



Dave Yost • Auditor of State



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Mahoning Valley Sanitary District, Trumbull County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 23, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017

Mahoning Valley Sanitary District, Ohio

**For the Fiscal Year Ended June 30, 2017
Annual Financial Report**



Our Mission Statement

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

Alan Tatalovich, CPA
Secretary/Treasurer

Mahoning Valley Sanitary District, Ohio

Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Issued by:

Department of Finance and Administration

Alan Tatalovich, CPA
Secretary/Treasurer

Introductory Section

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Mahoning Valley Sanitary District, Ohio
Annual Financial Report
For the Fiscal Year Ended June 30, 2017
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STATE OF OHIO
THE MAHONING VALLEY SANITARY DISTRICT

October 23, 2017

Member Cities of Youngstown and Niles and
Members of the Board of Directors:

The management of the Mahoning Valley Sanitary District is pleased to provide this annual financial report to its member cities and consumers and other interested parties to demonstrate its accountability and communicate the District's financial position and resource flows as of and for the year ended June 30, 2017. Management of the District is responsible for the fair presentation of this annual financial report, for maintaining appropriate internal control over financial reporting, and for complying with applicable finance-related laws, regulations, and provisions of grants and contracts. The District reports its financial statements and schedule on a modified cash basis, which management has determined is an acceptable financial reporting framework that differs from generally accepted accounting principles (GAAP). All of the financial analyses in this report should take into consideration the limitations inherent in the modified cash basis of accounting.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Auditor of State has issued their opinion on these financial statements, which includes an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Profile of the District

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. A Court of Jurisdiction that includes the Trumbull and Mahoning County Court of Common Pleas and a Board of Directors that is appointed by the member cities oversees the District. The District's Board of Directors consists of four members, two from the City of Youngstown and two from the City of Niles. The Sanitary District Act empowers the District to provide water supply, treatment, transmission feeder systems and storage reservoirs, but not distribution.

The District utilizes a 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 expense 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 changes during the fiscal year.

Local Economy

The District's water supply comes from the Meander Creek Reservoir. The 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 for recent years the average pumping per day over a fiscal year has been 21.5 million gallons per day. The District's water supply is treated using state of the art settling technology and equipment to deliver, pure, safe, clear, sparkling, soft, potable water to its member cities Youngstown, Niles and the Village of McDonald. These member cities will distribute our treated water to many surrounding towns, cities, and villages in the Mahoning Valley which total approximately 225,000 end users.

The District's Board of Directors consists of four members, two from the City of Youngstown and two from the City of Niles. Matthew J. Blair served as President of the Board for the fiscal year 2017 as the City of Niles mayoral appointment. Other Board members include; Richard K. Hale, Niles City Council appointment; Vernard Richberg, the Youngstown City Council appointment and James A. Gibbs, the City of Youngstown mayoral appointment. Three board member positions changed in fiscal 2017 as a result of board member retirements and resignations.

The Board's overall hiring policy is to maintain proper staffing levels so that maintenance and service is maintained throughout our operations. In the prior fiscal year, the Board rehired a former professional engineer to temporarily reassume the position of the District's Chief Engineer. In January of 2017, the Chief Engineer tendered his resignation. This left the Board in a difficult situation as this position also held an Ohio EPA Class IV water supply license which is an essential requirement for this facility. The Board utilized existing provisions in the law to bring on board the firm ms consultants, inc. to fill the position of Chief Engineer until such time that the Board could find an individual to fill this position. The Board began its search for a qualified individual utilizing a firm that specializes in finding people who hold the credentials required for the position of Chief Engineer. At the present time the Board is interviewing prospective candidates for this important position. Additionally in this fiscal year the position of Plant Operations Manager was abolished as the need for this position was determined by the Board as non-essential. The District's hourly employees are represented by AFSCME Local 1649. The Union and the Board of Directors came to agreement on the CBA in August 2016 and this agreement will be in place through June 30, 2019. The District has implemented a plant wide Supervisory Control and Data Acquisition (SCADA) system. The SCADA system will automate some functions of the water purification process that are currently performed manually by District employees. After fiscal year end 2016, the District's management put additional effort into completing that part of SCADA that was envisioned to have remote control of certain pumping processes. The Board had made the decision to abolish certain job positions that have been directly affected by the implementation of the SCADA system and did so in January of 2017. The Board then created four new positions called Utility/Operators that do a similar job that was required previously but will have additional job duties and requirements that the abolished positions were not required to do. Discussions were held with Union officials and those employees directly affected by the positions that were abolished. These employees were then offered those positions or another position to remain employed at the District. All the affected employees chose the positions offered by the Board. These new positions are working well in the operation of our plant.

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 the high cost for energy drives the overall cost for chemicals. The unpredictability of prices for chemicals as well as our other variable costs such as electricity, natural gas heat and sludge removal will continue to remain an area of concern for District management. As is the case in most years some chemical costs come in higher than the year before with some coming in a little lower. Overall though, the cost of chemicals to treat water

has increased in the fiscal year 2017 but was affected by the addition of certain chemicals to address raw water conditions not usually seen at our facility as well as adding a chemical that improves safety in the distribution system of the District to its member cities, which also adds benefit to each City's own distribution system. As mentioned in previous reports, oil and gas exploration (fracking) in our area may have contributed to our ability to enter into variable contracts to provide gas and electricity. The last several fiscal years have provided us with substantial savings to budget on these variable expenses. It remains to be seen whether or not this market will affect this part of our operation in the future. We are now though enjoying the positive aspects of market forces in this industry. Budgeting for energy costs will continue to present management with a more complex set of factors to determine energy costs for producing potable water. The constantly changing conditions of the Meander Reservoir have always contributed to some uncertainty regarding the needs of treatment. The types and volume of chemicals needed to produce potable water each and every year requires much analysis and a good bit of luck, and as mentioned previously in this report the District had to implement changes to its treatment process as was necessary because of raw water conditions.

The Ohio Revised Code section 6115.01 through 6115.79 provides the orderly mechanism for the District to establish and receive the revenue stream that will provide for daily operating needs and maintaining the facility's buildings and process equipment through capital improvements. The Board and management review and update the five-year operating and capital improvement forecast to determine the revenue stream necessary to maintain operations and capital improvement projects deemed essential to maintain our plant going forward in the near future and beyond. The implementation and ongoing use and modification of our five year financial model has been the essential tool to provide non-biased legitimate and useful information to all stakeholders and receive a most important positive feedback and acceptance from those decision makers. The Mahoning Valley population in the service area which the District has provided potable water for 85 years has become significantly smaller. The belief of all stakeholders that the District water plant be maintained at a level of excellence in all areas of production and management will provide serious and meaningful deliberations in all years going forward.

Financial Analysis

The financial statements are reported using the modified cash basis of accounting. Under this basis of accounting, only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except as follows:

- (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents are recognized;
- (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting the eligibility requirements* are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported on the face of the financial statements. However, the government's long-term debt obligations are disclosed in the notes to the financial statements.

STATEMENT OF NET POSITION

(Modified Cash Basis)

	2017	2016	Change
Assets			
Cash and Cash Equivalents	\$35,935,165	\$34,612,770	\$1,322,395
Restricted Assets - Cash and Cash Equivalents with Trustee	4,185,356	5,130,975	(945,619)
Total Assets	<u>\$40,120,521</u>	<u>\$39,743,745</u>	<u>\$376,776</u>
Net Position			
Restricted for:			
Debt Service	\$4,185,356	\$5,130,975	(\$945,619)
Unrestricted	35,935,165	34,612,770	1,322,395
Total Net Position	<u>\$40,120,521</u>	<u>\$39,743,745</u>	<u>\$376,776</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Modified Cash Basis)

	2017	2016	Change
Operating Revenues			
Charges for Services	\$18,184,315	\$17,879,403	\$304,912
Special Assessments	0	867,000	(867,000)
Miscellaneous	23,415	12,701	10,714
Total Operating Revenues	<u>18,207,730</u>	<u>18,759,104</u>	<u>(551,374)</u>
Operating Expenses			
Personal Services	4,166,337	4,195,167	28,830
Supplies and Services	3,920,229	3,452,949	(467,280)
Total Operating Expenses	<u>8,086,566</u>	<u>7,648,116</u>	<u>(438,450)</u>
Operating Income (Loss)	<u>10,121,164</u>	<u>11,110,988</u>	<u>(989,824)</u>
Non-Operating Revenues (Expenses)			
Timber Sales	52,500	100,000	(47,500)
Royalties	24,684	15,789	8,895
Miscellaneous - Non-Operating Revenue	10,383	32,437	(22,054)
Miscellaneous - Non-Operating Expense	(46,574)	(61,838)	15,264
Capital Outlay:			
Equipment - Non-Operating Expense	(378,419)	(404,611)	26,192
Capital Outlay - Non-Operating Expense	(2,156,146)	(1,532,375)	(623,771)
EPA/OWDA Funds Disbursed	(4,957,412)	(1,139,599)	(3,817,813)
Redemption of Principal	(6,044,019)	(5,883,047)	(160,972)
Interest and Fiscal Charges	(1,221,276)	(1,295,884)	74,608
Proceeds of EPA/OWDA Loan	4,957,412	1,139,599	3,817,813
Investment Earnings	14,479	3,896	10,583
Total Non-Operating Revenues (Expenses)	<u>(9,744,388)</u>	<u>(9,025,633)</u>	<u>(718,755)</u>
Income (Loss) before Capital Contributions	<u>376,776</u>	<u>2,085,355</u>	<u>(1,708,579)</u>
Capital Contributions	0	263,895	(263,895)
Change in Net Position	<u>376,776</u>	<u>2,349,250</u>	<u>(1,972,474)</u>
Net Position Beginning of Year	<u>39,743,745</u>	<u>37,394,495</u>	<u>2,349,250</u>
Net Position End of Year	<u>\$40,120,521</u>	<u>\$39,743,745</u>	<u>\$376,776</u>

Operating revenues represent the vast majority of total receipts and are primarily user charges for services provided. Charges for services revenue increased in fiscal year 2017 due to an increase in total water pumped to member cities for fiscal 2017. There was no increase to rate for water supplied to member cities in fiscal year 2017. Special assessments were no longer being collected during fiscal year 2017 due to the special assessment levy expiring at the end of calendar year 2015. Operating expenses increased as a result of higher supplies and contractual service costs.

The capital outlay expenses represent costs incurred in the purchase and building of capital assets. Redemption of principal represents costs for the retirement of bonded debt and OWDA loans.

Overall, the financial position of the District improved over fiscal year 2017. The District's revenue stream continues to exceed the expenses leaving the District with a strong net position going forward.

The Ohio Revised Code Section 6115 sets the Districts' funds at two: the Maintenance fund and the Bond fund. The District also reflects two additional funds identified as the Bond Retirement fund and the Internal Service fund to provide additional information in the form of sub-account funds. The District's two types of funds and the District's sub-account funds all use the modified cash basis of accounting approach and are cumulatively reported using the modified cash basis of accounting which measures cash and other financial assets that can be readily turned into cash. For reporting purposes, the District combines these and displays a stand-alone enterprise fund.

For the fiscal year ended June 30, 2017, the stand-alone enterprise fund reported net position of \$40,120,521. Despite increases in operating and debt service expenses, the enterprise fund had an increase in net position as revenues continued to outpace expenses.

Debt

At June 30, 2017 the District had \$5,085,000 in outstanding bonds payable and \$41,815,738 in outstanding OWDA loans payable. The District paid \$4,065,000 in principal on bonds and \$1,979,019 in principal on OWDA loans outstanding during the fiscal year. The District has loan agreements with the Ohio Water Development Authority/Environmental Protection Agency for various projects. The Dam and Spillway Improvement Design loan, the Chemical Feed Systems loan and the Phase III Valve/Main Replacement loan have not been finalized and therefore the repayment schedules for these loans are not included in the schedule of debt service payments as of June 30, 2017.

Long-Term Financial Planning

The Board of Directors seeks additional operating and capital improvement funds that are defined by the needs of the District and then detailed in our five year Operating and Capital Improvement Plan. 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 and Capital Improvements program as detailed in the five year Operating and Capital Improvement Plan. As mentioned, the District utilizes a five-year cash financial forecast to estimate revenues and control expenses to assure water revenues can maintain operations for a significant period of time. Our negotiations with the member cities has established that a three year rate schedule provides for the District's needs and allows the Cities to budget properly as well. The rate set by the Court of Jurisdictions in 2013 for a three period ending June 30, 2016 was accepted by our member cities as prudent and necessary, stayed in place with no increase to the rate in fiscal 2017. No increase in the rate is contemplated into the next 3 fiscal years should circumstances for operating the plant and possible adjustments to the scope of capital improvement projects that may be approved by the Board prove conducive to freezing the rate for that time period. There is an annual review of the financial

model and an analysis of that review determines if any rate increases will be presented to the member cities in the future. In June of 2017, the Board of Directors agreed by Resolution to authorize a one-time adjustment of surplus funds in the amount of \$5,000,000 to the member cities of Niles and Youngstown and the village of McDonald. Distribution was to be based on volume of water in gallons purchased by the Cities and Village and was to be done in three payments. A public hearing was originally set to be held on August 29, 2017 before the Court of Jurisdiction on the District's motion regarding the distribution of surplus funds. This public hearing was postponed and a new date has not yet been set.

Current Financial Related Activities

The District receives royalties from two gas wells that are located on District property. These wells were put on District property in the 1970's. No other wells have been drilled on District property since that time. Surrounding the District's property are many gas wells, some of which contribute to royalties that are received by the District. District revenues from royalties have remained fairly constant over the last five years but total gross receipts for gas royalties have lessened since reaching a high about seven years ago.

The District, over the last thirteen years, has had to be aggressive in its capital improvement projects. Our facility was built 90 years ago and consequently the Board and management must either prepare plans for its improvement and maintenance or face monumental problems in the future in its efforts to maintain the product delivered to Mahoning Valley residents. Therefore, it is imperative that the Mahoning Valley's most important resource and its delivery system be maintained for the benefit of all residents. Capital improvement projects slated for future implementation are currently under review for need and priority.

The financial stability of the District will be challenged based on our area's economic health. Unfortunately, our area has experienced a decline in population for many years. This directly effects the volume of water that the District will deliver to its member cities and the number of customers those cities will provide water to. This lessened number of available customers for our product complicates the decisions for making improvements or replacing obsolete equipment at our facility that fall into the category of capital improvements or capital replacement. This issue requires additional analysis and hard choices for management and the Board of Directors. In our area the major player for economic development is the Youngstown/Warren Regional Chamber of Commerce. This organization points to itself as the "single point of contact for business services". This organization provides much of the information for our area regarding potential economic growth. As has been discussed in prior year reports, the Chamber has been an advocate of shale gas exploration with anticipation of job growth. However, there has not been growth in gas exploration and no new information has been seen that suggests there will be growth in the short term.

The District has major and ongoing expense to its water purification plant built in 1926. Rehabilitation or the replacement of obsolete infrastructure vital to the purification of water is a major challenge for management to ensure infrastructure can be preserved as long as possible without affecting our finished product. The District's recently appointed Board and management look to implementing new/cutting edge technology in every area of the operation that is economically cost effective and efficient. Our current Amendment No. 5 and Amendment No. 6 incorporate some of the latest and best water treatment technology now available and used in the water industry as well as providing a complete overhaul of existing equipment (refurbishing) rather than purchasing new. These Amendments to the Official Plan of the District which was originally established in 1926 were presented to the District's member cities through meetings with important stakeholders and memorialized in the District's five year Operating and Capital Improvement Plan. The five-year forecast incorporates a capital plan for the same period of time and is utilized by staff to manage the District's infrastructure resources effectively. Additionally, our five-year forecast tool is used by the District to engage our member cities in ongoing meaningful dialogue during the fiscal year to keep the cities' technical and political personnel informed of all operating and capital expenditure changes as they can be estimated and/or foreseen to be a major change to our budget.

This free exchange of technical and operating information between the District and its member cities has proven to be very beneficial to our member cities. The current rate structure went into effect July 1, 2013 for a three year period ending June 30, 2016. The Board of Directors of the District after review of the financial plan determined that no rate increase would be needed at the conclusion of the three year rate term. The current rate schedule memorialized on July 1, 2013 shall remain in effect until the Board would petition the Court of Jurisdiction through a rate modification resolution seeking a change in the rate charged for potable water. There is now no need to increase rates and the Board is resolute in keeping rates at the level attained in the last increase period which was in 2013. Though the Amendments to the Official Plan incorporate capital improvements into our CIP forecast, further review and analysis is necessary to determine the time frames and priority of these projects. As this relates to our member cities the District's plan must be open and transparent to explain changes that might be implemented in our five year forecasting plan. In the past this type of communication, open and transparent, had benefited our member cities and the District. No changes should be made in this approach as the District re-evaluates their Capital Improvements Program. As just suggested, our five year plan's core premises are now being reviewed and analyzed by the Board. The District shall receive an in depth report on the District's dam and spillway in September of 2017. This report shall most probably put this project into the category of critical non-discretionary capital improvement. To say the least this major project has been a driving force requiring the analysis of our five year capital improvement forecasting tool. This very important and possibly very expensive Dam and Spillway project may forcefully influence what the District's Board of Directors can legitimately pursue with some of the additional planned improvements. When the engineering analysis entitled the Dam and Spillway Sub-Surface Investigation is provided to the Board in early September 2017, a better understanding as to the improvement needs of the dam and spillway should then be known and can be fully vetted by the Board and management. The challenge remains steep to fund the project in its entirety and still proceed with all other capital improvement projects envisioned by the District to be completed during the time period that also included the dam and spillway project. Even though the District's net position is very favorable the enormity of the dam and spillway project has shown that it may be very difficult to prepare for unsuspected capital improvement necessities. During the next fiscal year the District will have to solve the funding issues facing this very important project.

The District has at fiscal year-end 2017 completed the SCADA project as it was designed several years ago. As with any project, changes were made during the construction, new ideas implemented because better technologies were available. The total project estimate was \$3,654,000 with the projected total cost to be \$60,000 under budget. The actual under budget savings was \$58,899. Throughout the fiscal year the District prioritizes major maintenance type projects and fleet purchases that can be accomplished with budgeted funds or projects that can be done by appropriating funds from current unrestricted funds. The following are examples of projects that were deemed necessary and then were properly funded by Board Resolution and Appropriation; Furnish new EPD (entry point distribution) lines for chlorine \$27,700; Ammonia analyzer used in chemical testing \$26,250; Filter gallery power and control rewiring \$271,264; Improvements to electrical wiring in Building 25 (wash water building) \$23,300; Structural opinion on Meander dam and buildings \$9,922; Sub-Surface investigation and testing of Meander dam and spillway \$396,526; Heavy duty track loader \$66,125; Custom made rapid mixers for SCU units \$41,000; Sludge lagoon sluice gates and installation \$154,719; ODNr required Emergency Action Plan \$34,581; Duct Bank replacement project (Solid Contact Clarifier project) \$421,167. The previous examples show that some events in an entities' ongoing operation cannot be budgeted but require commitment by the governing body to use available funds as the circumstances arise to continually maintain and improve that facility. The District makes yearly applications to the Ohio Public Works Commission for grants on projects designed to be paid from District unrestricted funds. The District's staff participates in District 6 meetings throughout the year to present a project that it deems important and will receive favorable points from the District 6 board to be awarded Ohio Public Works Commission grant fund approval. The District has two OPWC grants additionally approved this fiscal year with a cash commitment by the District for the two projects totaling in excess of \$350,000. One additional OPWC project grant was applied for in the fiscal year titled Potassium Permanganate Chemical Feed System Improvements which has been

approved in the grant amount of \$159,457. The District's funding share on this project is more than some projects in the past at \$231,000.

The District's mission remains the same; preserve the public health and the natural environment while providing a safe and reliable supply of potable water. The District continues with the opinion that the nation's infrastructure deficiencies are a grave concern. The District is hopeful that more federal funds will be made available for infrastructure rebuilding; water, sewer and bridges leading to further economic recovery.

The District's position remains the same regarding funding through Issue II funds. As this entity has previously stated, the Mahoning Valley Sanitary District is a significantly important organization in our area. The District, along with other entities, competes for Issue II funds to help with infrastructure capital improvements. Depending on the importance of the projects and available matching funds (a very important part of this process), the grants are distributed to entities whose projects top the list according to established parameters. The District will continue to seek Issue II funding for necessary projects that are best accomplished using this type of financial assistance and the expenditure of unrestricted funds by Board resolution. These funds when received help the District to accomplish some form of capital improvement or maintenance issue that will not directly affect our water rates for bulk water delivery. It is important that these funds obtained from the State for the purpose of financing or assisting in the financing of the costs of public infrastructure capital improvements for local subdivisions such as the District remain available on a yearly basis. OPWC partial grant funding is very important and has been a successful auxiliary financing option employed by management for this entity, which in conjunction with our established, detailed financial forecast tool, provides complete transparency of our financial and capital improvement operations. As a result, these tools help us provide the essential revenue stream that allows our entity to accomplish our objectives and stated mission of providing the very best water product we can while preserving the public health and the surrounding natural environment.

Awards and Acknowledgements

This is the fourth year that the District has submitted a report to the Government Finance Officers Association (GFOA) for the prestigious Award for Small Government Cash Basis Reports. In order to receive an Award for Small Government Cash Basis Reports, the District has to publish an easily readable and efficiently organized Small Government Annual Financial Report that satisfies Award Program requirements.

An Award for Small Government Cash Basis Reports is valid for a period of one year only. The fiscal year 2016 report received the Award for Small Government Cash Basis Reports. We believe that our current financial report meets the Award for Small Government Cash Basis Reports' requirements, and we are submitting it to the GFOA to determine its eligibility for the Award.

The preparation of this report could not have been accomplished without the efficient and dedicated service of various staff within the Administration. Their efforts are greatly appreciated. Credit must also be given to the Board of Directors for their unflinching support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Alan Tatalovich
Secretary/Treasurer

MAHONING VALLEY SANITARY DISTRICT

List of Principal Officials at June 30, 2017

APPOINTED OFFICIALS

CITY OF NILES, MAYORAL APPOINTMENT
CITY OF NILES, COUNCIL APPOINTMENT

MATTHEW J. BLAIR
RICHARD K. HALE

CITY OF YOUNGSTOWN, MAYORAL APPOINTMENT
CITY OF YOUNGSTOWN, COUNCIL APPOINTMENT

JAMES A. GIBBS
VERNARD RICHBERG

ADMINISTRATIVE STAFF

CHIEF ENGINEER
SECRETARY/TREASURER

MS CONSULTANTS, INC.
ALAN TATALOVICH

SUPERINTENDENT OF PURIFICATION
CHIEF OF OPERATIONS

JOHN NEMET
KEITH REES

SUPERINTENDENT OF PUMPING

JOE WOODLEY

SUPERINTENDENT OF MAINTENANCE OPERATIONS
& RESIDENT ENGINEER

JON JAMISON

CHIEF PATROLMAN

RALPH MILLER

FIELD MAINTENANCE SUPERVISOR

DUANE TURNAGE

ADMINISTRATIVE ASSISTANTS

BRENDA DUFFETT
CARRIE MONTGOMERY

MVSD Organizational Chart

2016-2017



COURTS OF JURISDICTION

Board of Directors
 Matthew J. Blair – Niles
 Richard K. Hale – Niles
 Vernard Rieberg – YGN
 James A. Gibbs – YGN

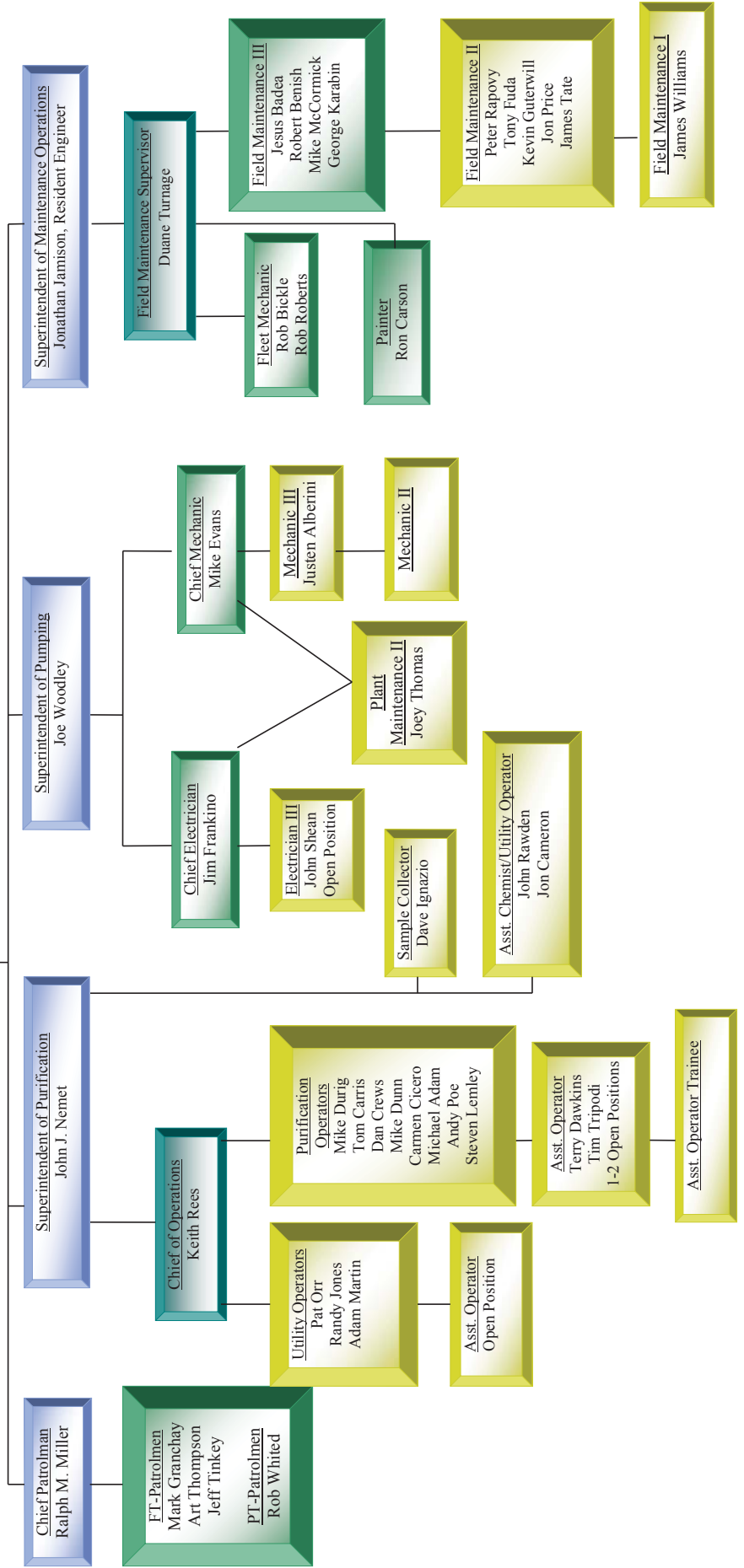
Legal Counsel
 Thomas J. Wilson

Chief Engineer
 ms consultants, inc.

Secretary/Treasurer
 Alan Tatalovich

Administrative Assistant
 Carrie Montgomery

Administrative Assistant
 Brenda Duffett





Government Finance Officers Association

Award for Small Government Cash Basis Reports

Presented to

**Mahoning Valley Sanitary District
Ohio**

For its Annual Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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Financial Section

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the business-type activities of the Mahoning Valley Sanitary District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the business-type activities of the Mahoning Valley Sanitary District, Trumbull County, Ohio, as of June 30, 2017, and the respective changes in modified cash financial position and where applicable, cash flows, thereof for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted to opine on the financial statements taken as a whole.

The introductory section and the financial section's trend information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section presented on pages 3-13 of the report and the trend information presented on pages 37-42 of the report to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017

Mahoning Valley Sanitary District

Statement of Net Position

June 30, 2017

(Modified Cash Basis)

Current Assets	
Cash and Cash Equivalents	\$35,935,165
Restricted Assets - Cash and Cash Equivalents with Trustee	<u>4,185,356</u>
<i>Total Assets</i>	<u><u>\$40,120,521</u></u>
Net Position	
Restricted for:	
Debt Service	\$4,185,356
Unrestricted	<u>35,935,165</u>
<i>Total Net Position</i>	<u><u>\$40,120,521</u></u>

See accompanying notes to the basic financial statements

Mahoning Valley Sanitary District
*Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017
(Modified Cash Basis)*

Operating Revenues	
Charges for Services	\$18,184,315
Miscellaneous	23,415
	<u>23,415</u>
<i>Total Operating Revenues</i>	<u>18,207,730</u>
Operating Expenses	
Personal Services	4,166,337
Supplies and Services	3,920,229
	<u>3,920,229</u>
<i>Total Operating Expenses</i>	<u>8,086,566</u>
<i>Operating Income (Loss)</i>	<u>10,121,164</u>
Non-Operating Revenues (Expenses)	
Timber Sales	52,500
Royalties	24,684
Miscellaneous - Non Operating Revenue	10,383
Miscellaneous - Non Operating Expense	(46,574)
Capital Outlay:	
Equipment - Non Operating Expense	(378,419)
Capital Outlay - Non Operating Expense	(2,156,146)
EPA/OWDA Funds Disbursed	(4,957,412)
Redemption of Principal	(6,044,019)
Interest and Fiscal Charges	(1,221,276)
Proceeds of EPA/OWDA Loan	4,957,412
Investment Earnings	14,479
	<u>14,479</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(9,744,388)</u>
<i>Change in Net Position</i>	376,776
<i>Net Position Beginning of Year</i>	<u>39,743,745</u>
<i>Net Position End of Year</i>	<u><u>\$40,120,521</u></u>

See accompanying notes to the basic financial statements

Mahoning Valley Sanitary District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(Modified Cash Basis)

<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$18,184,315
Cash Received from Timber Sales	52,500
Cash Received from Royalties	24,684
Other Cash Received	33,798
Cash Payments to Employees for Services	(4,166,337)
Cash Payments to Suppliers for Goods and Services	(3,920,229)
Other Cash Payments	(46,574)
	<u>10,162,157</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Proceeds of EPA/OWDA Loan	4,957,412
Redemption of Principal - Water Revenue Bonds	(4,065,000)
Interest and Fiscal Charges - Water Revenue Bonds	(222,113)
Redemption of Principal - EPA/OWDA Loans	(1,979,019)
Interest and Fiscal Charges - EPA/OWDA Loans	(999,163)
Acquisition of Capital Assets	(7,491,977)
	<u>(9,799,860)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	
Cash Flows from Investing Activities	
Interest on Investments	14,479
	<u>14,479</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	376,776
<i>Cash and Cash Equivalents Beginning of Year</i>	
	<u>39,743,745</u>
<i>Cash and Cash Equivalents End of Year</i>	
	<u>\$40,120,521</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$10,121,164
Adjustment:	
Non-Operating Revenues (Expenses):	
Timber Sales	52,500
Royalties	24,684
Other Non-Operating Cash Received	10,383
Other Non-Operating Cash Payments	(46,574)
	<u>(46,574)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	
	<u>\$10,162,157</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents	\$35,935,165
Restricted Assets - Cash and Cash Equivalents with Trustee	4,185,356
	<u>4,185,356</u>
Total Cash and Cash Equivalents at Fiscal Year End	<u>\$40,120,521</u>

See accompanying notes to the basic financial statements

Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

For reporting entity purposes, the District is a stand-alone government. Management has considered all potential component units and does not believe the District has any potential component units that should be included as part of the District's reporting entity.

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

Basis of Accounting

The District's financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognized revenues, expenses, assets and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except as follows:

- (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents are recognized;
- (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting the eligibility requirements* are recognized.

Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt, net pension liability and compensated absences are also not reported on the face of the financial statements. However, the government's long-term debt obligations are disclosed in the notes to the financial statements.

Basis of Presentation

The District used fund accounting 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. The operations of the District are reported as a single enterprise fund.

An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows. Assets and liabilities associated with the operation of the District are consistent with the modified cash basis included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position on a modified cash basis. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts and short-term investments with original maturities of three months or less from the date of acquisition.

During fiscal year 2017, investments were limited to federated treasury money market accounts. The District values investments and cash equivalents at cost. The District classifies investments in money market funds as cash equivalents as they are highly liquid investments and part of the District's cash management activities.

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 modified cash basis of accounting.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or law of other governments or imposed by law through constitutional provisions.

Pursuant to a bond indenture, restricted assets include cash and cash equivalents with a trustee reserved for current and future debt service payments.

Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are charges for services and certain revenues collected through the special assessment process. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Net Position

Net position represents the difference between all other elements in a statement of financial position. The statements report restricted net position when creditors, grantors or laws, or regulations of other governments have imposed limitations on their use.

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

Budgetary Process

Although the District reports a single enterprise fund, the Ohio Revised Code requires the District to account for its day-to-day activity using a maintenance fund and a bond fund. The maintenance fund accounts for all moneys received as compensation for providing a water supply for domestic, municipal and public use under Section 6115.19, Ohio Revised Code. The bond fund accounts for 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.

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 expenses (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.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Mahoning Valley Sanitary District

Trumbull County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 fiscal year end, \$35,511,068 of the District's bank balance of \$36,011,068 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Investments

The District reports their investments at cost. The fair value of these investments is not materially different than cost. As of June 30, 2017, the District had an investment in federated treasury money market accounts with a cost and fair value of \$4,185,356 and a maturity of less than one year.

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 Moody's rating of the District's investment is Aaa. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 - Grants

The District receives financial assistance from state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District's operating fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Note 4 - 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 2017, the District contracted with Love Insurance for various types of insurance coverage as follows:

Type	Coverage	Deductible
Property/Inland Marine	\$189,400,000	\$10,000
Earthquake	1,000,000	100,000
Flood	1,000,000	100,000
Liability	6,000,000/8,000,000	1,000/2,500
Fleet Vehicle		
Physical Damage	50,000	500
Comprehensive	50,000	250

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 District provides health insurance to its employees. The District provides these benefits through a partially self-funded medical and drug benefits program. The District provides hospitalization and drug benefit coverage as outlined in the ERISA document provided to all employees which includes the Summary of Benefits and Coverage of our named plan, the Mahoning Valley Sanitary District Employee Benefits Plan. Medical Mutual of Ohio is the medical provider network and Mutual Health Services, Inc. as third party administrator for claims. The District also has a contract with HCC Life Insurance Company; a reinsurer to protect the District against catastrophic illness situations. The District's monthly premium, which is paid to Mutual Health Services, provides for stop loss coverage and administration of all claims. The District has stop loss coverage set at \$40,000 per member of our plan which includes all employees, their spouses and dependents. The District is responsible for all claims up to that point on all of its covered members. All stop loss premiums and claims are paid from the internal service account of the District and receives its funding from the revenue stream of the District. The hospitalization budget is established at July 1 of each fiscal year.

The average monthly cost per covered employee for stop loss protection and administration of claims is \$390. The yearly premium for stop loss coverage and claims administration is \$197,312.

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.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 – Ohio Public Employees Retirement System

Plan Description - District employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
FY 2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
FY 2017 Actual Contribution Rates	
Employer - July 1, 2016 through December 31, 2016:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employer - January 1, 2017 through June 30, 2017:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the fiscal years ended June 30, 2017, 2016 and 2015 were \$356,899, \$328,095 and \$320,327, respectively; the full amount has been contributed for fiscal years 2017, 2016 and 2015. There were no contributions to the member-directed plan for 2017.

Note 6 – Postemployment Benefits

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintained one cost-sharing, multiple-employer defined benefit postemployment health care trust, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

Mahoning Valley Sanitary District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. From July 1, 2016 to December 31, 2016, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent. From January 1, 2017 to June 30, 2017, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Substantially all of the District's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trust. The District's contribution allocated to fund postemployment health care benefits for the fiscal years ended June 30, 2017, 2016 and 2015 was \$42,828, \$54,683 and \$53,388, respectively. For fiscal years 2017, 2016 and 2015, the full amount has been contributed.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Long-Term Obligations

As a result of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Original issue amounts and interest rates of the District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
Business-Type Activities			
<i>Water Revenue Bonds</i>			
Series 2010, Refunding	2.0 - 3.0%	\$27,030,000	2019
<i>EPA/OWDA Loans</i>			
Filter System Improvement	3.35%	7,105,074	2026
Niles Standpipe Replacement	3.25%	1,298,746	2027
Chemical Feed Building Roof	3.25%	1,609,624	2027
Administration and Filter Building Roof	4.47%	302,790	2028
WTP Lagoon Maintenance	3.36%	1,595,250	2018
Valve Replacement/Gate House	0.00%	2,488,513	2031
Solids Contact Clarifier/Recarbonation	3.99%	14,327,587	2033
Solid Clarifiers/Recarbonation	2.00%	8,000,000	2033
Phase II Valve/Pipeline Replacement	2.00%	4,326,310	2037
Chemical Feed Improvements Design	2.00%	634,272	n/a
Berlin Pump Station Improvements	2.00%	2,364,846	2037
SCADA/Instrumentation Improvements	2.94%	611,719	2036
SCADA/Enhanced Security Improvements	4.32%	3,202,817	2036
Dam/Spillway Improvement Design	4.45%	362,614	n/a
Phase III Valve Improvement Design	4.45%	249,682	n/a
Chemical Feed Systems	0.81%	2,575,037	n/a
Phase III Valve/Main Replacement	0.81%	6,372,182	n/a

Mahoning Valley Sanitary District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Balance 06/30/16	Additions	Reductions	Balance 06/30/17	Amounts Due in One Year
Business-Type Activities					
<i>Water Revenue Bonds</i>					
Series 2010, Refunding	\$9,150,000	\$0	(\$4,065,000)	\$5,085,000	\$2,505,000
Premium	71,132	0	(29,434)	41,698	0
<i>Total Revenue Bonds</i>	<u>9,221,132</u>	<u>0</u>	<u>(4,094,434)</u>	<u>5,126,698</u>	<u>2,505,000</u>
<i>EPA/OWDA Loans</i>					
Filter System Improvement	3,961,432	0	(360,601)	3,600,831	372,782
Niles Standpipe Replacement	815,959	0	(62,808)	753,151	64,866
Chemical Feed Building Roof	1,011,273	0	(77,842)	933,431	80,393
Administration and Filter Building Roof	205,598	0	(14,025)	191,573	14,658
WTP Lagoon Maintenance	362,924	0	(178,439)	184,485	184,485
Valve Replacement/Gate House	1,804,172	0	(124,425)	1,679,747	124,426
Solids Contact Clarifier/Recarbonation	12,537,723	0	(526,012)	12,011,711	572,985
Solid Clarifiers/Recarbonation	6,819,543	0	(352,654)	6,466,889	359,741
Phase II Valve/Pipeline Replacement	4,284,397	41,913	(88,497)	4,237,813	179,658
Chemical Feed Improvements Design	416,541	12,513	(429,054)	0	0
Berlin Pump Station Improvements	2,342,026	22,820	(48,374)	2,316,472	98,205
SCADA/Instrumentation Improvements	599,449	0	(22,265)	577,184	23,877
SCADA/Enhanced Security Improvements	3,135,362	16,101	(105,620)	3,045,843	110,382
Dam/Spillway Improvement Design	229,671	107,805	(16,759)	320,717	0
Phase III Valve Improvement Design	221,502	9,967	(231,469)	0	0
Chemical Feed Systems	0	2,055,923	0	2,055,923	0
Phase III Valve/Main Replacement	0	3,439,968	0	3,439,968	0
<i>Total EPA/OWDA Loans</i>	<u>38,747,572</u>	<u>5,707,010</u>	<u>(2,638,844)</u>	<u>41,815,738</u>	<u>2,186,458</u>
Total Business-Type Activities	<u><u>\$47,968,704</u></u>	<u><u>\$5,707,010</u></u>	<u><u>(\$6,733,278)</u></u>	<u><u>\$46,942,436</u></u>	<u><u>\$4,691,458</u></u>

In July 2010, the District issued the Series 2010 Water Revenue Refunding Bonds in the amount of \$27,030,000. These bonds were issued for the purpose of currently refunding the outstanding principal amount of the Series 1998 Refunding Bonds and the Series 1999 Refunding Bonds. The District decreased its total debt service payments by \$3,476,809 as a result of the refunding. The District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$3,348,796. The bonds were issued for a nine year period with a final maturity at December 1, 2018. The portion of these bonds relating to the Series 1998 bonds are paid from assessments collected from the cities of Youngstown and Niles. The portion of these bonds relating to the Series 1999 bonds are paid from gross revenues of the water system after provisions for operating and maintenance expenses. The structuring of the Series 2010 bonds allows for a portion of the assessments to cash fund capital improvement projects in the near future in lieu of obligating the District with new loans. The flow of funds is set by the trust agreements and the District must follow the restrictive financial covenants to remain in compliance with the bond indenture. Restricted assets held by the trustee related to the Water Revenue Bond amounted to \$4,185,356. The District also internally maintains an operating reserve account of \$1,379,271 and a rate stabilization account of \$1,197,626. Under the terms of the bond covenant, these internally held accounts may be accessed by the District.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The modified cash basis does not recognize premiums on debt. However, the above chart reflects the annual amortization of the premium over the term of the bonds using the straight-line method. When the Water Revenue Refunding Bonds were issued, the District incurred an accounting loss which represents the difference between the reacquisition price of the refunded bonds and the carrying amount of the old debt. The modified cash basis does not recognize deferred charges on refunding transactions; however, if this amount were amortized, the balance at June 30, 2017, would have been \$90,425.

The District has pledged future revenues, net of operating expenses, to repay revenue bonds. The debt is payable solely from net revenues and are payable through 2019. Annual principal payments on the debt issues are expected to require 40.16 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$5,238,675. Principal and interest paid for the current year and total net revenues were \$4,278,113 and \$10,121,164, respectively.

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

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

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

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

In fiscal year 2008, the District was approved for a \$1,595,250 Ohio Water Development Authority loan for the Water Treatment Plant Lagoon Maintenance project. This loan was issued for a ten year period with a final maturity in fiscal year 2018.

In fiscal year 2010, the District was approved for a \$2,488,513 Ohio Water Development Authority loan for the Valve Replacement/Gate House project. This loan was issued for a twenty year period with a final maturity in fiscal year 2031.

The District was approved for a \$14,327,587 Ohio Water Development Authority loan for the Solids Contact Clarifier/Recarbonation project. This loan was issued for a twenty year period with a final maturity in fiscal year 2033.

In fiscal year 2012, the District was approved for an \$8,000,000 Ohio Water Development Authority loan for the Solid Clarifiers/Recarbonation project. This loan was issued for a twenty year period with a final maturity in fiscal year 2033.

The District was approved for a \$4,326,310 Ohio Water Development Authority loan for the Phase II Valve/Pipeline Replacement project. This loan was issued for a twenty year period with a final maturity in fiscal year 2037. Total current year additions consisted of capitalized interest of \$41,913.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The District was approved for a \$634,272 Ohio Water Development Authority loan for the Chemical Feed Improvements Design project. Total current year additions consisted of proceeds of \$12,513. During fiscal year 2017, a principal payment of \$698 was applied and thereafter the remaining loan balance of \$428,356 was rolled into the Chemical Feed Systems loan. As of June 30, 2017, the balance of this loan was zero and it was closed out.

The District was approved for a \$2,364,846 Ohio Water Development Authority loan for the Berlin Pump Station Improvements project. This loan was issued for a twenty year period with a final maturity in fiscal year 2037. Total current year additions consisted of capitalized interest of \$22,820.

The District was approved for a \$611,719 Ohio Water Development Authority loan for the SCADA/Instrumentation Improvements project. This loan was issued for a twenty year period with a final maturity in fiscal year 2036.

The District was approved for a \$3,202,817 Ohio Water Development Authority loan for the SCADA/Enhanced Security Improvements project. This loan was issued for a twenty year period with a final maturity in fiscal year 2036.

The District was approved for a \$362,614 Ohio Water Development Authority loan for the Dam/Spillway Improvement Design project. As of June 30, 2017, the District has drawn down proceeds of \$335,169. Total current year additions of \$107,805 consisted of proceeds of \$96,000 and capitalized interest of \$11,805. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments. Until a final repayment schedule is available, the District is paying based upon estimates.

The District was approved for a \$249,682 Ohio Water Development Authority loan for the Phase III Valve Improvement Design project. Total current year additions of \$9,967 consisted of proceeds of \$8,478 and capitalized interest of \$1,489. During fiscal year 2017, the balance of this loan was rolled into the Phase III Distribution Valves and Main Replacement loan. As of June 30, 2017, the balance of this loan was zero and it was closed out.

The District was approved for a \$2,575,037 Ohio Water Development Authority loan for the Chemical Feed Systems project. As of June 30, 2017, the District has drawn down proceeds of \$2,051,168 which includes amounts rolled over from the Chemical Feed Improvements Design loan. Total current year additions of \$2,055,923 consisted of proceeds of \$1,622,812, capitalized interest of \$4,755 and \$428,356 rolled over from the design loan. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments. Until a final repayment schedule is available, the District is paying based upon estimates.

The District was approved for a \$6,372,182 Ohio Water Development Authority loan for the Phase III Valve/Main Replacement project. As of June 30, 2017, the District has drawn down proceeds of \$3,432,977 which includes amounts rolled over from the Phase III Valve Improvement Design loan. Total current year additions of \$3,439,968 consisted of proceeds of \$3,201,508, capitalized interest of \$6,991 and \$231,469 rolled over from the design loan. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments. Until a final repayment schedule is available, the District is paying based upon estimates.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

An analysis of the EPA/OWDA loan balances is as follows:

	EPA/OWDA Loans
Outstanding Principal at June 30, 2016	\$38,747,572
Current Fiscal Year Loan Proceeds	4,957,412
Design loan amount rolled into Chemical Feed Systems loan	428,356
Design loan amount rolled into Phase III Valve/Main Replacement loan	231,469
Current Fiscal Year Capitalized Interest	89,773
Current Fiscal Year Principal Payments	(1,979,019)
Close out of Chemical Feed Improvements Design loan	(428,356)
Close out of Phase III Valve Improvement Design loan	(231,469)
	\$41,815,738
Outstanding Principal at June 30, 2017	

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

	Water Revenue		OWDA	
	Bonds		Loans	
	Principal	Interest	Principal	Interest
2018	\$2,505,000	\$114,975	\$2,186,458	\$1,034,845
2019	2,580,000	38,700	2,061,424	973,344
2020	0	0	2,122,902	914,049
2021	0	0	2,186,482	852,729
2022	0	0	2,252,246	789,307
2023 - 2027	0	0	11,581,812	2,927,345
2028 - 2032	0	0	10,199,161	1,342,017
2033 - 2037	0	0	3,408,645	172,376
Total	\$5,085,000	\$153,675	\$35,999,130	\$9,006,012

As a result of the use of the modified cash basis of accounting in this report, obligations related to accrued compensated absences and net pension liability are not reported as liabilities in the financial statements. Expenses related to compensated absences and pension funding are recorded when paid.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 – Capital Improvements

On June 24, 2015, the District passed Resolution No. 6185, which remained in place as of June 30, 2017, earmarking certain District cash balances for capital improvement projects as follows:

Capital Project Descriptions	Amount
Chemical feed system process improvements	\$2,558,108
Ongoing sludge removal, sludge lagoon and access road repair	4,152,994
Dam and spillway improvements	3,000,000
Improvement of existing facilities and equipment	2,444,885
Sand filter, electronic upgrades and selected roof replacements	2,329,000
Venturi project completion amount	563,500
Total	<u>\$15,048,487</u>

Note 9 – Subsequent Event

The District's Board of Directors originally set a public hearing for August 29, 2017 with the Court of Jurisdiction, to receive confirmation on a resolution passed through the Board on June 15, 2017, in which the Board of Directors unanimously voted to authorize a one-time adjustment of surplus funds. As of the date of this report, the original public hearing has been postponed and a new date has not yet been set. The Board's Resolution No.6338 determined that there will be \$5,000,000 available in surplus funds as of December 31, 2017. The Board resolved to distribute the \$5,000,000 to Youngstown, Niles and the Village of McDonald in two installments of \$2,000,000 and one installment of \$1,000,000, in a ratio determined by the percentage of water pumped and billed to each of the entities during fiscal year 2017.

Mahoning Valley Sanitary District
Trumbull County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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Supplementary and Other Information Accompanying the Basic
Financial Statements

Trend Information

This part of the Mahoning Valley Sanitary District's annual financial report presents detailed information as the context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	40 - 43
Debt Capacity This schedule presents information to help the reader assess the affordability of the District's current levels of outstanding debt.	44

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant fiscal year.

Mahoning Valley Sanitary District

Net Position by Component

Last Ten Fiscal Years

(Modified Cash Basis)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Restricted for:				
Debt Service	\$4,185,356	\$5,130,975	\$5,083,707	\$5,027,908
Unrestricted	<u>35,935,165</u>	<u>34,612,770</u>	<u>32,310,788</u>	<u>29,874,355</u>
<i>Total Net Position</i>	<u><u>\$40,120,521</u></u>	<u><u>\$39,743,745</u></u>	<u><u>\$37,394,495</u></u>	<u><u>\$34,902,263</u></u>

Source: District Financial Records

2013	2012	2011	2010	2009	2008
\$4,987,914	\$7,863,296	\$6,709,955	\$7,784,814	\$6,850,823	\$7,658,062
26,509,280	19,482,370	14,642,321	10,073,591	7,234,548	5,374,509
<u>\$31,497,194</u>	<u>\$27,345,666</u>	<u>\$21,352,276</u>	<u>\$17,858,405</u>	<u>\$14,085,371</u>	<u>\$13,032,571</u>

Mahoning Valley Sanitary District
Changes in Net Position
Last Ten Fiscal Years
(modified cash basis of accounting)

	2017	2016	2015	2014
Operating Revenues				
Charges for Services	\$18,184,315	\$17,879,403	\$16,676,129	\$16,775,182
Special Assessments	0	867,000	1,726,925	1,720,981
Miscellaneous	23,415	12,701	2,867	1,028
<i>Total Operating Revenues</i>	<u>18,207,730</u>	<u>18,759,104</u>	<u>18,405,921</u>	<u>18,497,191</u>
Operating Expenses				
Personal Services	4,166,337	4,195,167	3,893,257	4,171,589
Supplies and Services	3,920,229	3,452,949	3,514,541	3,069,233
Materials and Supplies	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Operating Expenses</i>	<u>8,086,566</u>	<u>7,648,116</u>	<u>7,407,798</u>	<u>7,240,822</u>
<i>Operating Income (Loss)</i>	<u>10,121,164</u>	<u>11,110,988</u>	<u>10,998,123</u>	<u>11,256,369</u>
Non-Operating Revenues (Expenses)				
Timber Sales	52,500	100,000	145,667	75,000
Royalties	24,684	15,789	53,429	77,799
Miscellaneous - Non-Operating Revenue	10,383	32,437	25,073	31,383
Miscellaneous - Non-Operating Expense	(46,574)	(61,838)	(79,261)	(88,892)
Capital Outlay:				
Equipment - Non-Operating Expense	(378,419)	(404,611)	(534,060)	(406,056)
Capital Outlay - Non-Operating Expense	(2,156,146)	(1,532,375)	(1,334,899)	(960,433)
EPA/OWDA Funds Disbursed	(4,957,412)	(1,139,599)	(6,619,656)	(4,401,938)
Redemption of Principal	(6,044,019)	(5,883,047)	(5,575,642)	(5,365,562)
Interest and Fiscal Charges	(1,221,276)	(1,295,884)	(1,383,311)	(1,512,335)
Proceeds of EPA/OWDA Loan	4,957,412	1,139,599	6,782,922	4,401,938
Bond Issuance Costs	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Premium on Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Investment Earnings	14,479	3,896	13,847	5,700
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(9,744,388)</u>	<u>(9,025,633)</u>	<u>(8,505,891)</u>	<u>(8,143,396)</u>
<i>Income (Loss) before Capital Contributions</i>	376,776	2,085,355	2,492,232	3,112,973
Capital Contributions	0	263,895	0	292,096
<i>Change in Net Position</i>	<u>\$376,776</u>	<u>\$2,349,250</u>	<u>\$2,492,232</u>	<u>\$3,405,069</u>

Source: District Financial Records

2013	2012	2011	2010	2009	2008
\$16,696,622	\$14,859,264	\$13,625,900	\$13,472,573	\$12,240,620	\$10,911,949
1,731,962	1,730,613	1,723,929	2,593,028	863,524	1,717,279
6,702	6,608	3,117	12,371	6,263	11,281
18,435,286	16,596,485	15,352,946	16,077,972	13,110,407	12,640,509
4,133,826	3,882,473	3,994,118	3,968,346	3,884,477	3,680,828
2,897,254	2,604,861	2,566,415	2,549,672	0	0
0	0	0	0	2,833,520	2,795,870
0	0	0	0	0	53,461
7,031,080	6,487,334	6,560,533	6,518,018	6,717,997	6,530,159
11,404,206	10,109,151	8,792,413	9,559,954	6,392,410	6,110,350
0	0	0	0	0	62,880
63,231	85,670	99,744	113,384	238,903	164,992
2,540	1,914	4,809	0	34,320	95,606
(27,538)	(32,831)	(117,199)	(55,976)	(51,105)	0
(317,294)	(309,531)	(372,059)	(193,789)	(594,890)	0
(1,104,465)	(2,906,552)	(3,048,944)	(868,581)	0	(884,102)
(7,845,482)	(11,721,146)	(2,067,461)	(888,779)	(954,451)	(1,653,821)
(4,866,151)	(2,448,113)	(1,419,153)	(3,262,868)	(3,121,403)	(2,955,500)
(1,350,795)	(960,160)	(936,187)	(1,940,988)	(2,097,639)	(2,252,927)
7,845,482	11,721,146	2,067,461	888,779	954,451	1,653,821
0	0	(450,802)	0	0	0
0	0	27,030,000	0	0	0
0	0	247,734	0	0	0
0	0	(28,982,233)	0	0	0
3,135	8,730	12,823	25,923	93,887	408,295
(7,597,337)	(6,560,873)	(7,931,467)	(6,182,895)	(5,497,927)	(5,360,756)
3,806,869	3,548,278	860,946	3,377,059	894,483	749,594
344,659	2,445,112	2,632,925	395,975	158,317	159,097
\$4,151,528	\$5,993,390	\$3,493,871	\$3,773,034	\$1,052,800	\$908,691

Mahoning Valley Sanitary District
Outstanding Long-term Debt Obligations by Type
Last Ten Fiscal Years
(Modified Cash Basis)

Fiscal Year	General Obligation Bonds	Water Revenue Bonds	EPA/ OWDA Loans
2017	\$0	\$5,126,698	\$41,815,738
2016	0	9,221,132	38,747,572
2015	0	13,225,566	39,304,045
2014	0	17,120,000	34,028,544
2013	0	20,934,433	31,167,469
2012	0	24,693,866	24,297,714
2011	0	26,473,300	13,127,993
2010	9,965,000	18,480,000	11,665,403
2009	11,150,000	20,025,000	11,280,522
2008	12,285,000	21,475,000	10,853,574

Source: District Financial Records



Dave Yost • 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
NOVEMBER 28, 2017**