VIRGIN VALLEY WATER DISTRICT

FINANCIAL STATEMENTS

June 30, 2015 and 2014

C O N T E N T S

WSRP, LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS
www.WSRP.com

INDEPENDENT AUDITORS' REPORT

Directors and Members of the Board
Virgin Valley Water District

We have audited the accompanying financial statements of the Virgin Valley Water District (the District), as of and for the years ended June 30, 2015 and 2014 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 Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virgin Valley Water District as of June 30, 2015 and 2014 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the proportionate share of the net pension liability and employer contributions on pages 5-12 and 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

WSRP, LLC

Salt Lake City, Utah
September 25, 2015

wsrp

VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following is a discussion and analysis of Virgin Valley Water District's (the District) financial performance providing an overview of the District's financial activities for the years ending June 30, 2015 and 2014, respectively. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights for the year ended June 30, 2015

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources (net position) by $58,737,882 at the close of the fiscal year
- Net position increased by $3,173,919 or 5.7%
- Operating revenues increased by $201,186 or 2.9%
- Other operating expenses decreased by $974,984 or 19.4%
- Long-term debt decreased by $664,087, or 2.4%

Financial Highlights for the year ended June 30, 2014

- Total assets and deferred outflows of resources exceeded total liabilities (net position) by $55,563,963 at the close of the fiscal year
- Net position decreased by $3,629,895, or 6.1%
- Operating revenues increased by $67,164, or 1.0%
- Operating expenses increased by $454,837, or 6%
- Long-term debt decreased by $2,414,085, or 7.7%.

VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Overview of the Financial Statements

The 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 governmental entity 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 position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net of these categories being reported as *total net position*. Over time, increases or decreases in net position 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 position* presents information showing how the District's net position changed during the fiscal year. All changes in net position 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 District's cash and cash equivalents changed during the most recent fiscal year.

The basic financial statements can be found on pages 13 through 16 of this report.

Notes to the finanical 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 by found on pages 17 through 36 of this report.

District Financial Analysis as a Whole

Net Position

The District's net position at June 30, 2015 and 2014 was $58,737,882 and $55,563,963, respectively. This is presented in the following condensed statement of net position.

Assets	**2015**	**2014**	**2013**
Current and other assets	$ 16,020,492	$ 10,837,021	$ 11,147,290
Restricted assets	1,645,885	1,384,138	2,155,072
Capital assets	67,142,365	71,411,891	73,931,098
Total assets	84,808,742	83,633,050	87,233,460
Deferred Outflows of Resources	3,799,119	2,608,819	2,790,896
Liabilities			
Current liabilities	2,746,617	2,656,066	2,796,206
Long-term obligations, less current maturities	26,632,015	28,021,840	28,034,292
Total liabilities	29,378,632	30,677,906	30,830,498
Deferred Inflows of Resources	491,347	-	-
Net Position			
Net investment in capital assets	40,540,074	44,145,513	44,250,635
Restricted	1,645,885	1,384,138	2,155,072
Unrestricted	16,551,923	10,034,312	12,788,151
Total net position	$ 58,737,882	$ 55,563,963	$ 59,193,858

The District's net position is comprised of the following three components: unrestricted current and other assets, restricted assets, and net investment in capital assets. Detail on total net position is described further:

At June 30, 2015, unrestricted net position comprised $16,551,923 or 28.2% ($10,034,312 or 18.1% at June 30, 2014) of total net position and may be used to meet the District's obligations to customers, employees, and creditors and to honor next year's budget.

District Financial Analysis as a Whole (continued)

At June 30, 2015, restricted net position comprised $1,645,885 or 2.8% ($1,384,138 or 2.5% at June 30, 2014) of total net position and represents funds that are subject to restriction on how they may be used. At June 30, 2015 and 2014, respectively, the restricted balance consists of three components: 1) Funds reserved for bond requirements and payments as payments come due; 2) Funds reserved as required by the AB 198 Program; and 3) Fees received from Ordinance No. 2 which are funds intended for the purchase of water rights.

At June 30, 2015 net investment in capital assets comprised $40,540,074 or 69.0% ($44,145,513 or 79.4% at June 30, 2014) of total net position. This represents capital assets (i.e. land, buildings, operating equipment, wells, office capital assets, and water rights) 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.

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

Change in Net Position

	2015	2014	2013
Revenues:			
Operating revenues	$ 7,116,598	$ 6,915,412	$ 6,848,248
Non-operating revenues	4,356,498	1,301,564	1,643,579
Total revenues	11,473,096	8,216,976	8,491,827
Expenses:			
Depreciation	2,977,923	2,993,534	3,010,120
Other operating expenses	4,047,229	5,022,213	4,550,790
Non-operating expenses	1,274,025	1,427,243	1,487,389
Total expenses	8,299,177	9,442,990	9,048,299
Change in net position	3,173,919	(1,226,014)	(556,472)
Total net position:			
Beginning of year	55,563,963	59,193,858	59,750,330
Adjustments to net position	-	(2,403,881)	-
End of year	$ 58,737,882	$ 55,563,963	$ 59,193,858

District Financial Analysis as a Whole (continued)

During the year ended June 30, 2015, the District's operating revenues increased $201,186 or 2.9% from the prior year.

During the year ended June 30, 2014, the District's operating revenues increased $67,164 or 1.0% from the prior year.

During the year ended June 30, 2015, total non-operating revenues increased by $3,054,934 or 237.7% from the prior year. This was due to $2,346,564 being reported as a gain on disposal of assets and debt service surcharge of $184,122. Water share lease revenue increased $212,573 from the previous year. The increase of water share lease revenue was due to a one-time water rights use fee of $200,000 assessed to the Southern Nevada Water Authority as part of a 20 year agreement to lease certain water rights owned by the District. Impact Fee revenue was $78,190 more than the previous year and Ordinance 2 Fees were up by $170,300. Both of these increases were the result of an improvement of new land development in the District's service area during 2015.

During the year ended June 30, 2014, total non-operating revenues decreased by $342,015 or 20.8% from the prior year. Virtually all of this reduction came from two categories: Impact Fee revenue was $182,070 less than the previous year and Ordinance 2 Fees were down by $209,050. Both of these reductions were the result of a continued slowdown in new land development in the District's service area during 2014.

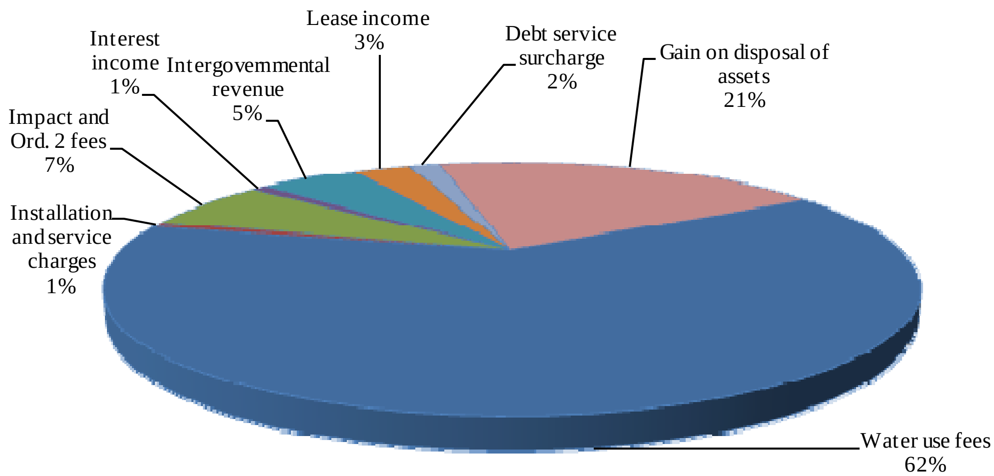
During the year ended June 30, 2015, there were two expense categories showing significant variances from the prior year. Professional and legal services expense decreased by $612,534 or 60.0% from the prior year. This decrease was the result of the District's legal counsel reaching settlements on ongoing litigation issues at the end of the prior fiscal year. Operations and maintenance expense decreased by $224,183 or 20% from the prior year. This decrease was due to the shutdown of the Bunkerville Secondary System and reduction in costs at the water treatment plants.

During the year ended June 30, 2014, there were two expense categories showing significant variances from the prior year. Operations and maintenance expense increased by $223,200 or 24% from the prior year. This increase was due to major repairs on several transmission lines and approximately $98,000 in expense related to the shutdown of the Bunkerville Secondary System. Professional and legal services expense increased by $105,068 or 11.6% from the prior year. This increase was the result of a continuing large amount of work performed by the District's legal counsel on certain ongoing litigation issues.

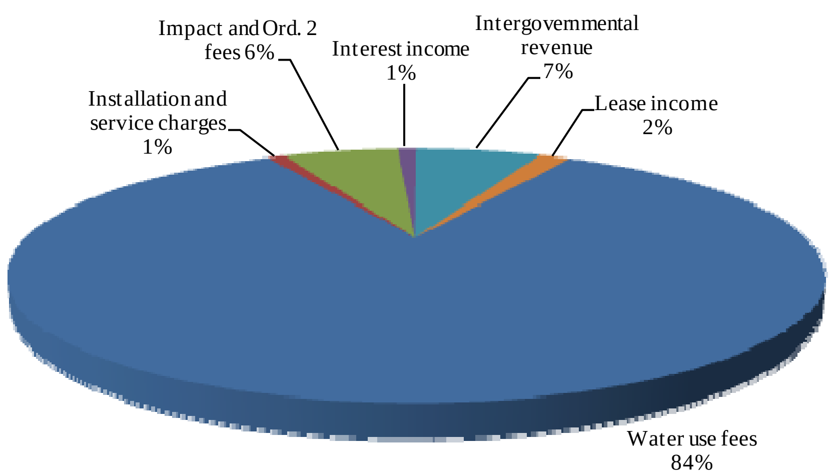
VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following graphs provide a breakdown of revenues by source for all District activities during the past two years.

Revenue by Source during the year ended June 30, 2015



Revenue by Source during the year ended June 30, 2014



Captial 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, 2015 totaled $67,142,365, which represents a decrease of $4,269,526 or 6.0% compared to the prior fiscal year. As of June 30, 2014, the District's net capital assets totaled $71,411,891, which represents a decrease of $2,519,207 or 3.4% compared to the prior fiscal year end.

	2015	2014	2013
Land	$ 931,392	$ 931,392	$ 931,392
Buildings and improvements	20,908,928	20,918,458	20,918,458
Operating equipment and wells	51,613,651	51,085,445	50,784,267
Engineering and other equipment and tools	311,745	311,745	250,931
Water Shares	20,007,924	22,400,460	22,400,460
	93,773,640	95,647,500	95,285,508
Less accumulated depreciation	(28,375,578)	(25,406,285)	(22,412,751)
	65,398,062	70,241,215	72,872,757
Construction in progress	1,744,303	1,170,676	1,058,341
Net capital assets	$ 67,142,365	$ 71,411,891	$ 73,931,098

Major capital asset events and approximate costs incurred during the related fiscal years include the following:

Completed Projects during the year ended June 30, 2015:

- The Kitty Hawk and Mesquite Heights transmission lines were installed for approximately $391,000.
- Meter Vault upgrades were installed in the distribution system for approximately $96,500.

Capital Assets and Debt Administration (continued)

Construction in process costs incurred during the year ended June 30, 2015 with expected completion in the next fiscal year:

- Work was done on replacement of Well 27 for approximately $283,600.
- Work was done on replacement of the Mesa Boulevard transmission and distribution lines for approximately $213,000.
- Work was done on upgrade of the Supervisory Control and Data Acquisition System for approximately $78,300.

Asset disposals during the year ending June 30, 2015:

- As part of a settlement agreement in favor of the District, the $4,740,000 was received for the sale of water shares with a total cost of $2,392,536.

During 2014, well-related equipment was installed for approximately $248,000 to improve or replace the existing equipment.

Long-Term Debt

The District's long-term debt consisted of the following:

	2015	2014	2013
Medium term bonds	$ 2,385,000	$ 2,850,000	$ -
Water revenue bonds	10,131,791	11,026,378	15,815,463
General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues)	14,085,500	13,390,000	13,865,000
	$ 26,602,291	$ 27,266,378	$ 29,680,463

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 give its readers a general overview of the District's finances. For questions regarding any information contained in this report or requests for additional financial information, please contact the District's office at 500 Riverside Road, Mesquite, Nevada 89027.

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 11,466,071	$ 5,353,210
Investments	3,522,681	4,278,038
Accounts receivable	871,378	655,750
Accrued interest income	14,432	13,425
Due from other governmental units	143,135	133,812
Prepaid expenses	4,323	5,361
Inventory	179,334	174,669
Restricted cash and cash equivalents	1,245,885	1,384,138
Deposits	202,500	202,500
Capital assets, net	67,142,365	71,411,891
Original issue discount, net	16,638	20,256
TOTAL ASSETS	84,808,742	83,633,050
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	260,213	-
Deferred charge on defeasance of debt	3,538,906	2,608,819
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,799,119	2,608,819
LIABILITIES		
Accounts payable	368,082	324,256
Accrued interest payable	111,703	296,493
Accrued payroll and payroll taxes	129,043	86,191
Retention payable	-	9,451
Prepaid water use fees	52,877	50,087
Prepaid lease income	20,000	35,000
Current portion of bonds payable	2,064,912	1,854,588
Bond premiums, net of amortization	189,425	206,169
Bonds payable, net of current portion	24,537,379	25,411,790
Net pension liability	1,905,211	2,403,881
TOTAL LIABILITIES	29,378,632	30,677,906
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	491,347	-
NET POSITION		
Net investment in capital assets	40,540,074	44,145,513
Restricted for bond requirements and Ordinance No. 2	1,645,885	1,384,138
Unrestricted	16,551,923	10,034,312
TOTAL NET POSITION	$ 58,737,882	$ 55,563,963

The accompanying notes are an integral part of the financial statements.

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Water use fees	$ 7,070,138	$ 6,876,912
Installation charges	46,460	38,500
TOTAL OPERATING REVENUES	7,116,598	6,915,412
OPERATING EXPENSES		
Salaries, wages and benefits	1,184,409	1,349,381
Office expense	121,078	111,387
Professional and legal services	401,441	1,013,975
Engineering services	42,401	41,506
Payroll taxes	65,884	60,435
Travel and training	17,173	9,936
Dues and subscriptions	33,900	56,656
Uniforms and safety equipment	6,952	9,456
Water rights applications	35,331	14,050
Insurance	448,811	421,271
Utilities	736,968	760,901
Operations and maintenance	924,738	1,148,921
Miscellaneous	28,143	24,338
Depreciation	2,977,923	2,993,534
TOTAL OPERATING EXPENSES	7,025,152	8,015,747
OPERATING INCOME (LOSS)	91,446	(1,100,335)
NON-OPERATING REVENUES (EXPENSES)		
Service charges	33,596	35,308
Interest income	90,362	82,209
Impact fees	400,680	322,490
Ordinance No. 2 fees	346,350	176,050
Lease income	352,171	139,598
Other income	23,235	6,924
Gain on disposal of assets	2,346,564	-
Intergovernmental revenue	579,418	538,985
Debt service surcharge	184,122	-
Unrealized loss on investments	(15,622)	(4,893)
Interest expense	(1,258,403)	(1,422,350)
NET NON-OPERATING REVENUES (EXPENSES)	3,082,473	(125,679)
CHANGE IN NET POSITION	3,173,919	(1,226,014)
Net position - beginning of year	55,563,963	59,193,858
Adjustments to beginning net position	-	(2,403,881)
Net position - beginning of year, as restated	55,563,963	56,789,977
Net position - end of year	$ 58,737,882	$ 55,563,963

The accompanying notes are an integral part of the financial statements.

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, water usage fees	$ 6,857,300	$ 6,896,580
Cash received from customers, installation charges	46,460	38,500
Cash paid for operating expenses	(2,832,072)	(3,975,222)
Cash paid to employees	(1,409,093)	(1,122,204)
Net cash flows from operating activities	2,662,595	1,837,654
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue	570,095	530,152
Lease and other income	360,406	142,072
Service charges collected	33,596	35,308
Net cash flows from noncapital financing activities	964,097	707,532
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash from sale of capital assets	4,740,000	-
Purchase of capital assets	(1,101,833)	(474,327)
Principal paid on long-term debt	(1,854,587)	(2,414,085)
Proceeds from 2015 Bond	12,475,500	-
Defeasement of 2008 bond	(11,285,000)	-
Impact fees collected	400,680	322,490
Ordinance No. 2 fees collected	346,350	176,050
Debt service surcharge	184,122	-
Interest paid	(2,386,406)	(1,266,404)
Net cash flows from (used by) capital and related financing activities	1,518,826	(3,656,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	91,090	89,550
Sale of investments	1,238,000	500,000
Purchase of investments	(500,000)	-
Net cash flows from investing activities	829,090	589,550
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,974,608	(521,540)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,737,348	7,258,888
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,711,956	$ 6,737,348
CASH AND CASH EQUIVALENTS RECORDED IN THE ACCOMPANYING STATEMENTS OF NET POSITION:		
Unrestricted	$ 11,466,071	$ 5,353,210
Restricted	1,245,885	1,384,138
	$ 12,711,956	$ 6,737,348

The accompanying notes are an integral part of the financial statements.

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended June 30, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 91,446	$ (1,100,335)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	2,977,923	2,993,534
Net inflows of resources relating to pension	(267,536)	-
(Increase) decrease in assets:		
Accounts receivable	(215,628)	15,346
Prepaid expenses	1,038	19,986
Inventory	(4,665)	17,311
Increase (decrease) in liabilities:		
Accounts payable	43,826	(83,584)
Accrued payroll and payroll taxes	42,852	(28,612)
Retention payable	(9,451)	(314)
Prepaid water use fees	2,790	4,322
Net cash flows from operating activities	$ 2,662,595	$ 1,837,654

The accompanying notes are an integral part of the financial statements.

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Virgin Valley Water District (the District) was created pursuant to Senate Bill 100, 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 Accounting

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting.* An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. User charges are classified as operating revenues and revenues from other sources as non-operating revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District applies all Governmental Accounting Standards Board (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 or Friday 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Process (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 accounting principles generally accepted in the United States of America (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 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.

Use of Estimates in the Preparation of Financial Statements

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

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 when purchased.

Investments

Cash balances are invested as permitted by law. Investments are recorded at fair market value.

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

- United States bonds and debentures maturing within ten years from the date of purchase.

- Certain farm loan bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten 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 is not considered necessary.

Inventory

Inventory, consisting of piping and maintenance supplies, is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Capital Assets

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Improvements	15-40 years
Vehicles	5 years
Office furniture and equipment	3-15 years
Buildings	7-20 years

Prepaid Water Use Fees

The District recognizes prepaid water usage fees in the period the respective revenues are earned.

Prepaid Lease Income

The District recognizes prepaid water rights lease income in the period the respective revenues are earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS or the System) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Employers participating in PERS cost sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer provide employers with the required information for financial reporting.

The underlying financial information used to prepare the pension allocation schedules is based on PERS financial statements. PERS financial statements are prepared in accordance with GAAP that apply to governmental accounting for fiduciary funds.

Contributions for employer pay dates that fall within PERS fiscal year ending June 30, 2014, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations.

The total pension liability is calculated by PERS' actuary. The plan's fiduciary net position is reported in PERS' financial statements and the net pension liability is disclosed in PERS' notes to the financial statements.

Reclassifications

Certain prior year items have been reclassified to conform to the current year presentation.

Subsequent Events

Management of the District has evaluated subsequent events through September 25, 2015, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements, except for the event discussed in Note 12.

NOTE 2 - 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.

A. Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Agency's deposits may not be recovered. The District does not have a formal policy for custodial credit risk.

As of June 30, 2015 and 2014, the District's bank balance was $12,728,194 and $6,747,737, respectively. As of June 30, 2015 and 2014, $11,069,594 and $5,352,569 was on deposit with the Bank of Nevada, respectively. Of this amount $250,000 is insured by FDIC insurance. The Bank of Nevada has pledged securities set aside with the State of Nevada to collateralize the District's funds through the Nevada Pooled Collateral Program that are equal to or in excess of the remaining amount on deposit above the FDIC insurance limit of $250,000. Thus, at June 30, 2015 and 2014, respectively, none of the District's funds with the Bank of Nevada were both uninsured and uncollateralized.

As of June 30, 2015 and 2014, $502,467 and $14,059, respectively, was on deposit with Wells Fargo Bank and as of June 30, 2015 and 2014, $1,156,133 and $1,381,109, respectively, was on deposit with U.S. Bank in various government money market funds which are short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations.

Investments: Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party.

As of June 30, 2015 and 2014, respectively, the entire $755,334 and $1,263,574 of the District's investments in U.S. government securities and the entire $2,767,347 and $3,014,464 of the District's inventory in certificates of deposit are uninsured, unregistered, and held by the counterparty's trust department but not in the District's name and are therefore exposed to custodial credit risk.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction 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).

The following are the District's investments at June 30, 2015:

Investment Type	Maturity less than one year	1-5 years	6-10 years	More than 10 years	Quality Ratings
U.S. Government Securities	$ -	$ 755,334	$ -	$ -	AA+
Certificates of Deposit	1,004,127	1,763,220	-	-	Unrated
Total	$ 1,004,127	$ 2,518,554	$ -	$ -	

The following are the District's investments at June 30, 2014:

Investment Type	Maturity less than one year	1-5 years	6-10 years	More than 10 years	Quality Ratings
U.S. Government Securities	$ 754,613	$ 508,961	$ -	$ -	AA+
Certificates of Deposit	1,241,266	1,773,198	-	-	Unrated
Total	$ 1,995,879	$ 2,282,159	$ -	$ -	

A summary of unrestricted and restricted cash and cash equivalents and investments is as follows:

	2015	2014
Cash and cash equivalents	$ 11,466,071	$ 5,353,210
Investments	3,522,681	4,278,038
Restricted cash and cash equivalents	1,245,885	1,384,138
	$ 16,234,637	$ 11,015,386

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	2015	2014
Cash on hand	$ 850	$ 850
Deposits (book balance)	12,711,106	6,736,498
U.S. Government Securities	755,334	1,263,574
Certificates of Deposit	2,767,347	3,014,464
	$ 16,234,637	$ 11,015,386

C. 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 maintain compliance with the provisions of State law (NRS 355.170). State law, under NRS355.170, limits the type of investments the District can be involved in where the risk of losing value is mitigated by the safety of the instrument (i.e., government debt, certificates of deposit with insured institutions, commercial paper with an A-1 rating, etc.) or by the limited amount of time a local government may hold the debt (i.e., 270 days for corporate debt).

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the provisions of State law (NRS 355.170).

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 years 2015 and 2014, respectively, $346,350 and $176,050 was collected from customers as payments for Ordinance No. 2. At June 30, 2015 and 2014, respectively, the balance in the Ordinance No. 2 account was $89,623 and $3,000. The entire balance is restricted.

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions / Transfers In	Disposals / Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 931,392	$ -	$ -	$ 931,392
Water shares	22,400,460	-	(2,392,536)	20,007,924
Construction in progress	1,170,676	1,083,319	(509,692)	1,744,303
Total capital assets not depreciated	24,502,528	1,083,319	(2,902,228)	22,683,619
Capital assets being depreciated:				
Buildings and improvements	20,918,458	-	(9,530)	20,908,928
Operating equipment and wells	51,085,445	528,206	-	51,613,651
Engineering and other equipment	311,745	-	-	311,745
Total capital assets being depreciated	72,315,648	528,206	(9,530)	72,834,324
Accumulated depreciation	(25,406,285)	(2,977,923)	8,630	(28,375,578)
Total capital assets being depreciated, net	46,909,363	(2,449,717)	(900)	44,458,746
Total capital assets, net	$ 71,411,891	$ (1,366,398)	$ (2,903,128)	$ 67,142,365

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions / Transfers In	Disposals / Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 931,392	$ -	$ -	$ 931,392
Water shares	22,400,460	-	-	22,400,460
Construction in progress	1,058,341	112,334	-	1,170,675
Total capital assets not depreciated	24,390,193	112,334	-	24,502,527
Capital assets being depreciated:				
Buildings and improvements	20,918,458	-	-	20,918,458
Operating equipment and wells	50,784,267	301,179	-	51,085,446
Engineering and other equipment	250,931	60,814	-	311,745
Total capital assets being depreciated	71,953,656	361,993	-	72,315,649
Accumulated depreciation	(22,412,751)	(2,993,534)	-	(25,406,285)
Total capital assets being depreciated, net	49,540,905	(2,631,541)	-	46,909,364
Total capital assets, net	$ 73,931,098	$ (2,519,207)	$ -	$ 71,411,891

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds Payable				
Water Revenue Bonds, Series 2003	$ 2,901,378	$ -	$ (164,587)	$ 2,736,791
Water Revenue Bonds, Series 2006	5,180,000	-	(355,000)	4,825,000
General Obligation (Limited Tax) Water Bonds (Additional Secured by Pledged Revenues), Series 2008	13,390,000	-	(11,780,000)	1,610,000
Water Revenue Bonds, Series 2011	2,945,000	-	(375,000)	2,570,000
Medium Term Bonds, Series 2014	2,850,000	-	(465,000)	2,385,000
General Obligation (Limited Tax) Water Refunding Bonds (Additional Secured by Pledged Revenues), Series 2015	-	12,475,500	-	12,475,500
Total bonds payable	$ 27,266,378	$ 12,475,500	$ (13,139,587)	$ 26,602,291

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds Payable				
Water Revenue Bonds, Series 2003	$ 3,060,463	$ -	$ (159,085)	$ 2,901,378
Water Revenue Bonds, Series 2004	3,930,000	-	(3,930,000)	-
Water Revenue Bonds, Series 2006	5,520,000	-	(340,000)	5,180,000
General Obligation (Limited Tax) Water Bonds (Additional Secured by Pledged Revenues), Series 2008	13,865,000	-	(475,000)	13,390,000
Water Revenue Bonds, Series 2011	3,305,000	-	(360,000)	2,945,000
Medium Term Bonds, Series 2014	-	2,850,000	-	2,850,000
Total bonds payable	$ 29,680,463	$ 2,850,000	$ (5,264,085)	$ 27,266,378

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long term debt consists of the following:

	Current Portion (due within) one year)	Long-Term Portion	Total Outstanding at June 30, 2015
Water revenue bonds, series 2003. Bonds have not been fully issued. Estimated semi-annual interest installments range from $2,215 to $46,936 and estimated semi-annual principal installments range from $84,417 to $129,138, bearing interest of 3.43%, maturing January 1, 2028	$ 170,282	$ 2,566,509	$ 2,736,791
Water revenue bonds, series 2006, due in semi-annual interest installments ranging from $10,931 to $93,376 and annual principal installments ranging from $360,000 to $530,000, bearing interest between 3.75 and 5%, maturing June 1, 2026	360,000	4,465,000	4,825,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008, due in semi-annual interest installments ranging from $18,363 to $45,950 and beginning in March 2016, annual principal installments ranging from $510,000 to $565,000, bearing interest between 3.5 and 6.5%, maturing March 1, 2033	510,000	1,100,000	1,610,000

NOTE 4 - LONG-TERM DEBT (CONTINUED)

	Current Portion (due within) one year)	**Long-Term Portion**	**Total Outstanding at June 30, 2015**
Water revenue bonds, series 2011, due in semi-annual interest installments ranging from $52,563 to $87,058 and annual principal installments ranging from $385,000 to $475,000, bearing interest between 3 and 4.25%, maturing June 1, 2022	385,000	2,185,000	2,570,000
Medium term bonds, series 2014, due in semi-annual interest installments ranging from $8,272 to $20,988 and annual principal installments ranging from $475,000 to $940,000, bearing interest at 1.76%, maturing June 1, 2019	475,000	1,910,000	2,385,000
General Obligation (Limited Tax) Water Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2015, due in semi-annual interest installments ranging from $419 to $172,723 and semi-annual principal installments ranging from $35,830 to $508,710, bearing interest at 2.34%, maturing January 1, 2033	164,630	12,310,870	12,475,500
Total bonds payable	2,064,912	24,537,379	26,602,291
Total long-term debt	$ 2,064,912	$ 24,537,379	$ 26,602,291

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The annual requirements for the next five years and 5-year increments thereafter to amortize long-term debt outstanding at June 30, 2015, including interest of $5,576,767, are as follows:

2016	$ 2,759,330
2017	2,844,125
2018	2,830,583
2019	2,825,443
2020	2,307,987
2021-2025	10,071,696
2026-2030	5,387,055
2031-2035	3,152,839
Total	32,179,058
Less Interest	(5,576,767)
Total Principal	$ 26,602,291

NOTE 5 - DEFEASANCE OF LONG-TERM DEBT

In May 2015, the District issued $12,475,500 in general obligation water refunding bonds bearing interest at 2.34%. The District issued bonds to advance refund $11,285,000 of the outstanding Series 2008 general obligation water refunding bonds with interest rates between 4.0% and 5.0%. The District used the net proceeds to purchase U.S. government securities which were deposited in an irrecovable trust to provide for all future debt service of the refunded portion of the 2008 series bonds. As a result, that portion of the 2008 series bonds is considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is $11,285,000 at June 30, 2015. The advanced refunding reduced total debt service payments over the next 18 years by $1,762,581. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of $1,332,022.

NOTE 5 - DEFEASANCE OF LONG-TERM DEBT (CONTINUED)

In April 2014, the District issued $2,850,000 in medium term bonds bearing interest at 1.76%. The proceeds were used to currently refund $3,395,000 of outstanding 2004 water revenue bonds which had interest rates ranging from 3.5% to 4.0%. The net proceeds of $2,850,000 plus reserve funds of $610,715 were used for the repayment of the 2004 bonds in full and the liability has been removed from the financial statements.

The reacquisition price equaled the net carrying amount of the old debt and reserve funds. Therefore, there was no deferred charge to be amortized over the remaining life of the refunding debt. The District refunded the 2004 water revenue bonds to reduce its total debt service payments over 5 years by $203,371 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $160,916.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, $7,480,000 of bonds outstanding is considered defeased.

NOTE 6 - LEASES

The District has entered into various agreements with various organizations to lease water rights. The minimum future cash leases receivable on non-cancelable leases in each of the next five years and thereafter are as follows:

2016	$ 130,925
2017	130,925
2018	130,925
2019	55,175
2020	21,175
Thereafter	296,450
Total	$ 765,575

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District is a public employer participating in PERS. PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

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. For the years ended June 30, 2015 and 2014, respectively, of the District's total payroll of $1,192,100 and $1,093,592, the payroll for employees covered by the system for the years ended June 30, 2015 and 2014, respectively, was $1,088,854 and $1,057,956.

Benefits Provided: Benefits, as required by the Nevada Revised Statutes, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting: Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions: The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 and June 30, 2014 the Statutory Employer/employee matching rate was 13.25% for Regular. The Employer-pay contribution (EPC) rate was 25.75% for Regular.

The District's contribution requirements for the years ended June 30, 2015 and 2014 were $257,278 and $255,789, respectively.

B. Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Public Employees' Retirement Board of the State of Nevada (PERS Board). The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following was the PERS Board adopted policy target asset allocation as of June 30, 2014, which is the measurement date for pension expenses, liabilities, and deferred inflows and outflows. In accordance with GASB standards, these amounts are reported in the District's financial statements at June 30, 2015 as adjusted for contributions made during the period from July 1, 2014 to June 30, 2015.

Asset Class Target Allocation Long-Term Geometric Expected Real Rate of Return*

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

* As of June 30, 2014, PERS' long-term inflation assumption was 3.5%

C. Pension Liability

Net Pension Liability: The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014.

As of June 30, 2014, PERS reported a net pension liability of $1,905,211 for the District.

	Proportionate Shate	Net Pension Liability
Regular system	0.0182807%	$ 1,905,211

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liability Discount Rate Sensitivity: The following presents the net pension liability as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1- percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.0%)	**Discount Rate (8.0%)**	**1% Increase in Discount Rate (9.0%)**
Net Pension Liability	$ 2,962,811	$ 1,905,211	$ 1,026,076

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions: The System's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll Growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	4.60% to 9.75%, depending on service rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions:	Same as those used in the June 30, 2014 funding actuarial valuation

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and June 30, 2013.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2014, the total employer pension expense is $249,587. At June 30, 2014, the measurement date, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outlows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 91,175
Change of assumptions	$ -	$ -
Net difference between projected and actual earnings on investments	$ -	$ 400,172
Changes in proportion and differences between actual contributions and proportions share of contributions	$ 368	$ -

Average expected remaining service lives are 6.70 years

Deferred outflows/ (inflows) of resources related to pension will be recognized as follows:

2016	$ (116,038)
2017	(116,038)
2018	(116,038)
2019	(116,038)
2020	(15,996)
Thereafter	(11,199)
Total	$ (491,347)

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Reconciliation of Net Pension Liability

Beginning net pension liability	$ 2,403,881
Pension expense	249,587
Employer contributions	(257,278)
New net deferred inflows/outflows	(490,979)
Ending net pension liability	$ 1,905,211

Additional Information: Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PER's website at www.nvpers.org under Quick Links – Publications.

NOTE 8 - 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.

The amounts of compensation deferred under the plan, the property and rights purchased with those amounts, and the income attributable to those amounts, property or rights are not the property of the District, and therefore, they are not subject to the claims of the District's general creditors.

NOTE 9 - RESTRICTED NET ASSETS

Book balances of restricted net assets consist of the following:

	2015	**2014**
Ordinance No. 2 Fees	$ 89,623	$ 3,000
AB 198 Program	400,000	-
Bond Reserves	1,156,262	1,381,138
Total	$ 1,645,885	$ 1,384,138

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in insurance plans as a member the Nevada Public Agency Insurance Pool and Public Agency Compensation Trust (POOL/PACT). The worker's compensation plans and the risk management insurance plans are administered by POOL/PACT. Risk management insurance includes property, general liability, faithful performance of duty, and automobile plans. The District's employee health care plan is administered through HealthEZ, a commercial health insurance company. The District pays premiums to POOL/PACT and HealthEZ for its insurance coverage.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 2014 have been restated to record the net pension liability as of June 30, 2014. The effect of the restatement was to increase the net pension liability by $2,403,881. Unrestricted net position was decreased by $2,403,881 at the beginning of 2014 to reflect the effects of the restatement on prior years.

NOTE 12 - SUBSEQUENT EVENT

On September 1, 2015, the District issued Medium Term General Obligation (Limited Tax) Medium-Term Refunding Loan, Series 2015 in the amount of $4,362,000 maturing in June 2026 with an interest rate of 2.33%. The purpose of the bonds is to retire the $4,825,000 owing on the Water Revenue Refunding Bonds Series 2006.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGIN VALLEY WATER DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Public Employees' Retirement System of Nevada
June 30, 2015

	Regular System
Proportion of the net pension liability	0.0182807%
Proportionate share of the net pension liability	$ 1,905,211
Covered employee payroll	$ 1,088,854
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.0%
Plan fiduciary net position as a percentage of the total pension liability	76.3%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VIRGIN VALLEY WATER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Public Employees' Retirement System of Nevada
June 30, 2015

	Regular System
Contractually required contributions	$ 257,278
Contributions in relation to the contractually required contribution	(257,278)
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 1,088,854
Plan fiduciary net position as a percentage of the total pension liability	23.6%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VIRGIN VALLEY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Public Employees' Retirement System of Nevada
June 30, 2015

NOTE 1- SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The total pension liability contained in this schedule was provided by the Public Employees' Retirement System of Nevada (PERS) actuary, Segal Consulting. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the PERS.

NOTE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS

The required employer contributions and percent of those contributions actually made are presented in the schedule.

NOTE 3 - ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determined the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Public Employees' Retirement Board of the State of Nevada. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll
Amortization period	Open Group 20 Year Open Period
Actuarial asset valuation method	Based on the total fair value income of investments with the excess or shortfall of actual investment income over or under the expected investment return smoothed over five years. One-fifth of the excess or shortfall is recognized each year for five years.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Inflation rate	3.50%
Post-retirement cost-of-living adjustment	3.50%

SUPPLEMENTARY REPORTS

VIRGIN VALLEY WATER DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended June 30, 2015

Description	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Water use fees	$ 6,900,000	$ 7,070,138	$ 170,138
Installation charges	35,000	46,460	11,460
Total operating revenues	6,935,000	7,116,598	181,598
OPERATING EXPENSES:			
Salaries, wages and benefits	1,437,726	1,184,409	253,317
Office expense	169,901	121,078	48,823
Professional and legal services	297,100	401,441	(104,341)
Engineering services	135,000	42,401	92,599
Payroll taxes	64,647	65,884	(1,237)
Travel and training	20,000	17,173	2,827
Dues and subscriptions	39,025	33,900	5,125
Uniforms and safety equipment	14,905	6,952	7,953
Water rights applications	19,000	35,331	(16,331)
Insurance	466,550	448,811	17,739
Utilities	853,256	736,968	116,288
Operations and maintenance	1,175,237	924,738	250,499
Miscellaneous	26,450	28,143	(1,693)
Depreciation	3,449,245	2,977,923	471,322
Total operating expenses	8,168,042	7,025,152	1,142,890
Operating income (loss)	(1,233,042)	91,446	1,324,488
NON-OPERATING INCOME (EXPENSES)			
Service charges	35,000	33,596	(1,404)
Interest income	62,200	90,362	28,162
Impact fees	250,000	400,680	150,680
Ordinance No. 2 fees	125,000	346,350	221,350
Lease income	139,398	352,171	212,773
Other income	2,000	23,235	21,235
Gain on disposal of assets	2,343,077	2,346,564	3,487
Intergovernmental revenue	500,000	579,418	79,418
Debt service surcharge	-	184,122	184,122
Unrealized loss on investments	-	(15,622)	(15,622)
Interest expense	(1,290,868)	(1,258,403)	32,465
Total nonoperating income (expense)	2,165,807	3,082,473	916,666
Change in net assets	932,765	3,173,919	2,241,154
Total net assets - beginning	55,563,963	55,563,963	-
Total net assets - ending	$ 56,496,728	$ 58,737,882	$ 2,241,154

VIRGIN VALLEY WATER DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended June 30, 2014

Description	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Water use fees	$ 6,836,000	$ 6,876,912	$ 40,912
Installation charges	34,000	38,500	4,500
Total operating revenues	6,870,000	6,915,412	45,412
OPERATING EXPENSES:			
Salaries, wages and benefits	1,415,152	1,349,381	65,771
Office expense	135,483	111,387	24,096
Professional and legal services	1,044,500	1,013,975	30,525
Engineering services	90,000	41,506	48,494
Payroll taxes	63,477	60,435	3,042
Travel and training	20,000	9,936	10,064
Dues and subscriptions	30,200	56,656	(26,456)
Uniforms and safety equipment	12,908	9,456	3,452
Water rights applications	19,000	14,050	4,950
Insurance	469,308	421,271	48,037
Utilities	783,776	760,901	22,875
Operations and maintenance	1,354,470	1,148,921	205,549
Miscellaneous	23,060	24,338	(1,278)
Depreciation	2,997,540	2,993,534	4,006
Total operating expenses	8,458,874	8,015,747	443,127
Operating income (loss)	(1,588,874)	(1,100,335)	488,539
NON-OPERATING INCOME (EXPENSES)			
Service charges	34,000	35,308	1,308
Interest income	55,000	82,209	27,209
Impact fees	275,000	322,490	47,490
Ordinance No. 2 fees	176,000	176,050	50
Lease income	140,598	139,598	(1,000)
Other income	6,000	6,924	924
Intergovernmental revenue	515,000	538,985	23,985
Unrealized gain on investments	(6,000)	(4,893)	1,107
Interest expense	(1,435,355)	(1,422,350)	13,005
Total nonoperating income (expense)	(239,757)	(125,679)	114,078
Change in net assets	(1,828,631)	(1,226,014)	602,617
Total net assets - beginning	59,193,858	59,193,858	-
Adjustments to beginning net position	(2,403,881)	(2,403,881)	-
Total net assets - ending	$ 54,961,346	$ 55,563,963	$ 602,617

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Virgin Valley Water District

We have audited, in accordance with the 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, the basic financial statements of Virgin Valley Water District (the District), which comprise the statement of net position as of June 30, 2015, and the statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WSRP, LLC

Salt Lake City, Utah
September 25, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Virgin Valley Water District

Report on Compliance for Each Major Federal Program

We have audited Virgin Valley Water District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

WSRP, LLC

Salt Lake City, Utah
September 25, 2015

VIRGIN VALLEY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	Identifying Number	Federal Expenditures
Environmental Protection Agency:			
Passed through the Nevada Department of Conservation & Natural Resources			
Drinking Water State Revolving Fund	66.468	DW1509	$ 10,983,679
Total expenditures of federal awards			$ 10,983,679

See accompanying notes to schedule of expenditures of federal awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Virgin Valley Water District (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using a basis of accounting which is consistent with the basic financial statements, as described in Note 1 to the District's basic financial statements.

VIRGIN VALLEY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program
66.468	Drinking Water State Revolving Fund

Dollar threshold to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

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INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

The Board of Directors
Virgin Valley Water District

We have audited the financial statements of Virgin Valley Water District (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated September 25, 2015. Our audit also included test work on the District's compliance with selected requirements identified in the State of Nevada Revised Statutes (NRS) including, but not limited to, NRS section 354.624 and section 354.6241.

The management of the District is responsible for the District's compliance with all 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 has established one Enterprise Fund in accordance with NRS 354.624. The District appears to be using the fund 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 net assets are reflected in the fund financial statements.
>
> The statutory and regulatory requirements of the funds are as follows:
>
> Enterprise Fund: Board of Director's intended purpose and State resolution.
>
> The result of our audit procedures disclosed 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 Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with 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 requirements identified above for the year ended June 30, 2015.

WSRP, LLC

Salt Lake City, Utah
September 25, 2015

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