

VIRGIN VALLEY WATER DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION



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MARK E. TICHENOR

**Independent Auditors' Report on the
Basic Financial Statements**

Directors and Members of the Board
Virgin Valley Water District
Mesquite, Nevada

We have audited the accompanying basic financial statements of Virgin Valley Water District as of June 30, 2007, and for the year then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Virgin Valley Water District, as of June 30, 2007 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 6 through 11 and 29 through 30 respectively, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

August 23, 2007

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The following is a discussion and analysis of Virgin Valley Water District's (District) financial performance providing an overview of the District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$40,817,401 at the close of the fiscal year.
- Total net assets increased by \$8,377,785 or 25.8%.
- Operating revenues increased by \$653,402 or 15.2% from \$4,305,006 to \$4,958,408.
- Operating expenses increased by \$423,554 or 10.3% from \$4,127,892 to \$4,551,446.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) Enterprise fund financial statements; and 2) Notes to the financial statements.

Enterprise fund financial statements. The District is a special purpose government and operates as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs of providing goods and services to the general public be financed or recovered primarily through user charges. The District is financed primarily through water sales, service fees, and impact fees.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The *statement of cash flows* presents information showing how the government's cash changed during the most recent fiscal year.

The basic financial statements can be found on pages 12-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 18-30 of this report.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

DISTRICT FINANCIAL ANALYSIS AS A WHOLE

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities at June 30, 2007 and 2006 by \$40,817,401 and \$32,439,616, respectively. This is presented in the following condensed statement of net assets.

**Condensed Statement of Net Assets
As of June 30th**

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 22,017,481	\$ 23,533,190
Capital assets	<u>44,580,293</u>	<u>32,992,967</u>
Total assets	<u>66,597,774</u>	<u>56,526,157</u>
Current and other liabilities	1,921,150	2,071,062
Long-term liabilities	<u>23,859,223</u>	<u>22,015,479</u>
Total liabilities	<u>25,780,373</u>	<u>24,086,541</u>
Net assets:		
Invested in capital assets, net of debt	18,856,206	9,188,494
Restricted for bond requirements and Ordinance No. 2	8,870,154	11,825,276
Unrestricted	<u>13,091,041</u>	<u>11,425,846</u>
Total net assets	<u>\$ 40,817,401</u>	<u>\$ 32,439,616</u>

The District's net assets are comprised of three components:

Capital assets (i.e. land, buildings, operating equipment, wells, furniture and fixtures, and water rights) comprised of \$18,856,206 or 46.2% of total net assets, less any related debt outstanding that was used to acquire those assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Resources needed to repay capital related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Restricted net assets comprised of \$8,870,154 or 21.7% of total net assets and represents funds that are subject to restrictions on how they may be used. The restricted balance consists of two components: 1) Funds reserved for bond requirements and payments as payments come due; and 2) Fees received from Ordinance No. 2 are funds designated for the purchase of water rights.

Unrestricted net assets comprised of \$13,091,041 or 32.1% of total net assets and may be used to meet the District's obligations to customers, employees, and creditors and to honor next year's budget.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

DISTRICT FINANCIAL ANALYSIS AS A WHOLE (Continued)

**Condensed Statement of Revenues, Expenses
and Changes in Net Assets
As of June 30th**

	2007	2006
Operating revenue	\$ 4,958,408	\$ 4,305,006
Non-operating revenues	9,011,762	7,003,672
Total Revenues	11,308,678	11,308,678
Depreciation and amortization - operating expenses	1,367,597	1,230,709
Other operating expenses	3,183,849	2,897,183
Non-operating expenses	1,040,939	860,278
Total Expenses	5,592,385	4,988,170
Increase in net assets	8,377,785	6,320,508
Net assets, beginning	32,439,616	26,119,108
Net assets, ending	<u>\$ 40,817,401</u>	<u>\$ 32,439,616</u>

The District experienced an increase in operating revenues of 653,402 or 15.2% in fiscal 2007 primarily due to the increase in the customer base.

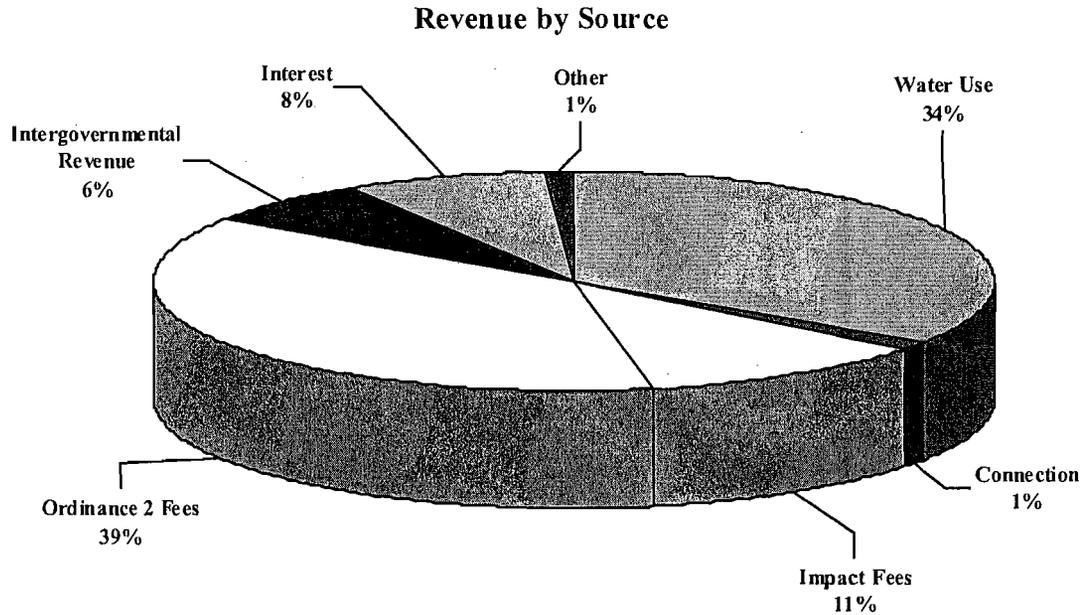
The overall increase in District non-operating revenues in fiscal 2007 was \$2,008,090 or 28.7%. The net increase consisted primarily of an increase in impact fees of \$273,011 or 20.7%, an increase in interest income of \$533,798 or 93.4%, an increase in Ordinance No. 2 fees of \$2,403,632 or 83.3%, less a decrease in intergovernmental revenue of \$1,274,478 or -59.3%.

Total operating expenses increased \$423,554 or 10.3% in fiscal 2007. The significant changes consisted of an increase of \$137,796 or 32.5% in contracted services, an increase of \$162,088 or 38.3% in utility costs and an increase of \$136,157 or 32.1% in depreciation expense.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

DISTRICT FINANCIAL ANALYSIS AS A WHOLE (Continued)

The following graph provides a breakdown of revenues by source for all District activities.



BUDGETARY HIGHLIGHTS

Over the course of the year, the Board made no revisions to the District's budget.

Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. Without any budget adjustments, the actual expenditures for the fiscal year 2007 were \$49,522 in excess of the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District operates as an enterprise fund, which includes capitalization and depreciation of assets. Asset categories include land, buildings, water system, construction in process, equipment, and water rights. The District's capital assets (net of accumulated depreciation) as of June 30, 2007 amount to \$44,580,293, which represents an increase of \$11,696,925 or 35.6% over the prior fiscal year.

Major capital assets events and approximate costs incurred during the current fiscal year included the following:

- Water system improvements of approximately \$800,000.
- Additional costs for the arsenic treatment plants of approximately \$565,000.
- Water rights purchased for \$8,839,326.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

**Capital Assets
(net of accumulated depreciation)
As of June 30th**

	<u>2007</u>	<u>2006</u>
Land	\$ 161,401	\$ 161,401
Buildings and improvements	1,219,660	1,219,660
Operating equipment and wells	37,068,380	34,125,176
Furniture and fixtures	167,903	191,582
Construction in process	4,116,980	2,879,424
Water shares	<u>11,848,173</u>	<u>3,008,847</u>
	54,582,497	41,586,090
Less accumulated depreciation	<u>(10,002,204)</u>	<u>(8,702,722)</u>
Net capital assets	<u>\$ 44,580,293</u>	<u>\$ 32,883,368</u>

Long-Term Debt

The District's long-term debt activity during fiscal year 2007 generally consisted as follows:

- Water Revenue Bonds, Series 2003 not to exceed \$4,000,000 was issued during fiscal year 2004 to construct the Mesquite Boulevard water line replacement project and to pay for a portion of the costs of constructing the arsenic treatment plants. This borrowing was obtained through the Nevada State Revolving Fund, which provides low interest rate loans to qualified recipients. The funds are borrowed as needed to pay for the construction costs. During the 2007 fiscal year \$523,877 of additional funds were borrowed for the arsenic treatment plants. At June 30, 2007, the outstanding balance that had been borrowed to pay for the Mesquite Boulevard water line replacement project was \$2,846,448 and \$1,100,023 for the arsenic treatment plants with approximately \$53,000 borrowings that remain to fully issue the bonds.
- Water Revenue Bonds, Series 2006 was issued for \$7,515,000 during fiscal year 2006 to purchase water rights for approximately \$8.9 million. During fiscal year 2007 the purchase was finalized. The difference between the purchase price and the amount bonded will be taken from the designated restricted funds received from Ordinance 2 revenues.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

- Notes payable, City of Mesquite (City) originating from a fiscal year 2007 agreement between the City and the District to construct a new water tank and related infrastructure to provide water service in the general vicinity of the Mesquite Technology & Commerce Center. In general, the agreement states that the City will pay for the total construction costs of the project. The District has agreed to remit to the City of Mesquite 80% of impact fees collected from the area serviced by the tank for a period of fifteen years or until the City has been reimbursed for qualified expenditures. The payment amounts will vary from year to year depending on the actual amount of impact fees collected. The debt is interest free. During fiscal year 2007, construction costs of \$2,683,760 were paid for by the City and the District made reimbursements to the City for \$123,808. The outstanding balance to the City at June 30, 2007 was \$2,559,952. The construction project had not been completed at June 30, 2007.

**Outstanding Debt
As of June 30th**

	<u>2007</u>	<u>2006</u>
Water revenue bonds	\$ 22,951,482	\$ 23,427,594
Notes payable	<u>2,772,605</u>	<u>267,279</u>
	<u>\$ 25,724,087</u>	<u>\$ 23,694,873</u>

Additional information on the District's long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Virgin Valley Water District's finances for all those with an interest in the District's finances. Questions regarding any of the information provided in this report, or requests for additional financial information should contact the District's office at 500 Riverside Road, Mesquite, Nevada 89027.

VIRGIN VALLEY WATER DISTRICT
Statement of Net Assets
June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only June 30, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,372,710	\$ 585,391
Investments	10,093,244	9,096,289
Accounts receivable	576,030	512,571
Accrued interest income	113,639	108,098
Deposits	-	500,000
Due from other governmental units	241,296	114,948
Inventory	136,375	237,239
Total current assets	<u>12,533,294</u>	<u>11,154,536</u>
Noncurrent assets:		
Restricted cash and cash equivalents	7,757,043	10,901,484
Restricted investments	1,113,111	923,792
Prepaid expenses	66,677	66,095
Capital assets:		
Land	161,401	161,401
Buildings & improvements	1,219,660	1,219,660
Operating equipment & wells	37,068,380	34,125,176
Furniture & fixtures	167,903	191,582
Water shares	11,848,173	3,008,847
Construction in process	4,116,980	2,879,423
Less: accumulated depreciation	<u>(10,002,204)</u>	<u>(8,702,722)</u>
Total noncurrent assets	<u>53,517,124</u>	<u>44,774,738</u>
Other assets:		
Original issue discount, net of amortization	53,629	61,270
Bond issuance costs, net of amortization	493,727	535,613
Total other assets	<u>547,356</u>	<u>596,883</u>
Total assets	<u>\$ 66,597,774</u>	<u>\$ 56,526,157</u>

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VIRGIN VALLEY WATER DISTRICT
Statement of Net Assets - Continued
June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only June 30, 2006
Liabilities		
Current liabilities:		
Accounts payable	\$ 275,748	\$ 668,734
Accrued interest payable	134,196	129,646
Accrued payroll & payroll taxes	67,077	57,263
Retention payable	82,288	90,255
Deferred revenue	26,400	24,318
Current portion of notes payable	209,159	54,626
Current portion of bonds payable	1,126,282	1,046,220
Total current liabilities	<u>1,921,150</u>	<u>2,071,062</u>
Noncurrent liabilities:		
Bond premiums, net of amortization	166,908	175,810
Notes payable	2,563,446	212,653
Bonds payable	21,825,200	22,381,374
Loss on defeasance of debt	(696,331)	(754,358)
Total noncurrent liabilities	<u>23,859,223</u>	<u>22,015,479</u>
Total liabilities	<u>25,780,373</u>	<u>24,086,541</u>
Net Assets		
Invested in capital assets, net of related debt	18,856,206	9,188,494
Restricted for bond requirements and ordinance #2	8,870,154	11,825,276
Unrestricted	13,091,041	11,425,846
Total net assets	<u>\$ 40,817,401</u>	<u>\$ 32,439,616</u>

VIRGIN VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only June 30, 2006
Operating revenues		
Water use fees	\$ 4,800,618	\$ 4,156,641
Installation charges	157,790	148,365
Total operating revenues	<u>4,958,408</u>	<u>4,305,006</u>
Operating expenses		
Salaries & wages	774,536	711,769
Office expense	70,126	72,045
Professional & legal services	412,591	300,327
Engineering services	69,402	50,451
Payroll taxes	25,515	53,321
Employers share PERS	140,543	131,139
Travel & training	11,797	7,284
Bad debt expense	258	376
Dues & subscriptions	18,829	16,257
Uniforms & safety equipment	7,613	6,284
Water rights applications	400	7,802
Insurance	212,743	200,839
Utilities	938,593	776,505
Operations & maintenance	492,277	558,008
Miscellaneous	8,626	4,776
Amortization	40,625	39,894
Depreciation	1,326,972	1,190,815
Total operating expenses	<u>4,551,446</u>	<u>4,127,892</u>
Net operating income / (loss)	<u>\$ 406,962</u>	<u>\$ 177,114</u>

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VIRGIN VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets - Continued
For the Years Ended June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only June 30, 2006
Non-operating income (expenses)		
Service charges	\$ 27,788	\$ 31,282
Interest income	1,105,598	571,800
Impact fees	1,592,120	1,319,109
Ordinance No. 2 fees	5,290,324	2,886,692
Ordinance No. 3 fees	1,500	2,000
Lease income	77,720	42,550
Other income	9,920	-
Loss on disposal of assets	-	(18,031)
Intergovernmental revenue	875,761	2,150,239
Realized gain / (loss) on investments	31,031	(12,420)
Unrealized loss on investments	(145)	-
Interest expense	(1,040,794)	(829,827)
Total nonoperating revenue (expenses)	<u>7,970,823</u>	<u>6,143,394</u>
Change in net assets	8,377,785	6,320,508
Total net assets--beginning	<u>32,439,616</u>	<u>26,119,108</u>
Total net assets--ending	<u>\$ 40,817,401</u>	<u>\$ 32,439,616</u>

VIRGIN VALLEY WATER DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only Year ended June 30, 2006
Cash flows from operating activities:		
Cash received from customers, water usage fees	\$ 4,737,159	\$ 4,069,819
Cash received from customers, installation charges	157,790	148,365
Cash paid for operating expenses	(2,534,112)	(1,984,287)
Cash paid to employees	(940,594)	(896,229)
Net cash flows from operating activities	<u>1,420,243</u>	<u>1,337,668</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,840,138)	(3,310,487)
Proceeds from sale of capital assets	-	460,061
Deposits	-	(500,000)
Proceeds from long-term debt	523,877	8,091,146
Principal paid on long-term debt	(1,178,423)	(707,889)
Bond issuance costs	-	(197,531)
Bond Premiums	7,641	178,035
Impact fees collected	1,594,202	1,283,873
Ordinance No. 2 and No. 3 fees collected	5,291,824	2,888,692
Intergovernmental revenue	749,413	2,127,846
Lease revenue	77,720	42,550
Service charges collected	27,788	31,282
Interest paid	(978,217)	(745,056)
Net cash flows from capital and related financing activities	<u>(3,724,313)</u>	<u>9,642,522</u>
Cash flows from investing activities:		
Interest on investments	1,102,191	489,975
(Increase)/decrease in restricted cash	2,955,122	(9,631,810)
Sale of investments	3,390,000	5,256,841
Purchase of investments	(4,355,924)	(7,645,258)
Net cash flows from investing activities	<u>3,091,389</u>	<u>(11,530,252)</u>
Net change in cash and cash equivalents	787,319	(550,062)
Cash and cash equivalents at beginning of year	<u>585,391</u>	<u>1,135,453</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,372,710</u></u>	<u><u>\$ 585,391</u></u>

Continued on next page

VIRGIN VALLEY WATER DISTRICT
Statement of Cash Flows - Continued
For the Years Ended June 30, 2007 and 2006

	Proprietary Fund	Memorandum Only Year ended June 30, 2006
Reconciliation of operating loss to net cash used by operating activities:		
Net income from operations	\$ 406,962	\$ 177,114
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,326,972	1,190,815
Amortization	40,625	39,894
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(63,459)	(86,822)
(Increase)/decrease in inventories	100,864	(110,806)
(Increase)/decrease in prepaid expenses	(582)	(53,687)
Increase/(decrease) in accounts payable	(392,986)	145,695
Increase/(decrease) in retention payable	(7,967)	33,185
Increase/(decrease) in accrued liabilities	9,814	2,282
Net cash flows from operating activities	<u>\$ 1,420,243</u>	<u>\$ 1,337,670</u>

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES

Completed construction in progress transferred to fixed assets	\$ 2,143,296
Unrealized appreciation and premium/discount on investments	\$ 20,096
Increase in note payable to the City of Mesquite (see note 4)	\$ 2,683,760

SUPPLEMENTAL SCHEDULE OF PAYMENTS FOR INTEREST

During fiscal year 2007, the District incurred interest costs of \$1,040,794. Of this amount, \$58,027 was amortization of deferred losses resulting from a prior year bond refinance. Interest payable at the beginning of the year was \$129,646 and the interest actually paid during 2006 was \$978,217, leaving interest payable of \$134,196 at June 30, 2007.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies

NATURE OF ORGANIZATION

Virgin Valley Water District, (District) was created pursuant to Senate Bill 50, which was passed by the 1993 Nevada Legislature and signed into law by the governor and in accordance with a June 29, 1993 vote by the membership of the District's predecessor Mesquite Farmstead Water Association. As of June 30, 1993, Mesquite Farmstead Water Association ceased operations and the District was created. The District is a governmental special service district. The District began operations on July 1, 1993 and has a fiscal year end of June 30.

BASIS OF PRESENTATION-FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's only fund is an enterprise fund.

BASIS OF ACCOUNTING

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

BUDGET POLICY AND PROCESS

The District adheres to the Local Government Budget Act incorporated within state statutes, which include the following major procedures to establish the budgetary data which is reflected in these financial statements.

1. On or before April 15, the District's Board of Directors files a tentative budget with the Nevada Department of Taxation.
2. Public hearings on the tentative budget are held on the third Thursday in May.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board and by adopting a resolution. The final budget must then be forwarded to the Nevada Tax Commission for final hearings and approval.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies, Continued

4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. The budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) Appropriations lapse at year end.
6. Budget amounts may be transferred if amounts do not exceed the original budget. Such transfers are to be approved with a resolution by the Board of Directors. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Virgin Valley Water District Board of Directors, following a properly scheduled public hearing.

In accordance with State Statute and the Nevada Administrative Code, actual expenses may not exceed the sum of budgeted operating and non-operating expenses.

CASH AND CASH EQUIVALENTS

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

CASH AND INVESTMENTS

Cash balances are invested as permitted by law. Investments are recorded at lower of cost or market.

Pursuant to NRS 355.170, the District may only invest in the following types of securities:

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.
- Other securities expressly provided by other statutes, including repurchase agreements

ACCOUNTS RECEIVABLE

Accounts receivable represent water usage billings for which payment has not yet been received. Due to the nature of such receivables and the District's ability to collect them, an allowance for doubtful accounts has not been provided.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies, Continued

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NET ASSETS

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted for bond payments as the payments come due and for Ordinance No. 2 fees as described in Note 2.

Note 2. Deposits and Investments

Deposits and Investments

Deposits and investments of the District are governed by the Nevada Revised Statutes (NRS). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2007, the District's bank balance was \$4,612,883. Of this amount \$4,094,448 was on deposit with America First Credit Union. \$100,000 of the amount with America First is covered by FDIC insurance. America First has pledged their building as collateral for the District's deposit. The value of the building was unknown as of the date of these financial statements therefore there is a possibility that a portion on the deposit is not collateralized. The remaining amounts deposited with other financial institutions are insured or otherwise collateralized.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 2. Deposits and Investments, Continued

Investments

Investment Fund

The Nevada State Treasurer's Office operates the Local Government Pooled Investment Fund (LGPIF). The LGPIF is available for investment of funds administered by any Nevada Public Treasurer.

The LGPIF is not registered with the SEC as an investment company. Deposits in the LGPIF are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (NRS 355.170) govern the investment of public funds.

As of June 30, 2007 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 5,729,904	\$ 585,777	\$ 5,144,127	\$ -	\$ -
Wells Fargo Bank Treasury Obligations	1,113,111	1,113,111	-	-	-
Nevada Local Government Pooled Investment Fund	9,136,796	9,136,796	-	-	-
Total Fair Value	\$15,979,811	\$10,835,684	\$ 5,144,127	\$ -	\$ -

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (NRS 355.170).

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 2. Deposits and Investments, Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with State law (NRS 355.170).

At June 30, 2007 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 5,729,904	\$ 5,729,904	\$ -	\$ -	\$ -
Wells Fargo Bank Treasury Obligations	1,113,111	1,113,111	-	-	-
Nevada Local Government Pooled Investment Fund	9,136,796	-	-	-	9,136,796
Total Fair Value	\$15,979,811	\$ 6,843,015	\$ -	\$ -	\$ 9,136,796

During fiscal year 1996, the Board passed Ordinance No. 2 which requires that any applicant requesting water services to a new location shall dedicate to the District either water rights and water supply sufficient for the anticipated usage or pay the District the fair market value of the water rights so the District can purchase them. In fiscal year 2007, \$5,290,324 was collected from customers as payments for Ordinance No. 2. At June 30, 2007, the balance in the Ordinance No. 2 account was \$7,757,043. The entire balance is restricted.

During fiscal year 2007 the District entered into an agreement with the City of Mesquite, Nevada for the purpose of constructing water related infrastructure. Under this agreement the City of Mesquite will pay the initial costs for the infrastructure. The District has agreed to remit to the City of Mesquite 80% of impact fees, which may include applicable ordinance 2 fees, collected for a period of fifteen years or until such time as the City of Mesquite is repaid.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Useful Life
Improvements	15-40 years
Vehicles	5 years
Office furniture & equipment	3-15 years
Buildings	7-20 years

A summary of changes in capital assets as follows:

	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007
Capital Assets				
Land	\$ 161,401	\$ -	\$ -	\$ 161,401
Buildings and improvements	1,219,660	-	-	1,219,660
Operating equipment and wells	34,125,176	2,943,204	-	37,068,380
Furniture and fixtures	191,582	3,811	27,490	167,903
Water shares	3,008,847	8,839,326	-	11,848,173
Subtotal	38,706,666	11,786,341	27,490	50,465,517
Accumulated depreciation	(8,702,722)	(1,326,972)	27,490	(10,002,204)
Net capital assets	\$ 30,003,944	\$ 10,459,369	\$ -	\$ 40,463,313
 Construction in Process				
CIP - Aresenic Treatment Plants	\$ 2,690,600	\$ 565,331	\$ 1,954,472	\$ 1,301,459
CIP - Tank in Commerce and Tech	-	2,683,760	-	2,683,760
CIP - Well #34	-	31,986	-	31,986
CIP - 16 Water Line - Paradise Pkwy	-	99,775	-	99,775
CIP - Miscellaneous Projects	188,824	-	188,824	-
Total construction in process	\$ 2,879,424	\$ 3,380,852	\$ 2,143,296	\$ 4,116,980

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 4. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

Notes Payable	June 30, 2006	Additions	Retirements	June 30, 2007
Jimmy and Angie Hughes	\$ 247,500	\$ -	\$ 34,847	\$ 212,653
James Pulsipher	19,779	-	19,779	-
City of Mesquite	-	2,683,760	123,808	2,559,952
Total notes payable	<u>267,279</u>	<u>2,683,760</u>	<u>178,434</u>	<u>2,772,605</u>
Bonds Payable				
Water Revenue Bonds, Series 1999	1,190,000	-	380,000	810,000
Water Revenue Bonds, Series 2001	5,290,000	-	260,000	5,030,000
Water Revenue Bonds, Series 2003	3,422,594	523,877	74,989	3,871,482
Water Revenue Bonds, Series 2004	6,010,000	-	35,000	5,975,000
Water Revenue Bonds, Series 2006	7,515,000	-	250,000	7,265,000
Total bonds payable	<u>23,427,594</u>	<u>523,877</u>	<u>999,989</u>	<u>22,951,482</u>
Total long-term debt	<u><u>\$23,694,873</u></u>	<u><u>\$3,207,637</u></u>	<u><u>\$1,178,423</u></u>	<u><u>\$25,724,087</u></u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 4. Long-Term Debt, Continued

<u>Notes Payable</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
10% note payable to Jimmy and Angie Hughes, due in monthly installments of \$4,836 through January 15, 2012.	\$ 38,496	\$ 174,157	\$ 212,653
Note payable to the City of Mesquite, NV. There is not a set repayment schedule. The note payable originated from a fiscal year 2007 agreement between the District and the City of Mesquite. As part of the agreement the City of Mesquite will construct a new water tank and related infrastructure. The District has agreed to remit to the City of Mesquite 80% of applicable impact fees collected from the area serviced by the tank for a period of fifteen years or until the City or Mesquite has been reimbursed for qualified expenditures, whichever occurs first. The payment amounts will vary from year to year depending on the actual amount of impact fees collected. The amounts presented as current and long-term assume equal payments over the fifteen year term and are estimates. Actual payments will likely vary from these estimated amounts. No interest is being charged.	170,663	2,389,289	2,559,952
Total notes payable	209,159	2,563,446	2,772,605

Bonds Payable

Water revenue bonds, series 1999 due in semi-annual interest installments ranging from \$46,620 to \$260,479 and annual principal installments ranging from \$100,000 to \$480,000, bearing interest between 2.5% and 5%, maturing June 1, 2019.	395,000	415,000	810,000
Water revenue bonds, series 2001, due in semi-annual interest installments ranging from \$12,000 to \$134,799 and annual principal installments ranging from \$100,000 to \$480,000, bearing interest between 2.5% and 5%, maturing June 1, 2022.	270,000	4,760,000	5,030,000

-Continued on following page-

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 4. Long-Term Debt, Continued

<u>Bonds Payable - continued</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Water revenue bonds, series 2003. Bonds have not been fully issued. Estimated annual interest installments range from \$2,615 to \$125,518 and estimated annual principal installments range from \$152,481 to \$297,291, bearing interest of 3.43%.	166,282	3,705,200	3,871,482
Water revenue bonds, series 2004, due in semi-annual interest installments ranging from \$21,500 to \$108,670 and annual principal installments ranging from \$35,000 to \$1,075,000, bearing interest between 2.25% to 4%, maturing June 1, 2019.	35,000	5,940,000	5,975,000
Water revenue bonds, series 2006, due in semi-annual interest installments ranging from \$21,853 to \$327,253 and annual principal installments ranging from \$250,000 to \$530,000, bearing interest between 3.75% to 5%, maturing June 1, 2026.	260,000	7,005,000	7,265,000
Total bonds payable	<u>1,126,282</u>	<u>21,825,200</u>	<u>22,951,482</u>
Total long-term debt	<u>\$ 1,335,441</u>	<u>\$24,388,646</u>	<u>\$ 25,724,087</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 4. Long-Term Debt, Continued

The annual requirements for the next five year and 5 year increments thereafter to amortize long-term debt outstanding at June 30, 2007, including interest of \$8,534,045 are as follows:

Year Ending June 30,	Notes Payable	Bonds Payable	Total
2008	\$ 228,692	\$ 2,053,444	\$ 2,282,136
2009	228,692	2,069,471	2,298,163
2010	228,691	2,066,945	2,295,636
2011	228,692	2,066,269	2,294,961
2012	204,513	2,063,770	2,268,283
2013-2017	853,317	10,267,758	11,121,075
2018-2022	853,318	8,167,683	9,021,001
2023-2027	-	2,674,184	2,674,184
Total	2,825,915	31,429,524	34,255,439
Less Interest	53,310	8,478,042	8,531,352
Total Principal	<u>\$ 2,772,605</u>	<u>\$ 22,951,482</u>	<u>\$ 25,724,087</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 5. Defined Benefit Pension Plan

Virgin Valley Water District (District) is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing multiple-employer program. All full-time employees are covered under the system. In addition, those part-time employees working at least 20 hours per week and more than 120 days are covered, except for those employees who participate in PERS with an employer other than the District. The payroll for employees covered by the system for the year ended June 30, 2007, was \$711,609; the District's total payroll was \$774,536.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the Plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for members are computed at 2.5 percent of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to retirement with a ceiling of 75 percent of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows retired employees to accept a reduced service retirement allowance payable monthly during their lives and various optional monthly payments to a named beneficiary after their deaths.

Ordinary members are eligible for retirement at age 65 with 5 years of service, age 60 with 10 years of service, or any age with 30 years of service. Members who retired on or after July 1, 1977, or are active members whose effective date of membership is before July 1, 1985, and who have 36 years of service are entitled to a benefit of up to 90 percent of their average compensations. When members are eligible for the earlier retirement due to the increased service years, the ceiling limitation on monthly benefit allowances increases from the normal 75 percent to a maximum of 90 percent of average compensation. Ordinary members become fully vested as to benefits upon completion of 5 years of service.

Member contribution rates are established by NRS 286.465. That statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to one percent until such time as the actuarially determined unfunded liability of the Plan is reduced to zero.

The District is enrolled in the employer-paid contribution plan of PERS. Under this plan the District is required to contribute 19.75 percent of covered employees' salaries to the plan. The actuarially determined contribution rate as of July 1, 2006. The contribution requirements for the years ended June 30, 2007 and June 30, 2006 were \$140,543 and \$131,139, respectively. These contributions represented 19.75 percent of the covered payroll. A copy of the PERS June 30, 2007 annual financial report may be obtained by writing to the Public Employee's Retirement System of Nevada, 693 W. Nye Lane, Carson City, NV 89703-1599, or by calling (775) 687-4200.

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 6. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the District, subject to the claims of the District's general creditors.

Note 7. Restricted Net Assets

Restricted net assets consist of the following:

Ordinance No. 2 Fees (See Note 2)	\$ 7,757,043
Bond Reserves (See Note 2)	<u>1,113,111 *</u>
Total	<u><u>\$ 8,870,154</u></u>

*Amount includes accumulated interest income on fund.

Note 8. Defeasance of Long-Term Debt

In prior years, the District defeased certain bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements. At June 30, 2007, the following outstanding bonds are considered defeased:

1999 Water Revenue Bonds	\$ 545,000
1999 Water Revenue Bonds	\$ 5,980,000

VIRGIN VALLEY WATER DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 9. Intergovernmental Agreement

As discussed in notes 2 and 4, during fiscal year 2007 the City of Mesquite and the District entered into a mutual agreement with respect to the design and construction of water related infrastructure, the main item being a water tank for the commerce and tech center. This agreement calls for the City to pay for the improvements and to manage the construction project. The District will assume ownership of the tank. In turn, the District has committed to remit 80% of impact fees collected in the area serviced by the new tank to the City of Mesquite to reimburse the City for the construction costs. The District will remit these fees until the City has been fully reimbursed for the agreed upon improvements or for a period of fifteen years, whichever occurs first.

As of June 30, 2007, the District had recognized \$2,683,760 of costs for this project. As presented in notes 3 and 4, the District has recognized this amount as an addition to fixed assets and has recognized the related liability for the amount payable to the City of Mesquite. As of June 30, 2007 the project was not yet completed. Therefore, it is expected that both the asset and the associated liability will increase during fiscal year 2008 for the ongoing construction.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGIN VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2007

	Proprietary Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary) Basis)	
	Original	Final		
Operating revenues				
Water use fees	\$ 4,369,000	\$ 4,369,000	\$ 4,800,618	\$ 431,618
Installation charges	150,000	150,000	157,790	7,790
Total operating revenues	4,519,000	4,519,000	4,958,408	439,408
Operating expenses				
Salaries & wages	736,500	736,500	774,536	(38,036)
Office expense	78,473	78,473	70,126	8,347
Professional & legal services	443,740	443,740	412,591	31,149
Engineering services	79,000	79,000	69,402	9,598
Payroll taxes	40,400	40,400	25,515	14,885
Employers share PERS	135,000	135,000	140,543	(5,543)
Travel & training	10,500	10,500	11,797	(1,297)
Bad debt expense	-	-	258	(258)
Dues & subscriptions	19,305	19,305	18,829	476
Uniforms & safety equipment	7,876	7,876	7,613	263
Water rights applications	22,500	22,500	400	22,100
Insurance	216,620	216,620	212,743	3,877
Utilities	750,138	750,138	938,593	(188,455)
Operations & maintenance	590,340	590,340	492,277	98,063
Miscellaneous	11,200	11,200	8,626	2,574
Amortization	39,650	39,650	40,625	(975)
Depreciation	1,290,000	1,290,000	1,326,972	(36,972)
Total operating expenses	4,471,242	4,471,242	4,551,446	(80,204)
Net operating income / (loss)	\$ 47,758	\$ 47,758	\$ 406,962	\$ 359,204

Continued on next page

VIRGIN VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2007

	Proprietary Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary)	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Non-operating income (expenses)				
Service charges	\$ 32,000	\$ 32,000	\$ 27,788	\$ (4,212)
Interest income	498,231	498,231	1,105,598	607,367
Impact fees	2,120,000	2,120,000	1,592,120	(527,880)
Ordinance No. 2 fees	1,575,000	1,575,000	5,290,324	3,715,324
Ordinance No. 3 fees	-	-	1,500	1,500
Lease income	44,800	44,800	77,720	32,920
Other income			9,920	9,920
Loss on disposal of assets	(10,000)	(10,000)	-	10,000
Intergovernmental revenue	9,284,650	9,284,650	875,761	(8,408,889)
Realized gain loss on investments	-	-	31,031	31,031
Unrealized loss on investments	-	-	(145)	(145)
Interest expense	(1,061,621)	(1,061,621)	(1,040,794)	20,827
Total nonoperating revenue (expenses)	12,483,060	12,483,060	7,970,823	(4,512,237)
Change in net assets	12,530,818	12,530,818	8,377,785	(4,153,033)
Total net assets--beginning	32,439,616	32,439,616	32,439,616	-
Total net assets--ending	\$ 44,970,434	\$ 44,970,434	\$ 40,817,401	(\$4,153,033)

**OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS**

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HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Compliance with
Laws and Regulations and on
Internal Control over Financial Reporting
Based on an Audit of Basic
Financial Statements Performed in Accordance
with *Government Auditing Standards***

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Directors and Members of the Board
Virgin Valley Water District
Mesquite, Nevada

We have audited the basic financial statements of the Virgin Valley Water District and have issued our report thereon dated August 23, 2007. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board and management. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
August 23, 2007

35

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditor's Report on Compliance with
State Laws and Regulations Based on an Audit
of General Purpose Financial Statements Performed in
Accordance with the Nevada Revised Statutes**

MEMBERS:

**KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR**

Directors and
Members of the Board
Virgin Valley Water District
Mesquite, Nevada

We have audited the general purpose financial statements of the Virgin Valley Water District, for the year ended June 30, 2007, and have issued our report thereon dated August 23, 2007.

Our audit included test work on the District's compliance with those general compliance requirements in the Nevada Revised Statutes (NRS), including, but not limited to NRS Section 354.624 and section 354.6241.

The management of the Virgin Valley Water District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit and make specific statements regarding funds established and the status of prior year findings and recommendations; accordingly, we make the following statements:

The District did not receive any major State grants during the year ended June 30, 2006.

The District has established one Enterprise fund and one Trust and Agency Fund (an expendable trust fund) in accordance with NRS 354.624. The District appears to be using the funds expressly for the purposes for which it was created and in accordance with NRS 354.624. The fund is being administered in accordance with Generally Accepted Accounting Principles and the reserves, as applicable, appear reasonable and necessary to carry out the purposes of the fund. Sources of revenues available and retained earnings or fund balance are reflected in the fund financial statement.

The statutory and regulatory requirements of the funds are as follows:

Enterprise Fund:	Board of director's intended purpose and County resolution
------------------	---

The results of our audit procedures disclosed that no instances of noncompliance with the requirements referred to above.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Virgin Valley Water District, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2007.

Hinton, Burdick, Hall & Spilker PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
August 23, 2007