

**VIRGIN VALLEY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
<b>Financial Statements:</b>	
Statement of Net Position.....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13
<b>Required Supplementary Information:</b>	
Schedule of the Proportionate Share of the Net Pension Liability.....	31
Schedule of Contributions.....	32
<b>Supplementary Reports:</b>	
Budget To Actual Comparison.....	34
<b>Other Communications from Independent Auditors:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters.....	37

*This page intentionally left blank*

---

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Virgin Valley Water District  
Mesquite, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Virgin Valley Water District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Virgin Valley Water District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Report on Summarized Comparative Information*

The summarized comparative information of the District presented herein as of and for the year ended June 30, 2015, was derived from financial statements audited by other auditors whose report dated September 25, 2015, expressed an unmodified opinion on those statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions, as listed in the table of contents, 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 the 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 audit 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016 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.

HintonBurdick, PLLC  
Saint George, Utah  
September 27, 2016

*This page intentionally left blank*

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net position) by \$ 61,945,025 at the close of the fiscal year.
- Total net position increased by \$ 3,207,143 or 5.46% of beginning net position.
- Operating revenues increased by \$ 1,099,465 or 15.45% from \$ 7,116,598 to \$ 8,216,063 .
- Operating expenses increased by \$ 136,321 or 1.94% from \$7,025,152 to \$7,161,473.

**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 system obligation fees.

The *statement of net position* presents information on all of the District's assets, deferred inflows, liabilities, and deferred outflows, with the difference being reported as 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 most recent 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 government's cash changed during the most recent fiscal year.

The basic financial statements can be found on pages 9-12 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 13-29 of this report.

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**DISTRICT FINANCIAL ANALYSIS AS A WHOLE**

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities at June 30, 2016 and 2015 by \$61,945,026 and \$58,737,882, respectively. This is presented in the following condensed statement of net position.

**Condensed Statement of Net Position  
As of June 30<sup>th</sup>**

	2016	2015
Assets:		
Current assets	\$ 17,487,747	\$ 16,020,492
Capital assets, net	66,850,302	67,142,365
Other non-current assets	1,221,238	1,645,885
Total assets	85,559,287	84,808,742
Deferred outflows of resources	3,693,731	3,799,119
Total assets and deferred outflows of resources	89,253,018	88,607,861
Liabilities:		
Current liabilities	2,698,360	2,746,617
Long-term liabilities	24,333,191	26,632,015
Total liabilities	27,031,551	29,378,632
Deferred inflows of resources	276,442	491,347
Total liabilities and deferred inflows of resources	27,307,993	29,869,979
Net position:		
Net investment in capital assets	42,686,923	40,540,074
Restricted	1,208,218	1,645,885
Unrestricted	18,049,884	16,551,923
Total net position	\$ 61,945,025	\$ 58,737,882



**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**DISTRICT FINANCIAL ANALYSIS AS A WHOLE (Continued)**

The District's net position is comprised of three components: unrestricted current and other assets, restricted assets, and net investment in capital assets.

Capital assets (i.e. land, buildings, operating equipment, furniture and fixtures, and water shares), less any related debt outstanding that was used to acquire those assets is comprised of \$42,686,923 or 68.91% of total net position. 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.

Unrestricted net position of \$18,415,070 or 29.73% of total net position may be used to meet the District's obligations to customers, employees, and creditors and to supplement next year's budget.

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
As of June 30<sup>th</sup>**

	2016	2015
Operating revenue	\$ 8,216,063	\$ 7,116,598
Operating expense	(7,161,471)	(7,025,152)
Operating income (loss)	1,054,592	91,446
Non-operating net revenue (expense)	2,152,553	3,082,473
Capital contributions		
Increase (decrease) in net position	3,207,145	3,173,919
Net position, beginning	58,737,882	55,563,963
End of year	\$ 61,945,027	\$ 58,737,882

The District experienced an increase in operating revenues of \$1,099,465 or 15.45% in fiscal 2016. The decrease in non-operating net revenue of \$929,920 or 30.17% is primarily due to a gain recognized on water shares in fiscal year 2015.

Total operating expenses increased \$136,321 or 1.94% in fiscal 2016 due to increases in Nevada Public Employee Retirement System expense.

**Long Term Debt**

At the fiscal year-end, the District had \$24,163,379 in general obligation and revenue bond debt type debt (excluding compensated absences and net pension liabilities). The total long term liabilities decreased by \$2,438,912. See Note 4 to the financial statements for details,

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**BUDGETARY HIGHLIGHTS**

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

The actual operating expenditures for the fiscal year 2016 were \$1,325,323 less than the final budget amount.

**Capital Assets**

The District operates as an enterprise fund, which includes capitalization and depreciation of assets. Asset categories include land, buildings, improvements, construction in process, equipment, and water shares. The District's capital assets (net of accumulated depreciation) as of June 30, 2016 amounted to \$66,850,302, which represents a decrease of \$292,063 or .43% over the prior fiscal year net capital assets.

**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 be addressed to:

Virgin Valley Water District  
500 Riverside Road  
Mesquite, NV 89027

*This page intentionally left blank*

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Net Position**  
**June 30, 2016**  
**(With Comparative Totals as of June 30, 2015)**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,386,347	\$ 11,466,071
Investments	3,544,482	3,522,681
Accounts receivable	955,409	871,378
Accrued interest income	15,024	14,432
Deposits	202,500	202,500
Due from other governmental units	147,654	143,135
Prepaid expenses	4,855	4,323
Inventory	231,476	179,334
Total current assets	17,487,747	16,403,854
Noncurrent assets:		
Restricted cash and cash equivalents	1,208,218	1,245,885
Capital assets, net	66,850,302	67,142,365
Total noncurrent assets	68,058,520	68,388,250
Other assets:		
Original issue discount, net of amortization	13,020	16,638
Total other assets	13,020	16,638
Total assets	\$ 85,559,287	\$ 84,808,742
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	276,074	260,213
Deferred charge on defeasance of debt	3,417,657	3,538,906
Total deferred outflows of resources	3,693,731	3,799,119
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 171,925	\$ 368,082
Accrued interest payable	236,576	111,703
Accrued payroll & payroll taxes	126,454	129,043
Deferred revenue	69,813	72,877
Current portion of bonds payable	2,093,592	2,064,912
Total current liabilities	2,698,360	2,746,617
Noncurrent liabilities:		
Bond premiums, net of amortization	172,681	189,425
Bonds payable - net of current portion	22,069,787	24,537,379
Net pension liability	2,090,723	1,905,211
Total noncurrent liabilities	24,333,191	26,632,015
Total liabilities	27,031,551	29,378,632
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	276,442	491,347
Total deferred inflows of resources	276,442	491,347
<b>Net Position</b>		
Invested in capital assets, net of related debt	42,686,923	40,540,074
Restricted for bond requirements and ordinance #2	1,208,218	1,645,885
Unrestricted	18,049,884	16,551,923
Total net assets	\$ 61,945,025	\$ 58,737,882

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

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Operating revenues</b>		
Water use fees	\$ 8,161,463	\$ 7,070,138
Installation charges	54,600	46,460
Total operating revenues	<u>8,216,063</u>	<u>7,116,598</u>
<b>Operating expenses</b>		
Salaries, wages, and benefits	1,454,164	1,184,409
Office expense	121,333	121,078
Professional & legal services	295,064	401,441
Engineering services	25,117	42,401
Payroll taxes	75,982	65,884
Travel & training	20,779	17,173
Bad debt expense	687	-
Dues & subscriptions	34,332	33,900
Uniforms & safety equipment	6,329	6,952
Water rights applications	25,824	35,331
Insurance	522,105	448,811
Utilities	758,632	736,968
Operations & maintenance	784,761	924,738
Miscellaneous	40,424	28,143
Depreciation	2,995,940	2,977,923
Total operating expenses	<u>7,161,473</u>	<u>7,025,152</u>
Net operating income / (loss)	<u>1,054,590</u>	<u>91,446</u>
<b>Non-operating income (expenses)</b>		
Service charges	36,167	33,596
Interest income	102,419	90,362
Impact fees	462,160	400,680
Ordinance No. 2 fees	225,950	346,350
Lease income	147,541	352,171
Other income	424,798	23,235
Gain (loss) on disposal of assets	(111)	2,346,564
Intergovernmental revenue	600,896	579,418
Debt sevice surcharge	1,115,785	184,122
Unrealized gain / (loss) on investments	21,911	(15,622)
Interest expense	(984,963)	(1,258,403)
Total nonoperating revenue (expenses)	<u>2,152,553</u>	<u>3,082,473</u>
Change in net assets	3,207,143	3,173,919
Total net assets--beginning	<u>58,737,882</u>	<u>55,563,963</u>
Total net assets--ending	<u>\$ 61,945,025</u>	<u>\$ 58,737,882</u>

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

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers, water usage fees	\$ 8,074,368	\$ 6,857,300
Cash received from customers, installation charges	54,600	46,460
Cash paid for operating expenses	(2,960,200)	(2,832,072)
Cash paid to employees	(1,962,558)	(1,409,093)
Net cash flows from operating activities	<u>3,206,210</u>	<u>2,662,595</u>
<b>Cash flows from noncapital financing activities:</b>		
Intergovernmental revenue	596,377	570,095
Lease revenue	147,541	360,406
Service charges collected	36,167	33,596
Net cash flows from noncapital financing activities	<u>780,085</u>	<u>964,097</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(2,720,988)	(1,101,833)
Proceeds from sale of capital assets	1,000	4,740,000
Proceeds from long-term debt	4,362,000	12,475,500
Principal paid on long-term debt	(1,975,912)	(1,854,587)
Defeasement from long-term debt	(4,825,000)	(11,285,000)
Impact fees collected	462,160	400,680
Ordinance No. 2	225,950	346,350
Debt service surcharge	1,115,785	184,122
Interest paid	(1,097,283)	(2,386,406)
Net cash flows from capital and related financing activities	<u>(4,452,288)</u>	<u>1,518,826</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	101,827	91,090
(Increase)/decrease in restricted cash	37,667	-
Sale of investments	-	1,238,000
Purchase of investments	890	(500,000)
Net cash flows from investing activities, including restricted cash	<u>140,384</u>	<u>829,090</u>
Net change in cash and cash equivalents	(325,609)	5,974,608
Cash and cash equivalents at beginning of year	<u>12,711,956</u>	<u>6,737,348</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 12,386,347</u></u>	<u><u>\$ 12,711,956</u></u>

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

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Cash Flows - Continued**  
**For the Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of operating loss to net cash used</b>		
<b>by operating activities:</b>		
Net income from operations	\$ 1,054,592	\$ 91,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,995,940	2,977,923
Net inflows of resources relating to pension	(505,805)	(267,536)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(84,031)	(215,628)
(Increase)/decrease in inventories	(52,142)	(4,665)
(Increase)/decrease in prepaid expenses	(532)	1,038
Increase/(decrease) in accounts payable	(196,157)	43,826
Increase/(decrease) in payroll and payroll taxes	(2,589)	42,852
Increase/(decrease) in retention payable	-	(9,451)
Increase/(decrease) in prepaid water use fees	(3,064)	2,790
Net cash flows from operating activities	<u>\$ 3,206,212</u>	<u>\$ 2,662,595</u>

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

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 1. Summary of Significant Accounting Policies**

---

**Nature of Organization**

The Virgin Valley Water District (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 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 began operations on July 1, 1993 and has a fiscal year end of June 30.

**Reporting Entity**

The District is a governmental special service district; as such 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 presentation – fund financial statements**

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of the financial statements is on major funds rather than reporting funds by type. The water fund is a enterprise fund and all of the financial activities of the District are reported within this fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District is a governmental 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 revenue and revenue 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.

**Encumbrance Accounting**

Encumbrance accounting methods were not used in the preparation of the District's basic financial statements. Uncommitted appropriations lapse at year end and commitments are re-appropriated in the next year's budget.



**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**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.

**Budget Policy and Procedures**

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 no sooner than the third Monday in May and no later than the last day of May.
3. Prior to June 1, at the 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 adopting a resolution. The final budget must then be forwarded to the Nevada Tax Commission for final hearings and approval.
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, 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.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 1. Summary of Significant Accounting Policies, Continued**

---

**Investments**

Cash balances are invested as permitted by law. Investments are recorded at fair 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 (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 saving 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

Investments are reported at fair value as required by GASB Statement No. 72.

**Accounts Receivable**

Receivables 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 and is not considered necessary.

**Inventories**

Inventory consists mainly 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**

Capital Assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property, plant and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 1. Summary of Significant Accounting Policies, Continued**

---

**Depreciation**

Depreciation has been calculated on each class of depreciable property using the straight line method. Estimated useful lives are as follows:

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item is for pension related items.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is for pension related items.

**Pensions**

For purposes of measuring the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position of the Nevada Public Employee Retirement System (PERS) and addition to/deductions from the plan'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.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 1. Summary of Significant Accounting Policies, Continued**

---

**Compensated Absences**

The District's personnel policy provides full-time employees with annual leave and sick leave in varying amounts. Unused vacation and sick leave may be exchanged for cash at employee election. Accordingly, compensation for annual leave is recorded as a current liability and is charged to expense as utilized by the employee, and accumulated unpaid annual leave and qualifying sick leave, which is payable upon an employee's election if conditions are met. At June 30, 2016 the liability total balance is \$70,133 and is included in accrued liabilities in the accompanying financial statements.

**Income Taxes**

The District is a governmental agency organized under the laws of the State of Nevada and is not subject to federal or state income taxes.

**Proprietary Funds Operating and Non-operating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognize as operating revenue fees charged uniformly to all customers and the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Other Non-current Assets**

Other non-current assets include water shares with a value of \$20,007,924 as of June 30, 2016. The District currently leases the water shares out, but holds the underlying asset to accommodate growth in the greater Mesquite, Nevada region.

**Net Position**

Net position is the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets are capital assets, net of accumulated depreciation and outstanding bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position is present when there are legal limitations imposed on their use by District legislation or external parties such as other governments, creditors or grantors. The board is the highest authoritative level and is capable of assigning funds through a majority vote.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 1. Summary of Significant Accounting Policies, Continued**

---

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the district’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Reclassifications**

Certain amounts in 2015 may have been reclassified to conform to the 2016 basic financial statement presentation with no effect on previously reported net position or changes in net position.

**Prior Year Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

---

**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.

**Deposits**

*Custodial Credit Risk*

Custodial credit risk 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, 2016, the District’s bank balance was \$13,708,121. Of that balance \$12,846,812 is placed with Bank of Nevada; \$250,000 of which 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. Thus, at June 30, 2016 the District’s funds with the Bank of Nevada were either insured and/or collateralized.

As of June 30, 2016 \$20,713 was on deposit with Wells Fargo Bank and \$804,131 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.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 2. Deposits and Investments, Continued**

**Investments**

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

*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 provisions of State law which limits the type of investments the District can hold. Such instruments mitigate the risk of losing value by the safety of the instrument (i.e., U.S. 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).

*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 which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

The following are the District's investments at June 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
U.S. Government Securities	\$ 3,544,482	\$ -	\$ 3,544,482	\$ -	\$ -	AAA
<b>Total Fair Value</b>	<b>\$ 3,544,482</b>	<b>\$ -</b>	<b>\$ 3,544,482</b>	<b>\$ -</b>	<b>\$ -</b>	

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 2. Deposits and Investments, Continued**

---

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016

- U.S. Government Securities of \$3.5 million are valued using quoted market prices (Level 1 inputs)

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

Cash and cash equivalents	\$ 12,386,347
Investments	3,544,482
Restricted cash and cash equivalents	<u>2,416,377</u>
	<u>\$ 18,347,206</u>
Cash on hand	\$ 850
Deposits	14,801,874
U.S. Government Securities	<u>3,544,482</u>
	<u>\$ 18,347,206</u>

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 fair market value of the water rights so the District can purchase them, In fiscal years 2016 \$225,950 was collected from customers as payments for Ordinance No. 2. At June 30, 2016 the balance in the Ordinance No. 2 account was \$3,006. The entire balance is restricted.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**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. Depreciation expense for the year ended June 30, 2015 was \$2,995,940. Capital asset activity for the years ended June 30, 2016 was as follows:

	June 30, 6/30/2015	Additions	Disposals	June 30, 6/30/2016
Capital assets not being depreciated:				
Land	\$ 931,392	\$ -	\$ -	\$ 931,392
Water shares	20,007,924	-	-	20,007,924
Construction in progress	1,744,303	869,873	-	2,614,176
Total capital assets not being depreciated	<u>22,683,619</u>	<u>869,873</u>	<u>-</u>	<u>23,553,492</u>
Capital assets being depreciated:				
Operating equipment & wells	51,613,651	1,775,190	(155,105)	53,233,736
Buildings and improvements	20,908,928	65,333	-	20,974,261
Office capital assets	311,745	10,592	-	322,337
Total capital assets being depreciated	<u>72,834,324</u>	<u>1,851,115</u>	<u>(155,105)</u>	<u>74,530,334</u>
Less: accumulated depreciation for:				
Operating equipment & wells	(24,589,686)	(2,448,310)	137,994	(26,900,002)
Buildings and improvements	(3,526,402)	(526,246)	-	(4,052,648)
Office capital assets	(259,490)	(21,384)	-	(280,874)
Total accumulated depreciation	<u>(28,375,578)</u>	<u>(2,995,940)</u>	<u>137,994</u>	<u>(31,233,524)</u>
Total capital assets being depreciated, net	<u>44,458,746</u>	<u>(1,144,825)</u>	<u>(17,111)</u>	<u>43,296,810</u>
Total capital assets, net of accumulated depreciation	<u>\$ 67,142,365</u>	<u>\$ (274,952)</u>	<u>\$ (17,111)</u>	<u>\$ 66,850,302</u>



**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 4. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Bonds Payable	June 30, 2015	Additions	Retirements	June 30, 2016
Water Revenue Bonds, Series 2003	\$ 2,736,791	\$ -	\$ 170,282	\$ 2,566,509
Water Revenue Bonds, Series 2006	4,825,000	-	4,825,000	-
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008	1,610,000	-	510,000	1,100,000
Series 2011	2,570,000	-	385,000	2,185,000
General Obligation Bonds, Series 2014	2,385,000	-	475,000	1,910,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2015	12,475,500	-	164,630	12,310,870
General Obligation Bonds, Series 2015	-	4,362,000	271,000	4,091,000
Total bonds payable	<u>26,602,291</u>	<u>4,362,000</u>	<u>6,800,912</u>	<u>24,163,379</u>
Total long-term debt	<u>\$ 26,602,291</u>	<u>\$ 4,362,000</u>	<u>\$ 6,800,912</u>	<u>\$ 24,163,379</u>

Debt service requirements to maturity are as follows:

Year Ending June 30,	Bonds Payable	Total
2017	\$ 2,753,314	\$ 2,753,314
2018	2,740,245	2,740,245
2019	2,733,470	2,733,470
2020	2,217,455	2,217,455
2021	2,219,327	2,219,327
2022-2026	9,126,701	9,126,701
2027-2031	5,617,207	5,617,207
2032-2036	<u>1,103,497</u>	<u>1,103,497</u>
Total	28,511,216	28,511,216
Less Interest	<u>(4,347,838)</u>	<u>(4,347,838)</u>
Total Principal	<u>\$ 24,163,378</u>	<u>\$ 24,163,379</u>

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 4. Long-Term Debt, Continued**

Long-term debt consists of the following at June 30, 2016:

	Current	Long-Term	Total
<b><u>Bonds Payable</u></b>			
Water revenue bonds, series 2003. Bonds have not been fully issued. Estimated semi-annual interest installments range from \$2,2150 to \$62,518 and estimated semi-annual principal installments range from \$68,835 to \$129,138, bearing interest of 3.43%.	\$ 176,172	\$ 2,390,337	\$ 2,566,509
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008, due in semi-annual interest installments ranging from \$335,875 to \$540,124 and annual principal installments ranging from \$420,000 to \$1,435,000, bearing interest between 3.50% to 5%, maturing March 31, 2038.	535,000	565,000	1,100,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2011, due in semi-annual interest installments ranging from \$87,058 to \$10,094 and annual principal installments ranging from \$340,000 to \$475,000, bearing interest between 4.40% to 5%, maturing June 1, 2022.	405,000	1,780,000	2,185,000
General Obligation (Limited Tax) Medium-Term Refunding Bond, Series 2014, due in semi-annual interest installments ranging from \$8,272 to \$30,514 and annual principal installments ranging from \$465,000 to \$940,000, bearing an interest rate of 1.76%, maturing June 1, 2019.	480,000	1,430,000	1,910,000
General Obligation (Limited Tax) Water Refunding Bond (Additionally Secured by Pledged Revenues), Series 2015, due in semi-annual interest installments ranging from \$419 to \$172,723 and annual principal installments ranging from \$35,830 to \$164,630, bearing an interest rate of 2.34%, maturing January 1, 2033.	128,420	12,182,450	12,310,870
General Obligation (Limited Tax) Medium-Term Refunding Bond, Series 2015, due in semi-annual interest installments ranging from \$5,277 to \$50,817 and annual principal installments ranging from \$271,000 to \$453,000, bearing an interest rate of 2.33%, maturing March 1, 2026.	369,000	3,722,000	4,091,000
Total bonds payable	2,093,592	22,069,787	24,163,379
Total long-term debt	\$ 2,093,592	\$ 22,069,787	\$ 24,163,379

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 5.     Defeasance of Long-Term Debt**

---

In September 2015, the District issued \$4,362,000 in general obligation water refunding bonds bearing interest at 2.33%. The District issued bonds to advance refund \$4,825,000 of the outstanding Series 2006 general obligation water refunding bonds with interest rates between 3.75% and 5.00%. The District used the net proceeds to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service of the refunded portion of the 2006 series bonds. As a result, all of the 2006 series bonds are considered defeased and the District has removed the liability from its accounts. The advanced refunding reduced total debt service payments over the next 11 years by \$1,161,774. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,043,904. The outstanding principle of the defeased bonds is \$0.

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 irrevocable 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.

---

**Note 5.     Retirement and Pension Plans**

---

**Nevada Public Employee Retirement System (PERS)**

**Plan description**

PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. 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. The report is available on its website at <http://www.nvpers.org/>

**Benefits provided**

Benefits, as required by the Nevada Revised Statutes (NRS or statute), 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.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 5. Retirement and Pension Plans, Continued**

---

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.

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

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 5. Retirement and Pension Plans, Continued**

The District's contributions for the current and two preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Contribution
2014	\$ 255,789
2015	257,278
2016	275,731

**Investment policy**

The System's policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Board adopted policy target asset allocation as of June 30, 2014:

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 3.50%

**Pension liability**

**Net pension liability**

At June 30, 2016, the District reported a liability of \$2,090,723 for its proportionate share of the PERS' net pension liability. The net pension liability was measured as of June 30, 2015, 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. The District's proportion measured as of June 30, 2015, was 0.01828 percent, which was a zero percent change from its proportion measured as of June 30, 2014.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 5. Retirement and Pension Plans, Continued**

**Pension liability discount rate sensitivity**

The following presents the net pension liability of the PERS as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the PERS 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 (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 3,185,843	\$ 2,090,723	\$ 1,180,054

**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 District's net pension liability was measured as of June 30, 2015, 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	6.5%, per year for regular employees
Investment rate of return	8.00% including inflation
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, 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, 2015 valuation were based on the results of the experience review completed in 2014.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**Note 5. Retirement and Pension Plans, Continued**

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. 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, 2015, 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, 2015 and June 30, 2014.

**Pension expense and deferred outflows/inflows of resources related to pensions**

For the year ended June 30, 2016, the District recognized pension expense for PERS of \$254,903. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 157,259
Net difference between projected and actual earnings on pension plan investments	-	113,248
Changes in proportion and differences between contributions and proportional share of contributions	303	5,935
Subtotal	303	276,442
Contributions subsequent to the measurement date	275,771	-
Total	\$ 276,074	\$ 276,442

**Amortization of Deferred Inflows & Deferred Outflows**

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2017	\$ (85,797)
2018	(85,797)
2019	(85,797)
2020	16,120
2021	(26,549)
2022	(8,318)
Thereafter	-
	\$ (276,139)

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

---

**Note 6. Risk Management**

---

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has assessed these risks and has purchased insurance policies to mitigate potential losses from these threats.

---

**Note 7. Contingencies**

---

The District is involved in various other matters of litigation from year to year. In management's opinion, the District has adequate legal defenses regarding each of these actions and does not believe that they materially affect the District's operations or financial position.



**REQUIRED SUPPLEMENTARY INFORMATION**

**VIRGIN VALLEY WATER DISTRICT**  
**SCHEDULE OF PROPORTINATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2016**

	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2016</b>	<b>2015</b>
	<b>(2015)</b>	<b>(2014)</b>
Proportion of the net pension liability (asset)	0.018280%	0.018280%
Proportionate share of the net pension liability (asset)	\$ 2,090,723	\$ 1,905,211
Covered employee payroll	\$ 1,070,955	\$ 1,093,643
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	195.22%	174.21%
Plan fiduciary net position as a percentage of the total pension liability	75.1%	76.3%

**VIRGIN VALLEY WATER DISTRICT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
JUNE 30, 2016**

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2016 (2015)</b>	<b>2015 (2014)</b>
Contractually required contribution	\$ 281,613	276,891
Contributions in relation to the contractually required contribution	\$ (281,613)	\$ (276,981)
Contribution deficiency (excess)	\$ -	\$ (90)
Covered employee payroll	\$ 1,070,955	\$ 1,093,643
Contributions as a percentage of covered-employee payroll	26.30%	25.32%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

## **Supplementary Reports**

**VIRGIN VALLEY WATER DISTRICT**  
**Budget to Actual Comparison**  
**June 30, 2016**

	Proprietary Fund			
	Budgeted Amounts		Actual Amounts (Budgetary) Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
Water use fees	\$ 7,800,000	\$ 7,800,000	\$ 8,161,463	\$ 361,463
Installation charges	40,000	40,000	54,600	14,600
Total operating revenues	<u>7,840,000</u>	<u>7,840,000</u>	<u>8,216,063</u>	<u>376,063</u>
<b>Operating expenses</b>				
Salaries, wages, and benefits	1,509,459	1,509,459	1,454,164	55,295
Office expense	178,552	178,552	121,333	57,219
Professional & legal services	256,600	256,600	295,064	(38,464)
Engineering services	120,500	120,500	25,117	95,383
Payroll taxes	69,711	69,711	75,982	(6,271)
Travel & training	23,000	23,000	20,779	2,221
Bad debt expense	-	-	687	(687)
Dues & subscriptions	40,525	40,525	34,332	6,193
Uniforms & safety equipment	7,470	7,470	6,329	1,141
Water rights applications	20,000	20,000	25,824	(5,824)
Insurance	549,302	549,302	522,105	27,197
Utilities	831,120	831,120	758,632	72,488
Operations & maintenance	1,412,276	1,412,276	784,761	627,515
Miscellaneous	34,450	34,450	40,424	(5,974)
Depreciation	3,433,829	3,433,829	2,995,940	437,889
Total operating expenses	<u>8,486,794</u>	<u>8,486,794</u>	<u>7,161,473</u>	<u>1,325,321</u>
Net operating income / (loss)	<u>\$ (646,794)</u>	<u>\$ (646,794)</u>	<u>\$ 1,054,590</u>	<u>\$ 1,701,384</u>

(Continued)

**VIRGIN VALLEY WATER DISTRICT**  
**Budget to Actual Comparison, Continued**  
**June 30, 2016**

	Proprietary Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final	(Budgetary) Basis	
<b>Non-operating income (expenses)</b>				
Service charges	\$ 35,000	\$ 35,000	\$ 36,167	\$ 1,167
Interest income	74,000	74,000	102,419	28,419
Impact fees	212,000	212,000	462,160	250,160
Ordinance No. 2 fees	330,000	330,000	225,950	(104,050)
Lease income	141,000	141,000	147,541	6,541
Other income	5,000	5,000	424,798	419,798
Gain (loss) on disposal of assets	-	-	(111)	(111)
Intergovernmental revenue	550,000	550,000	600,896	50,896
Debt service surcharge	1,000,000	1,000,000	1,115,785	115,785
Unrealized gain / (loss) on investments	-	-	21,911	21,911
Interest expense	(934,724)	(934,724)	(984,963)	(50,239)
Total nonoperating revenue (expenses)	<u>1,412,276</u>	<u>1,412,276</u>	<u>2,152,553</u>	<u>740,277</u>
Change in net assets	765,482	765,482	3,207,143	2,441,661
Total net assets--beginning	<u>58,737,882</u>	<u>58,737,882</u>	<u>58,737,882</u>	<u>-</u>
Total net assets--ending	<u>\$ 59,503,364</u>	<u>\$ 59,503,364</u>	<u>\$ 61,945,025</u>	<u>\$ 2,441,661</u>

**Other Communications From Independent Auditors**

**Independent Auditor's 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***

Board of Directors  
Virgin Valley Water District  
Mesquite, Nevada

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 financial statements of the business-type activities of Virgin Valley Water District as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 27, 2016.

**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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



### **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 that are required to be reported under *Government Auditing Standard*.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HintonBurdick, PLLC  
Saint George, Utah  
September 27, 2016