$6,586,236	(\$117,163)
Construction of Facilities/Equipment	2,715,639	3,234,319
Bond Retirement	4,347,257	(2,622,213)
OWDA Loan Retirement	258,711	(258,711)
Total Expenses	\$13,907,843	\$236,232

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.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Capital Assets

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

Debt

At June 30, 2007 the District had \$36,200,000 in outstanding bonds payable and \$9,703,188 in outstanding OWDA loans payable. The District paid \$2,360,000 in principal on bonds outstanding during the fiscal year. As reported last year the District entered into a loan agreement with the Ohio Water Development Authority/Environmental Protection Agency in the amount of \$7,225,282 over a twenty year period to fund the Filter Improvement Project titled Contract 181; the loan, has not been finalized, the repayment schedule is not included in the schedule of debt service payments. The Water System Design loan agreement was closed in fiscal year 2007 and the remaining balance was rolled into the Niles Standpipe Replacement loan. In the prior fiscal year, a portion of the Water System Design loan was rolled into the Head House Roof loan. The District also incurred future loan debt liability for the Niles Standpipe Replacement Project in a projected loan amount of \$1,347,637. Furthermore, the District has a future debt liability upon the completion of the Head House Roof Project (Chemical Feed Building) in the amount of \$1,624,190. These loans have not been finalized and therefore the repayment schedules are not included in the schedule of debt service payments.

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. However, the future financial stability of the District is not without challenges. Major 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 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 can be 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 proved to be very beneficial to all entities. As stated earlier in this discussion our member cities and the District agreed to 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.

Another challenge of the District would be the local economy. Our area has experienced very little growth. Since the demise of the steel industry in the Mahoning Valley, major adjustments have had to be made in private industry as well as in the public sector. Even with 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.

The Mahoning Valley Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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 box 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.

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.

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The Mahoning Valley Sanitary District

Statement of Net Assets - Cash Basis

June 30, 2007

	<u>Business-Type Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$12,123,880</u>
Net Assets	
Restricted for:	
Debt Service	7,167,304
Other Purposes	1,248,965
Unrestricted	<u>3,707,611</u>
<i>Total Net Assets</i>	<u><u>\$12,123,880</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, 2007

	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	\$6,586,236	\$6,469,073	\$0	(\$117,163)
Construction of Facilities/Equipment	2,715,639	3,231,529	2,718,429	3,234,319
Bond Retirement	4,347,257	1,725,044	0	(2,622,213)
OWDA Loan Retirement	258,711	0	0	(258,711)
<i>Total</i>	<u>\$13,907,843</u>	<u>\$11,425,646</u>	<u>\$2,718,429</u>	<u>236,232</u>
General Receipts				
Investment Earnings				509,194
Miscellaneous				11,955
<i>Total General Receipts</i>				<u>521,149</u>
Change in Net Assets				757,381
<i>Net Assets Beginning of Year</i>				<u>11,366,499</u>
<i>Net Assets End of Year</i>				<u>\$12,123,880</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, 2007

	<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>\$1,313,278</u>	<u>\$3,189,598</u>	<u>\$7,621,004</u>	<u>\$12,123,880</u>
Net Assets				
Restricted for:				
Debt Service	0	301,541	6,865,763	7,167,304
Other Purposes	1,248,965	0	0	1,248,965
Unrestricted	<u>64,313</u>	<u>2,888,057</u>	<u>755,241</u>	<u>3,707,611</u>
<i>Total Net Assets</i>	<u><u>\$1,313,278</u></u>	<u><u>\$3,189,598</u></u>	<u><u>\$7,621,004</u></u>	<u><u>\$12,123,880</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, 2007*

	Maintenance Fund	Bond Fund	Bond Retirement Fund	Total
Operating Receipts				
Charges for Services	\$6,469,073	\$2,989,767	\$0	\$9,458,840
Special Assessments	0	0	1,725,044	1,725,044
Timber Sales	0	61,192	0	61,192
Royalties	0	107,497	0	107,497
Miscellaneous	0	11,955	0	11,955
<i>Total Operating Receipts</i>	<u>6,469,073</u>	<u>3,170,411</u>	<u>1,725,044</u>	<u>11,364,528</u>
Operating Disbursements				
Personal Services	3,464,360	41,027	0	3,505,387
Contractual Services	0	41,287	0	41,287
Materials and Supplies	2,651,506	141,254	0	2,792,760
Capital Outlay	147,566	557,668	0	705,234
Miscellaneous	22,157	4,006	2,258	28,421
<i>Total Operating Disbursements</i>	<u>6,285,589</u>	<u>785,242</u>	<u>2,258</u>	<u>7,073,089</u>
<i>Operating Income</i>	<u>183,484</u>	<u>2,385,169</u>	<u>1,722,786</u>	<u>4,291,439</u>
Non-Operating Receipts (Disbursements)				
Capital Charge - Non Operating Revenue	0	73,073	0	73,073
Capital Charge - Non Operating Expense	(73,073)	0	0	(73,073)
Capital Grants	0	560,458	0	560,458
Redemption of Principal	0	(258,711)	(2,360,000)	(2,618,711)
Interest and Fiscal Charges	0	0	(1,984,999)	(1,984,999)
Proceeds of EPA/OWDA Loan	0	2,157,971	0	2,157,971
EPA/OWDA Funds Disbursed	0	(2,157,971)	0	(2,157,971)
Investment Earnings	73,316	91,455	344,423	509,194
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>243</u>	<u>466,275</u>	<u>(4,000,576)</u>	<u>(3,534,058)</u>
<i>Income (Loss) before Transfers</i>	183,727	2,851,444	(2,277,790)	757,381
Transfers In	0	0	2,492,188	2,492,188
Transfers Out	0	(2,492,188)	0	(2,492,188)
<i>Change in Net Assets</i>	183,727	359,256	214,398	757,381
<i>Net Assets Beginning of Year</i>	<u>1,129,551</u>	<u>2,830,342</u>	<u>7,406,606</u>	<u>11,366,499</u>
<i>Net Assets End of Year</i>	<u>\$1,313,278</u>	<u>\$3,189,598</u>	<u>\$7,621,004</u>	<u>\$12,123,880</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, 2007

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, 2007

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, 2007

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 2007, investments were limited to federal national mortgage association notes and 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, 2007

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, 2007

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, 2007

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, \$6,914,996 of the District's bank balance of \$7,114,996 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, 2007, the District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$1,335,500	December 13, 2007
Treasury Bills	<u>3,845,482</u>	November 15, 2007
Total Portfolio	<u><u>\$5,180,982</u></u>	

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.

Credit Risk. The Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's. The District has no investment policy that addresses credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. The Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2007:

<u>Investments</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association Notes	25.78%
Treasury Bills	74.22%

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, 2007.

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 2007, the District contracted with Love Insurance for various types of insurance coverage as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Inland Marine	\$770,284	\$1,000
Property	70,625,621	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.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Healthcare is provided through Medical Mutual with single coverage of \$540.67 per month, husband and wife coverage of \$1,081.34 per month, and full family coverage of \$1,569.32 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

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.

For the fiscal year ended June 30, 2007, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The District's contribution rate for pension benefits for fiscal year 2007 was 13.7 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, 2007, 2006, and 2005 were \$322,496, \$303,872, and \$285,734, respectively; 100 percent has been contributed for 2007, 2006 and 2005. There were no contributions to the member-directed plan for 2007.

Note 7 – Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for fiscal year 2007 which were used to fund postemployment benefits were \$157,742. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow 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:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
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
Water System Design	3.20%	202,362	2007
Niles Standpipe Replacement	3.25%	1,347,637	2027
Chemical Feed Building Roof	3.25%	1,624,190	2027

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

	Balance 06/30/06	Additions	Reductions	Balance 06/30/07	Amounts Due in One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Sanitary District Series 1998	\$14,415,000	\$0	(\$1,060,000)	\$13,355,000	\$1,070,000
<i>Water Mortgage Revenue Bonds</i>					
Series 1999	24,145,000	0	(1,300,000)	22,845,000	1,370,000
<i>EPA/OWDA Loans</i>					
Filter System Improvement	6,858,040	215,834	(258,711)	6,815,163	0
Water System Design	46,975	5,096	(52,071)	0	0
Niles Standpipe Replacement	0	1,278,401	0	1,278,401	0
Chemical Feed Building Roof	846,285	768,435	(5,096)	1,609,624	0
<i>Total EPA/OWDA Loans</i>	<u>7,751,300</u>	<u>2,267,766</u>	<u>(315,878)</u>	<u>9,703,188</u>	<u>0</u>
Total Business-Type Activities	<u><u>\$46,311,300</u></u>	<u><u>\$2,267,766</u></u>	<u><u>(\$2,675,878)</u></u>	<u><u>\$45,903,188</u></u>	<u><u>\$2,440,000</u></u>

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 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, 2007 was \$22,845,000. As of June 30, 2007, 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, 2007, restricted the District's bond retirement fund assets held in the Bond retirement fund in an amount of \$1,368,250.

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, \$202,362 for the Water System Design Loan, \$1,347,637 for replacement of the Niles Standpipe and \$1,624,190 for the replacement

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

of the Chemical Feed roof; however, since these loans have not been finalized, the repayment schedules are not included in the schedule of debt service payments.

During 2007, the District transferred funds in the amount of \$5,096 from the Chemical Feed Building Roof Loan to the Water System Design Loan. These funds were treated as proceeds for the Water System Design Loan and were used to reduce the principal amount on the Chemical Feed Building Roof Loan as reflected in the long-term obligations schedule.

During 2007, the District transferred funds in the amount of \$52,071 from the Water System Design Loan to the Niles Standpipe Loan. These funds were treated as proceeds for the Niles Standpipe Loan and were used to reduce the principal amount on the Water System Design Loan as reflected in the long-term obligations schedule.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2007 are as follows:

	Business-Type Activities			
	General Obligation		Water Mortgage Revenue	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2008	1,070,000	614,781	1,370,000	1,251,662
2009	1,135,000	567,925	1,450,000	1,167,808
2010	1,185,000	518,625	1,545,000	1,079,817
2011	1,235,000	466,428	1,630,000	991,452
2012	1,280,000	410,612	1,720,000	902,225
2013 - 2017	7,450,000	990,407	10,175,000	2,934,511
2018 - 2019	0	0	4,955,000	289,081
Total	<u>\$13,355,000</u>	<u>\$3,568,778</u>	<u>\$22,845,000</u>	<u>\$8,616,556</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 2007, the bond fund transferred \$2,492,188 to the bond retirement fund to provide money for debt service payments.

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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
1181 Ohltown McDonald Road
Mineral Ridge, Ohio 44440

To the Board of Directors:

We have audited the financial statements 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2008. 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.

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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 the 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

February 22, 2008



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
APRIL 1, 2008**