



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
1181 Ohltown McDonald Road
Mineral Ridge, Ohio 44440

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Mahoning Valley Sanitary District, Trumbull County, (the District) as of and for the ended June 20, 2006, 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 an opinion 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 opinion.

As described 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 of the Mahoning Valley Sanitary District, Trumbull County, Ohio, as of June 30, 2006 and the respective changes in cash financial position thereof 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 April 5, 2007 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 5, 2007

The Mahoning Valley Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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, 2006. The Mahoning Valley Sanitary District ("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!



Photo No. 1 – Meander Creek Reservoir Shorelines



Photo No. 2 – Unofficial Fish and Game Refuge

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.

Financial Highlights

The District's net assets increased by \$547,284 or 5.06 percent. Program revenues accounted for \$17,002,719 or 97.46 percent of total revenues. General revenues were \$443,632 or 2.54 percent of total revenues. The District's Maintenance fund reported a positive fund balance of \$1,129,551, the Bond fund reported a positive fund balance of \$2,830,342 and the Bond Retirement fund reported a positive fund balance of \$7,406,606.

- The District's Board of Directors consists of 4 members, two from the City of Youngstown and two from the City of Niles. Ted Szmaj served as President of the Board for the majority of fiscal year 2006. Director Harry Johnson resigned his position as Director on January 31, 2006. His position was not

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*Management's Discussion and Analysis
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filled by the City council of Youngstown until June 7, 2006 when Attorney Jack Vaughn was appointed a Director for a term of 3 years.

- Edward S. McCormick retired as June 30, 2006 after 30 years at the District. The last 3 years as Superintendent of Purification. The Board appointed Joseph Paris as Superintendent of Purification and Keith D. Rees as Chief of Operations.
- The Board annually advertises for bids on Chemicals that are needed in the purification process. Upon receipt of this year's bids at the end of fiscal year 2006, for chemicals to be used in 2006-2007 it has been determined that chemical costs will be considerably higher than what was anticipated. Higher fuel/energy costs in the production of the chemicals we use have been determined as the major factor in these higher chemical costs for the following fiscal year.
- At the beginning of the fiscal year approximately 36 percent of Contract 181 (E) was completed and nearly 100 percent of Contract 181 (A) was completed.
- Inspection reports were being submitted to the Board of Directors regarding the rehabilitation or replacement of the Niles Standpipe by the engineering consulting firm, DLZ, Inc. In the previous year the District applied for and received a design loan for this project.
- The District's consulting engineer for the Head House Roof Replacement projects submitted their preliminary drawings on this project.
- The Board's major points of review during this fiscal year have been the completion of Contract 181, filter building renovations and the proper startup of two additional projects, the Niles Standpipe Replacement project and the Head House Roof Replacement Project.
- The sludge removal contract to Burch-Hydro was completed and funds necessary to complete the job were appropriated at the August 2005 meeting of the Board.
- During the course of the fiscal year the Board established with several job classification hires, a full staff as requested by management to meet the operational and maintenance needs of the District. Through the course of this fiscal year and the beginning of fiscal year 2007 this full complement of District staff has been maintained.
- The Board advertised Estimated Active and Inactive and Interim funds from October 2005 to October of 2010. Bids were accepted and all active funds have been awarded to Sky Bank and said depository will safekeep the District's funds for this period. This is a process the District carries out every odd numbered year, and it should be noted for the first time the Board and Treasurer have will have a depository contract for a five year span.
- The Board requested and received an in depth presentation from Ted Ricci and Bethany Pugh of Public Financial Management Corporation. The presentation was their concept regarding a Capital Improvement Plan Policy Framework and Recommendation along with a fiscal 2005 Model update reflecting their Capital Improvement framework policy.
- The Board approved pre-applications for Issue II funds that the District designated for the High Service Pump Station Project.

The Mahoning Valley Sanitary District

*Management's Discussion and Analysis
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- The Board approved the final loan agreement to fund the Head House Roof Niles Standpipe Projects.
- In July of 2006 the Board approved the Local 1649 AFSCME Bargaining Agreement effective through June 30, 2009.
- The Board awarded contract G-023 to Hively Construction, Komar Plumbing, and Roth Bros as contractors to complete the Head House Roof Project. The contracts totaled \$1,228,405 subject to properly submitted and approved changeorders.
- The Board of Directors authorized legal action with an Intervention into the Public Utilities Case involving Aqua Ohio, Inc.
- The Board of Directors, upon recommendation by legal counsel, settled the lawsuit with the engineering firm, Schmidt Associates, Inc. The total amount of the settlement was \$69,500.
- The Board of Directors also authorized legal action by intervening in the Trumbull County/Aqua Ohio Inc. lawsuit.
- In May of 2006, the Board entered into an agreement with Great Lakes Construction Company to use District land for a staging and dock facility for their work on the ODOT expansion of the roadway bridge over the Meander Reservoir.
- The Board in its final meeting of fiscal year ending June 30, 2006, approved an Estimated Revenue and Expenditure budget of estimated revenues of \$16,043,460.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Project Highlights

The Mahoning Valley Sanitary District ("MVSD") entered into several contracts during fiscal year 2006. The table below lists the contracts and projects that were entered into during the year ending June 30, 2006.

R-No.	Award Date	Contract No.	Name of Company	Final Accepted Bid/Contract Amount
5503	7/27/05	G-020	R.W. Sidley	\$42,160.00
5504	7/27/05	G-022	All Service Contracting Corporation	\$12,689.00
5506	8/24/05	G-018	Burch-Hydro, Inc.	\$128,726.40
5513	9/21/05	G-019	Hickman Lumber	\$48,733.00
5517	10/26/05		Patterson Pump Co.	\$9,922.00
5518	10/26/05	G-025	Roth Bros.	\$29,500.00
5521	10/26/05	G-026	Mahoning Valley Fab, Inc.	\$16,731.50
5525	1/25/06	G-023 (A)	Hively Construction	\$586,605.00
5526	1/25/06	G-023 (B)	Komar Plumbing	\$90,400.00
5527	1/25/06	G-023 (C)	Roth Brothers	\$549,000.00
5536	3/30/06	G-027	Natgun Corp.	\$1,453,212.75
5537	3/30/06	G-028	Wester Reserve Mechanical	\$25,574.00
5538	3/30/06	G-028	Air Cleaning Systems Inc.	\$35,812.00
5539	3/30/06	G-028	Quadrant PHS, Inc.	\$52,950.00
5544	4/26/06	M-419	Huron Lime Co.	\$126.33/ton
5545	4/26/06	M-420	Univar USA, Inc.	\$266.00/ton
5546	4/26/06	M-421	Jones Chemical	\$429.00/ton
5547	4/26/06	M-422	LCl, Inc.	\$240.00/ton
5548	4/26/06	M-423	Airgas	\$840.00/ton
5549	4/26/06	M-424	Delta Chemicals	\$397.00/ton
5550	4/26/06	M-425	Univar USA, Inc.	\$3,448.00/ton
5551	4/26/06	M-426	Norit Americas, Inc.	\$676.00/ton
5552	4/26/06	M-427	Bonded Chemicals	\$2,310.00/ton
5553	4/26/06	G-029	R.W. Sidley	\$51,640.00
5554	4/26/06	G-030	All Service Contracting Corporation	\$17,611.00
5560	5/24/06	G-031	Industrial Waste Control	\$65,760.00

Niles Standpipe Replacement Project:

One of the larger projects was the replacement of the Niles Standpipe which was awarded to Natgun Corporation in the amount of \$1,452,213. MVSD owns and operates a 1.5MG standpipe for the Niles distribution system which is used for equalization storage. The water level in the standpipe is controlled by the MVSD plant and is maintained at 22 feet below the overflow elevation to avoid over-pressurization of the Niles distribution system.

The original tank was constructed in the 1930's and was in need of some maintenance repairs due to the age. The MVSD's Niles Standpipe is located adjacent to the City of Niles' Stevens Park between Crandon and Hogarth Avenues in the City of Niles.

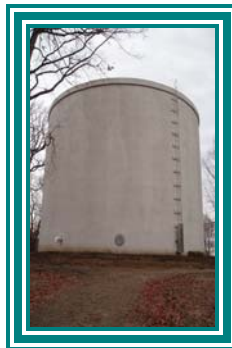
The Mahoning Valley Sanitary District

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The project consisted of a new 1.5mg water storage standpipe 72 feet in diameter and 50 feet high; and the renovation on an existing Gate House Building. Renovation to the Gate House included a new roof, a new door, replacement of the electrical system, installation of a heating system and new telemetry.

The larger standpipe will provide for more efficient operation of the Stevens booster station and the MVSD high service pumping. The MVSD will be able to supply the City of Niles with anticipated future water demand and provide an effective distribution system operation.

This project began in the early spring of 2006 and was completed in late fall of 2006.



Niles Standpipe



Niles Gatehouse

Head House Roof Project (Chemical Feed Building):

This project was awarded to Hively Construction Co. as the general contractor in the amount of \$586,605; Komar Plumbing in the amount of \$90,400; and Roth Bros. in the amount of \$549,000.

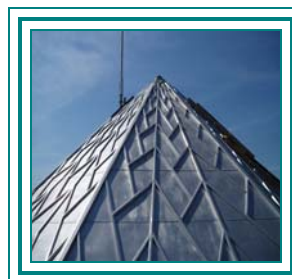
The Head House Building is a historic structure built in the early 1930's. The Head House Roof Improvement Project involved the replacement of various roof level sections, skylights, clerestories and appurtenances, roof drains and downspout system and roof access improvements to the building that houses the chemical feed systems and water treatment processes (rapid mix, flocculation and settling).



**Condition of the roof
prior to construction**



**Head House Roof
after construction**



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Filter System Improvement Project:

This project was an ongoing one that began in the fall of 2004 and continued through fiscal year 2006.

The equipment associated with filtration in the Water Purification and Pumping Works had exceeded its normal design life resulting in numerous problems affecting efficient operation.

The project consisted of the following elements:

1. Replacement of the effluent rate of flow control valves
2. Replacement of the influent and drain valves
3. Replacement of backwash valves on individual filters
4. Replacement of individual filter surface wash systems and surface wash rate supply piping
5. Replacement of filter to waste gate valves
6. Addition of 16 filter consoles
7. Addition of standby generator
8. Electrical and mechanical improvements to the existing assembly room and filter gallery

In addition to the above, three additional elements were needed to complete the filtration system improvements:

1. Pipe gallery heating and ventilation
2. Incorporation of individual filter operating data into an existing central computer monitoring station
3. Interior renovations including:
 - a. Replacement of light fixtures over the filters
 - b. Cleaning and painting of the Filter Gallery piping and interior surfaces



New Filter Console

The project will optimize filter performance and provide MVSD operators the ability to fulfill the intent of the Interim Enhanced Surface Water Treatment Rule (IESWTR) while providing a potable and reliable water service.

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.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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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 97.46 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.

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 2006 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 5.06 percent primarily as a result of funds collected in the year for Debt service due July 2, 2006 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, as well as the unfortunate death of an employee whose position was not filled until the following fiscal year.

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Business-Type Activities		
	2006	2005	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,366,499	\$10,819,215	\$547,284
Net Assets			
Restricted for:			
Other Purposes	1,185,942	1,075,377	110,565
Unrestricted	10,180,557	9,743,838	436,719
Total Net Assets	\$11,366,499	\$10,819,215	\$547,284

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

A portion of the District's net assets (10.43 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.

Table 2 shows the changes in net assets for fiscal year 2006 compared to 2005.

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

	2006	2005	Change
Program Revenues			
Charges for Services	\$10,935,906	\$9,742,944	\$1,192,962
Capital Grants and Contributions	6,066,813	2,255,084	3,811,729
<i>Total Program Revenues</i>	<u>17,002,719</u>	<u>11,998,028</u>	<u>5,004,691</u>
General Revenues			
Investment Earnings	379,598	184,158	195,440
Miscellaneous	64,034	2,401	61,633
<i>Total General Revenues</i>	<u>443,632</u>	<u>186,559</u>	<u>257,073</u>
<i>Total Revenues</i>	<u>17,446,351</u>	<u>12,184,587</u>	<u>5,261,764</u>
Program Expenses			
Operating Expense	6,418,327	5,870,519	547,808
Construction of Facilities/Equipment	6,085,304	2,321,078	3,764,226
Bond Retirement Fund	4,325,936	4,333,437	(7,501)
<i>Total Program Expenses</i>	<u>16,829,567</u>	<u>12,525,034</u>	<u>4,304,533</u>
Special Item			
Emergency Boiler Repair	0	(23,530)	23,530
Lawsuit Settlement	(69,500)	0	(69,500)
<i>Change in Net Assets</i>	<u>547,284</u>	<u>(363,977)</u>	<u>911,261</u>
<i>Net Assets Beginning of Year</i>	<u>10,819,215</u>	<u>11,183,192</u>	<u>(363,977)</u>
<i>Net Assets End of Year</i>	<u>\$11,366,499</u>	<u>\$10,819,215</u>	<u>\$547,284</u>

Program revenues represent 97.46 percent of total receipts and are primarily user charges and assessments for services provided.

General revenues represent 2.54 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 \$48,733 for this timber sale.

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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 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 2007.

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
	2006	2006
Operating Expense	\$6,418,327	\$476,151
Construction of Facilities/Equipment	6,085,304	(3,242,670)
Bond Retirement Fund	4,325,936	2,593,367
Total Expenses	\$16,829,567	(\$173,152)

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.

Debt

At June 30, 2006 the District had \$46,288,268 in outstanding bonds payable. The District paid \$2,235,000 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 District also incurred future loan debt liability for the Niles Standpipe Replacement Project in a projected loan amount of \$1,317,167. Furthermore, the District has a future debt liability upon the completion of the

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Head House Roof Project (Chemical Feed Building) in the amount of \$1,534,286. These loans will become part of the Debt service requirement of the District during fiscal year 2007 when the projects are to be completed.

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.

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 have been 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.

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.

The Mahoning Valley Sanitary District

Statement of Net Assets - Cash Basis

June 30, 2006

	<u>Business-Type Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$11,366,499</u>
Net Assets	
Restricted for:	
Other Purposes	1,185,942
Unrestricted	<u>10,180,557</u>
<i>Total Net Assets</i>	<u><u>\$11,366,499</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, 2006

	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	\$6,418,327	\$5,942,176	\$0	(\$476,151)
Construction of Facilities/Equipment	6,085,304	3,261,161	6,066,813	3,242,670
Bond Retirement	4,325,936	1,732,569	0	(2,593,367)
<i>Total</i>	<u>\$16,829,567</u>	<u>\$10,935,906</u>	<u>\$6,066,813</u>	<u>173,152</u>
General Receipts				
Investment Earnings				379,598
Miscellaneous				64,034
<i>Total General Receipts</i>				<u>443,632</u>
Special Item - Lawsuit Settlement				<u>(69,500)</u>
<i>Total General Revenues and Special Item</i>				<u>374,132</u>
Change in Net Assets				547,284
<i>Net Assets Beginning of Year</i>				<u>10,819,215</u>
<i>Net Assets End of Year</i>				<u><u>\$11,366,499</u></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, 2006

	<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>\$1,129,551</u>	<u>\$2,830,342</u>	<u>\$7,406,606</u>	<u>\$11,366,499</u>
Net Assets				
Restricted for:				
Other Purposes	1,013,506	158,086	14,350	1,185,942
Unrestricted	<u>116,045</u>	<u>2,672,256</u>	<u>7,392,256</u>	<u>10,180,557</u>
<i>Total Net Assets</i>	<u><u>\$1,129,551</u></u>	<u><u>\$2,830,342</u></u>	<u><u>\$7,406,606</u></u>	<u><u>\$11,366,499</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, 2006*

	Maintenance Fund	Bond Fund	Bond Retirement Fund	Total
Operating Receipts				
Charges for Services	\$5,942,176	\$2,939,344	\$0	\$8,881,520
Special Assessments	0	0	1,732,569	1,732,569
Timber Sales	0	48,733	0	48,733
Royalties	0	196,158	0	196,158
Miscellaneous	0	13,268	0	13,268
<i>Total Operating Receipts</i>	<u>5,942,176</u>	<u>3,197,503</u>	<u>1,732,569</u>	<u>10,872,248</u>
Operating Disbursements				
Personal Services	3,325,746	35,675	0	3,361,421
Contractual Services	0	241,861	0	241,861
Materials and Supplies	2,372,181	172,121	0	2,544,302
Capital Outlay	113,625	458,531	0	572,156
Reduction in Reserve Required	0	0	81,523	81,523
Miscellaneous	34,976	3,705	1,305	39,986
<i>Total Operating Disbursements</i>	<u>5,846,528</u>	<u>911,893</u>	<u>82,828</u>	<u>6,841,249</u>
<i>Operating Income</i>	<u>95,648</u>	<u>2,285,610</u>	<u>1,649,741</u>	<u>4,030,999</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous - Non Operating Revenue	0	50,766	0	50,766
Miscellaneous - Non Operating Expense	0	(8,956)	0	(8,956)
Equipment - Non Operating Expense	(7,725)	0	0	(7,725)
Capital Charge - Non Operating Revenue	0	76,926	0	76,926
Capital Charge - Non Operating Expense	(76,926)	0	0	(76,926)
Capital Grants	0	415,210	0	415,210
Redemption of Principal	0	0	(2,235,000)	(2,235,000)
Interest and Fiscal Charges	0	0	(2,008,108)	(2,008,108)
Proceeds of EPA/OWDA Loan	0	5,651,603	0	5,651,603
EPA/OWDA Funds Disbursed	0	(5,651,603)	0	(5,651,603)
Investment Earnings	43,835	77,249	258,514	379,598
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(40,816)</u>	<u>611,195</u>	<u>(3,984,594)</u>	<u>(3,414,215)</u>
<i>Income (Loss) before Transfers and Special Item</i>	<u>54,832</u>	<u>2,896,805</u>	<u>(2,334,853)</u>	<u>616,784</u>
Transfers In	0	69,500	2,556,967	2,626,467
Transfers Out	0	(2,556,967)	(69,500)	(2,626,467)
Special Item - Lawsuit Settlement	0	(69,500)	0	(69,500)
<i>Change in Net Assets</i>	<u>54,832</u>	<u>339,838</u>	<u>152,614</u>	<u>547,284</u>
<i>Net Assets Beginning of Year</i>	<u>1,074,719</u>	<u>2,490,504</u>	<u>7,253,992</u>	<u>10,819,215</u>
<i>Net Assets End of Year</i>	<u>\$1,129,551</u>	<u>\$2,830,342</u>	<u>\$7,406,606</u>	<u>\$11,366,499</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, 2006

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. 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, 2006

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

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

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

B. Fund Accounting

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

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

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

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

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006, 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, 2006

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, 2006

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2006, the District settled a lawsuit brought against it by Schmidt Associates, Inc. for \$69,500 that was recorded as a special item.

Note 3 – Change in Accounting Principle

For fiscal year 2006, the District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, and GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”.

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statement of the District.

Note 4 - 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;

The Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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.

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, \$6,077,049 of the District's bank balance of \$6,277,049 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.

The Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

As of June 30, 2006, the District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal National Mortgage Association Notes	\$1,460,725	December 13, 2006
Treasury Bills	3,794,337	November 9, 2006
Total Portfolio	\$5,255,062	

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 would further limit its investment choices.

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.

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, 2006:

Investments	Percentage of Investments
Federal National Mortgage Association Notes	27.80%
Treasury Bills	72.20%

The Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5 - 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, 2006.

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 6 - 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 2006, 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	\$820,284	\$1,000
Property	68,456,204	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 Medical Mutual with single coverage of \$495.30 per month, husband and wife coverage of \$988.86 per month, and full family coverage of \$1,452.80 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.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 7 - 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) 222-6705 or (800) 222-7377.

For the fiscal year ended June 30, 2006, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries to fund pension obligations. The District's contribution rate for pension benefits for fiscal year 2006 was 9.04 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 year ended June 30, 2006 was \$303,872; 91.2 percent has been contributed for 2006. There were no contributions to the member-directed plan for 2006.

Note 8 – 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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2006 local government employer contribution rate was 13.54 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal 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 premiums were assumed to increase between 0.50 and 6 percent annually for the next nine years and 4.00 percent annually after nine years.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for fiscal year 2006 which were used to fund postemployment benefits were \$40,123. 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 - 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%	274,014	2011
Niles Standpipe Replacement	3.25%	1,317,167	2027
Chemical Feed Building Roof	3.25%	1,534,286	2027

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

	Balance 06/30/05	Additions	Reductions	Balance 06/30/06	Amounts Due in One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Sanitary District Series 1998	\$15,415,000	\$0	(\$1,000,000)	\$14,415,000	\$1,060,000
<i>Water Mortgage Revenue Bonds</i>					
Series 1999	25,380,000	0	(1,235,000)	24,145,000	1,300,000
<i>EPA/OWDA Loans</i>					
Filter System Improvement	2,255,084	4,602,956	0	6,858,040	202,707
Water System Design	0	202,362	(155,387)	46,975	0
Chemical Feed Building Roof	0	846,285	0	846,285	0
<i>Total EPA/OWDA Loans</i>	<u>2,255,084</u>	<u>5,651,603</u>	<u>(155,387)</u>	<u>7,751,300</u>	<u>202,707</u>
Total Business-Type Activities	<u>\$43,050,084</u>	<u>\$5,651,603</u>	<u>(\$2,390,387)</u>	<u>\$46,311,300</u>	<u>\$2,562,707</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, 2006 was \$24,145,000. As of June 30, 2006, 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, 2006, restricted the District's bond retirement fund assets held in the Bond retirement fund in an amount of \$1,185,942.

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, \$274,014 for the Water System Design Loan, \$1,317,167 for replacement of the Niles Standpipe and \$1,534,286 for the replacement 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.

The Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

During 2006, the District received proceeds in the amount of \$155,387 for the Chemical Feed Building Roof Loan. These funds 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, 2006 are as follows:

	Business-Type Activities			
	General Obligation		Water Mortgage Revenue	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2007	1,060,000	660,044	1,300,000	1,324,955
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 - 2016	7,100,000	1,359,250	9,625,000	3,486,561
2017 - 2019	1,630,000	41,769	7,225,000	639,256
Total	<u>\$14,415,000</u>	<u>\$4,228,822</u>	<u>\$24,145,000</u>	<u>\$9,941,511</u>

Note 10 – 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 2006, the bond fund transferred \$2,556,967 to the bond retirement fund to provide money for debt service payments. The bond retirement fund transferred \$69,500 to the bond fund to provide money for a lawsuit settlement to Schmidt Associates, Inc.



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 of the business-type activities, of Mahoning Valley Sanitary District, Trumbull County (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2007. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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*.

Mahoning Valley Sanitary District
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Directors. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 5, 2007



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
DECEMBER 20, 2007**