

VIRGIN VALLEY WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Financial Statements:	
Statement of Net Position.....	8
Statement of Revenues, Expenses and Changes in Net Position.....	9
Statement of Cash Flows.....	10
Notes to the Basic Financial Statements.....	12
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability.....	30
Schedule of Contributions.....	31
Supplementary Reports:	
Budget To Actual Comparison.....	33
Other Communications from Independent Auditors:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters.....	36

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2017, 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

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 22, 2017 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 22, 2017

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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, 2017. 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 \$ 64,512,234 at the close of the fiscal year.
- Total net position increased by \$ 2,567,209 or 4.14% of beginning net position.
- Operating revenues increased by \$ 349,541 or 4.25% from \$ 8,216,063 to \$ 8,565,604
- Operating expenses increased by \$ 793,743 or 11.08% from \$ 7,161,473 to \$ 7,955,216 .

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 9-11 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 12-28 of this report.

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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, 2017 and 2016 by \$ 64,512,234 and \$ 61,945,025, respectively. This is presented in the following condensed statement of net position.

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

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 16,727,092	\$ 17,104,385
Capital assets, net	68,470,075	66,850,302
Other non-current assets	833,233	1,604,600
Total assets	<u>86,030,400</u>	<u>85,559,287</u>
Deferred outflows of resources	<u>3,810,247</u>	<u>3,693,731</u>
Total assets and deferred outflows of resources	<u>89,840,647</u>	<u>89,253,018</u>
Liabilities:		
Current liabilities	2,829,337	2,698,360
Long-term liabilities	22,321,514	24,333,191
Total liabilities	<u>25,150,851</u>	<u>27,031,551</u>
Deferred inflows of resources	<u>177,562</u>	<u>276,442</u>
Total liabilities and deferred inflows of resources	<u>25,328,413</u>	<u>27,307,993</u>
Net position:		
Net investment in capital assets	46,724,625	42,686,923
Restricted	823,831	1,208,218
Unrestricted	<u>16,963,778</u>	<u>18,049,884</u>
Total net position	<u>\$ 64,512,234</u>	<u>\$ 61,945,025</u>

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 \$ 46,724,625 or 72.43% 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 \$ 16,963,778 or 26.30% 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 30th**

	2017	2016
Operating revenue	\$ 8,565,604	\$ 8,216,063
Operating expense	(7,955,216)	(7,161,473)
Operating income (loss)	610,388	1,054,590
Non-operating net revenue (expense)	1,956,821	2,152,553
Capital contributions		
Increase (decrease) in net position	2,567,209	3,207,143
Net position, beginning	61,945,025	58,737,882
End of year	\$ 64,512,234	\$ 61,945,025

The District experienced an increase in operating revenues of \$ 349,541 or 4.25% in fiscal 2017. The decrease in non-operating net revenue of \$ 195,732 or 9.09% is primarily driven by normal activity.

Total operating expenses increased \$ 793,743 or 11.08% in fiscal 2017 due to increases in Nevada Public Employee Retirement System expense and extensive water tank repairs.

Long Term Debt

At the fiscal year-end, the District had \$21,745,450 in general obligation and revenue bond debt type debt (excluding compensated absences and net pension liabilities). The total long term liabilities decreased by \$2,417,929. See Note 4 to the financial statements for details,

**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 2017 were \$ 1,065,532 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, 2017 amounted to \$ 68,470,075, which represents an increase of \$ 1,619,773 or 2.42% 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, 2017
(With Comparative Totals as of June 30, 2016)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,623,837	\$ 12,386,347
Investments	7,509,082	3,544,482
Accounts receivable	972,090	955,409
Accrued interest income	13,597	15,024
Deposits	202,500	202,500
Due from other governmental units	154,016	147,654
Prepaid expenses	17,092	4,855
Inventory	234,878	231,476
Total current assets	16,727,092	17,487,747
Noncurrent assets:		
Restricted cash and cash equivalents	823,831	1,208,218
Capital assets, net	68,470,075	66,850,302
Total noncurrent assets	69,293,906	68,058,520
Other assets:		
Original issue discount, net of amortization	9,402	13,020
Total other assets	9,402	13,020
Total assets	86,030,400	85,559,287
Deferred Outflows of Resources		
Deferred outflows related to pensions	651,787	276,074
Deferred charge on defeasance of debt	3,158,460	3,417,657
Total deferred outflows of resources	\$ 3,810,247	\$ 3,693,731
Liabilities		
Current liabilities:		
Accounts payable	\$ 197,810	\$ 171,925
Accrued interest payable	174,546	236,576
Accrued payroll & payroll taxes	146,818	126,454
Retention payable	89,353	-
Deferred revenue	65,360	69,813
Current portion of bonds payable	2,155,450	2,093,592
Total current liabilities	2,829,337	2,698,360
Noncurrent liabilities:		
Bond premiums, net of amortization	155,938	172,681
Bonds payable - net of current portion	19,590,000	22,069,787
Net pension liability	2,575,576	2,090,723
Total noncurrent liabilities	22,321,514	24,333,191
Total liabilities	25,150,851	27,031,551
Deferred Inflows of Resources		
Deferred inflows related to pensions	177,562	276,442
Total deferred inflows of resources	177,562	276,442
Net Position		
Invested in capital assets, net of related debt	46,724,625	42,686,923
Restricted for bond requirements and ordinance #2	823,831	1,208,218
Unrestricted	16,963,778	18,049,884
Total net assets	\$ 64,512,234	\$ 61,945,025

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenues		
Water use fees	\$ 8,480,054	\$ 8,161,463
Installation charges	85,550	54,600
Total operating revenues	<u>8,565,604</u>	<u>8,216,063</u>
Operating expenses		
Salaries, wages, and benefits	1,608,525	1,454,164
Office expense	127,388	121,333
Professional & legal services	799,246	295,064
Engineering services	133,474	25,117
Payroll taxes	49,047	75,982
Travel & training	8,937	20,779
Bad debt expense	247	687
Dues & subscriptions	44,770	34,332
Uniforms & safety equipment	5,614	6,329
Water rights applications	40,066	25,824
Insurance	427,922	522,105
Utilities	783,761	758,632
Operations & maintenance	1,427,077	784,761
Miscellaneous	42,136	40,424
Depreciation	2,457,006	2,995,940
Total operating expenses	<u>7,955,216</u>	<u>7,161,473</u>
Net operating income / (loss)	<u>610,388</u>	<u>1,054,590</u>
Non-operating income (expenses)		
Service charges	39,116	36,167
Interest income	101,557	102,419
Impact fees	722,920	462,160
Ordinance No. 2 fees	237,100	225,950
Lease income	161,203	147,541
Other income	70,323	424,798
Gain (loss) on disposal of assets	(258,058)	(111)
Intergovernmental revenue	628,022	600,896
Debt sevice surcharge	1,144,861	1,115,785
Unrealized gain / (loss) on investments	(35,370)	21,911
Interest expense	(854,853)	(984,963)
Total nonoperating revenue (expenses)	<u>1,956,821</u>	<u>2,152,553</u>
Change in net assets	2,567,209	3,207,143
Total net assets--beginning	<u>61,945,025</u>	<u>58,737,882</u>
Total net assets--ending	<u>\$ 64,512,234</u>	<u>\$ 61,945,025</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from customers, water usage fees	\$ 8,459,167	\$ 8,074,368
Cash received from customers, installation charges	85,550	54,600
Cash paid for operating expenses	(3,790,086)	(2,960,200)
Cash paid to employees	<u>(2,055,378)</u>	<u>(1,962,558)</u>
Net cash flows from operating activities	<u>2,699,253</u>	<u>3,206,210</u>
Cash flows from noncapital financing activities:		
Intergovernmental revenue	621,660	596,377
Lease revenue	161,203	147,541
Service charges collected	<u>39,116</u>	<u>36,167</u>
Net cash flows from noncapital financing activities	<u>821,979</u>	<u>780,085</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(4,334,838)	(2,720,988)
Proceeds from sale of capital assets	-	1,000
Proceeds from long-term debt	2,486,258	4,362,000
Principal paid on long-term debt	(2,121,420)	(1,975,912)
Defeasement from long-term debt	(2,556,509)	(4,825,000)
Impact fees collected	722,920	462,160
Ordinance No. 2	237,100	225,950
Debt service surcharge	1,144,861	1,115,785
Interest paid	<u>(674,429)</u>	<u>(1,097,283)</u>
Net cash flows from capital and related financing activities	<u>(5,096,057)</u>	<u>(4,452,288)</u>
Cash flows from investing activities:		
Interest on investments	102,984	101,827
(Increase)/decrease in restricted cash	384,387	37,667
Sale (Purchase) of investments	<u>(3,675,056)</u>	<u>890</u>
Net cash flows from investing activities, including restricted cash	<u>(3,187,685)</u>	<u>140,384</u>
Net change in cash and cash equivalents	<u>(4,762,510)</u>	<u>(325,609)</u>
Cash and cash equivalents at beginning of year	<u>12,386,347</u>	<u>12,711,956</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,623,837</u></u>	<u><u>\$ 12,386,347</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash used by operating activities:		
Net income from operations	\$ 610,388	\$ 1,054,590
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,457,006	2,995,940
Net inflows of resources relating to pension	(467,217)	(505,805)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(16,434)	(84,031)
(Increase)/decrease in inventories	(3,402)	(52,142)
(Increase)/decrease in prepaid expenses	(12,237)	(532)
Increase/(decrease) in accounts payable	25,885	(196,157)
Increase/(decrease) in payroll and payroll taxes	20,364	(2,589)
Increase/(decrease) in retention payable	89,353	-
Increase/(decrease) in prepaid water use fees	(4,453)	(3,064)
Net cash flows from operating activities	<u>\$ 2,699,253</u>	<u>\$ 3,206,210</u>

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

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

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 an 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017 the liability total balance is \$81,673 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, 2017. 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, 2017

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 2016 may have been reclassified to conform to the 2017 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, 2016, 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, 2017, the District’s bank balance was \$10,872,326. Of that balance \$8,031,869 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, 2017 the District’s funds with the Bank of Nevada were either insured and/or collateralized.

As of June 30, 2017 \$1,622 was on deposit with Wells Fargo Bank and \$408,568 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, 2017

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, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
U.S. Government Securities	\$ 7,509,082	\$ -	\$ 7,509,082	\$ -	\$ -	AAA
US Bank Treasury Obligations	408,672	-	408,672	-	-	
Bank of Nevada Treasury Obligations	3,006	-	3,006	-	-	
Bank of Nevada Reserve Fund	412,154	412,154	-	-	-	
Total Fair Value	\$ 8,332,914	\$ 412,154	\$ 7,920,760	\$ -	\$ -	

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

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017

- U.S. Government Securities of \$7.5 million are valued using quoted market prices (Level 1 inputs)
- Other investments measuring mechanisms.

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

Cash and cash equivalents	\$ 7,623,837
Investments	7,509,082
Restricted cash and cash equivalents	<u>823,831</u>
	<u>\$ 15,956,750</u>
Cash on hand	\$ 850
Deposits	8,446,818
U.S. Government Securities	<u>7,509,082</u>
	<u>\$ 15,956,750</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 2017 \$ 237,100 was collected from customers as payments for Ordinance No. 2. At June 30, 2017 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, 2017

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, 2017 was \$ 2,457,006. Capital asset activity for the year ended June 30, 2017 was as follows:

	June 30, 6/30/2016	Additions	Disposals	June 30, 6/30/2017
Capital assets not being depreciated:				
Land	\$ 931,392	\$ -	\$ -	\$ 931,392
Water shares	20,007,924	-	-	20,007,924
Construction in progress	2,614,176	4,046,656	(3,734,635)	2,926,197
Total capital assets not being depreciated	<u>23,553,492</u>	<u>4,046,656</u>	<u>(3,734,635)</u>	<u>23,865,513</u>
Capital assets being depreciated:				
Operating equipment & wells	53,233,736	3,769,645	(2,461,307)	54,542,074
Buildings and improvements	20,974,261	200,000	(12,189)	21,162,072
Office capital assets	322,337	53,172	(130,905)	244,604
Total capital assets being depreciated	<u>74,530,334</u>	<u>4,022,817</u>	<u>(2,604,401)</u>	<u>75,948,750</u>
Less: accumulated depreciation for:				
Operating equipment & wells	(26,900,002)	(1,903,083)	2,143,530	(26,659,555)
Buildings and improvements	(4,052,648)	(534,729)	74,076	(4,513,301)
Office capital assets	(280,874)	(19,194)	128,736	(171,332)
Total accumulated depreciation	<u>(31,233,524)</u>	<u>(2,457,006)</u>	<u>2,346,342</u>	<u>(31,344,188)</u>
Total capital assets being depreciated, net	<u>43,296,810</u>	<u>1,565,811</u>	<u>(258,059)</u>	<u>44,604,562</u>
Total capital assets, net of accumulated depreciation	<u>\$ 66,850,302</u>	<u>\$ 5,612,467</u>	<u>\$ (3,992,694)</u>	<u>\$ 68,470,075</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 4. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Bonds Payable	June 30, 2016	Additions	Retirements	June 30, 2017
Water Revenue Bonds, Series 2001	-	-	-	-
Water Revenue Bonds, Series 2003	\$ 2,566,509	\$ -	\$ 2,566,509	\$ -
Water Revenue Bonds, Series 2004	-	-	-	-
Water Revenue Bonds, Series 2006	-	-	-	-
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008	1,100,000	-	535,000	565,000
Series 2011	2,185,000	-	405,000	1,780,000
General Obligation Bonds, Series 2014	1,910,000	-	480,000	1,430,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2015	12,310,870	-	128,420	12,182,450
General Obligation Bonds, Series 2015	4,091,000	-	369,000	3,722,000
General Obligation Bonds, Series 2016	-	2,270,000	204,000	2,066,000
Total bonds payable	<u>24,163,379</u>	<u>2,270,000</u>	<u>4,687,929</u>	<u>21,745,450</u>
Total long-term debt	<u>\$ 24,163,379</u>	<u>\$ 2,270,000</u>	<u>\$ 4,687,929</u>	<u>\$ 21,745,450</u>

Debt service requirements to maturity are as follows:

Year Ending June 30,	Bonds Payable	Total
2018	\$ 2,692,371	\$ 2,692,371
2019	2,685,617	2,685,617
2020	2,170,566	2,170,566
2021	2,171,345	2,171,345
2022	2,168,718	2,168,718
2023-2027	7,944,971	7,944,971
2028-2032	5,328,533	5,328,533
2033	72,503	72,503
Total	25,234,624	25,234,624
Less Interest	<u>(3,399,174)</u>	<u>(3,399,174)</u>
Total Principal	<u>\$ 21,835,450</u>	<u>\$ 21,835,450</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 4. Long-Term Debt, Continued

Long-term debt consists of the following at June 30, 2017:

	Current	Long-Term	Total
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.	565,000	-	565,000
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.	415,000	1,365,000	1,780,000
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.	490,000	940,000	1,430,000
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.	131,450	12,051,000	12,182,450
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.	374,000	3,348,000	3,722,000
General Obligation (Limited Tax) Medium-Term Refunding Bond, Series 2016, due in semi-annual interest installments ranging from \$833 to \$32,775 and annual principal installments ranging from \$204,000 to \$107,000, bearing an interest rate of 1.65%, maturing January 1, 2028.	180,000	1,886,000	2,066,000
Total bonds payable	<u>2,155,450</u>	<u>19,590,000</u>	<u>21,745,450</u>
Total long-term debt	<u>\$ 2,155,450</u>	<u>\$ 19,590,000</u>	<u>\$ 21,745,450</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 5. Defeasance of Long-Term Debt

In August 2016, the District issued \$2,486,258 in general obligation water refunding bonds bearing interest at 1.65%. The District issued bonds to advance refund \$2,556,509 of the outstanding Series 2003 general obligation water refunding bonds with an interest rate of 3.43%. 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 2003 series bonds. As a result, all of the 2003 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 \$262,915. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$213,295. The outstanding principle of the defeased bonds is \$0.

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.

Note 6. 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.

Note 6. Retirement and Pension Plans, Continued

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

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, 2015 and June 30, 2016 the Statutory Employer/employee matching rate was 13.25% and 14.5%, respectively for Regular. The Employer-pay contribution (EPC) rate was 25.75% and 28%, respectively for Regular.

Note 6. Retirement and Pension Plans, Continued

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

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
2015	\$ 257,278
2016	257,731
2017	275,771

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, 2015:

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, 2015, PERS' long-term inflation assumption was 3.50%

Pension liability

Net pension liability

At June 30, 2017, the District reported a liability of \$2,575,576 for its proportionate share of the PERS' net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015. The District's proportion measured as of June 30, 2016, was 0.01914 percent, which was a zero percent change from its proportion measured as of June 30, 2015.

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 6. Retirement and Pension Plans, Continued

Pension liability discount rate sensitivity

The following presents the net pension liability of the PERS as of June 30, 2016, 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	\$ 3,775,291	\$ 2,575,576	\$ 1,577,428

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, 2016, 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%, 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, 2016 funding actuarial valuation

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 6. Retirement and Pension Plans, Continued

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016 and June 30, 2015. 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, 2016, 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, 2016 and June 30, 2015.

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

For the year ended June 30, 2017, the District recognized pension expense for PERS of \$ 324,469. At June 30, 2017, 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	\$ -	\$ 172,467
Net difference between projected and actual earnings on pension plan investments	239,432	-
Changes in proportion and differences between contributions and proportional share of contributions	98,146	5,095
Subtotal	<u>337,578</u>	<u>177,562</u>
Contributions subsequent to the measurement date	314,209	-
Total	<u>\$ 651,787</u>	<u>\$ 177,562</u>

Amortization of Deferred Inflows & Deferred Outflows

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2018	\$ (47,428)
2019	(47,428)
2020	202,857
2021	98,118
2022	(37,776)
2023	(8,328)
Thereafter	-
	<u>\$ 160,016</u>

VIRGIN VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 7. 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 8. 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 Proportionate Share Of The Net Pension Liability
June 30, 2017

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

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.019140%	0.018280%	0.018280%
Proportionate share of the net pension liability (asset)	\$ 2,575,576	\$ 2,090,723	\$ 1,905,211
Covered employee payroll	1,163,284	1,070,955	1,093,643
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	221.41%	195.22%	174.21%
Plan fiduciary net position as a percentage of the total pension liability	72.2%	75.1%	76.3%

VIRGIN VALLEY WATER DISTRICT
Schedule Of Employer Contributions
June 30, 2017

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

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 275,771	\$ 281,613	\$ 276,891
Contributions in relation to the contractually required contribution	(275,771)	(281,613)	(276,981)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90)</u>
Covered employee payroll	\$ 1,163,284	\$ 1,070,955	\$ 1,093,643
Contributions as a percentage of covered-employee payroll	23.71%	26.30%	25.32%

Supplementary Reports

VIRGIN VALLEY WATER DISTRICT
Budget to Actual Comparison
June 30, 2017

	Proprietary Fund			
	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget Favorable
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>(Unfavorable)</u>
Ordinary income				
Water use fees	\$ 8,300,000	\$ 8,300,000	\$ 8,480,054	\$ 180,054
Connection fees	40,000	40,000	85,550	45,550
Total income	<u>8,340,000</u>	<u>8,340,000</u>	<u>8,565,604</u>	<u>225,604</u>
Expenses				
Contracted service				
Water tests	24,075	24,075	21,229	2,846
Annual audit expense	15,750	15,750	15,734	16
Outside accounting	-	-	67	(67)
Engineering	225,000	225,000	133,474	91,526
Legal & Litigation expense	720,000	720,000	689,989	30,011
Other professional services	99,350	99,350	84,816	14,534
Board of Directors fee	14,400	14,400	8,640	5,760
Total contracted services	<u>1,098,575</u>	<u>1,098,575</u>	<u>953,949</u>	<u>144,626</u>
Office & Administration				
Office expenses & supplies	133,035	133,035	89,865	43,170
Dues/subscriptions/adv	42,900	42,900	44,770	(1,870)
Water rights applications	26,000	26,000	40,066	(14,066)
Bank charges	50,000	50,000	38,641	11,359
General miscellaneous	4,950	4,950	3,495	1,455
Bad debt	-	-	247	(247)
Postage & mailing permits	48,000	48,000	37,522	10,478
Travel & training	23,000	23,000	8,937	14,063
Insurance expense	121,000	121,000	120,057	943
Total Office & Administration	<u>448,885</u>	<u>448,885</u>	<u>383,600</u>	<u>65,285</u>

(Continued)

VIRGIN VALLEY WATER DISTRICT
Budget to Actual Comparison, Continued
June 30, 2017

	Proprietary Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts (Budgetary)	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Repairs & Maintenance				
Vehicles - repairs & maintenance	\$ 35,000	\$ 35,000	\$ 28,175	\$ 6,825
Vehicles - fuel	35,000	35,000	20,687	14,313
Maintenance - wells	35,000	35,000	7,850	27,150
Maintenance - general	60,860	60,860	40,983	19,877
Tools and supplies	9,500	9,500	7,312	2,188
Scada expenses	24,900	24,900	8,086	16,814
Chemicals	250,650	250,650	198,826	51,824
Maintenance - water treatment	91,460	91,460	67,484	23,976
Maintenance - booster pump	20,000	20,000	4,838	15,162
Maintenance - tanks	426,000	426,000	706,698	(280,698)
Maintenance - mains	499,000	499,000	162,730	336,270
Maintenance - service/meters	162,000	162,000	152,179	9,821
Total repairs & maintenance	<u>1,649,370</u>	<u>1,649,370</u>	<u>1,405,848</u>	<u>243,522</u>
Salaries & Benefits				
Administrative salaries	571,065	571,065	530,067	40,998
Line & maintenance salaries	799,501	799,501	753,989	45,512
Health insurance premiums	418,920	418,920	307,865	111,055
Uniforms & salary equipment	8,200	8,200	5,614	2,586
P.E.R.S. employers share	318,572	318,572	324,469	(5,897)
Total salaries & benefits	<u>2,116,258</u>	<u>2,116,258</u>	<u>1,922,004</u>	<u>194,254</u>
Taxes				
FICA - employers share	21,274	21,274	18,052	3,222
Workmans comp	24,000	24,000	20,302	3,698
N.V. unemployment tax	13,600	13,600	10,693	2,907
Total taxes	<u>58,874</u>	<u>58,874</u>	<u>49,047</u>	<u>9,827</u>

(Continued)

VIRGIN VALLEY WATER DISTRICT
Budget to Actual Comparison, Continued
June 30, 2017

	Proprietary Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts (Budgetary) Basis)	
	Original	Final		
Utilities				
Utilities & telephone office	\$ 41,840	\$ 41,840	\$ 36,640	\$ 5,200
Utilities - wells	803,840	803,840	747,121	56,719
Total utilities	<u>845,680</u>	<u>845,680</u>	<u>783,761</u>	<u>61,919</u>
Depreciation expense	2,803,105	2,803,105	2,457,006	346,099
Total expense	<u>9,020,747</u>	<u>9,020,747</u>	<u>7,955,215</u>	<u>1,065,532</u>
Net ordinary income/(loss)	(680,747)	(680,747)	610,389	1,291,136
Other income/expenses				
Other income				
Service charges	35,000	35,000	39,116	4,116
Other revenue	5,000	5,000	70,323	65,323
Debt reduction fee	1,100,000	1,100,000	1,144,861	44,861
SDC - system development charge	320,000	320,000	722,920	402,920
Ordinance #2 fees	210,000	210,000	237,100	27,100
Interest income	67,000	67,000	101,557	34,557
Lease income	141,000	141,000	161,203	20,203
1/4 Cent sales tax	550,000	550,000	628,022	78,022
Unrealized Gain(loss) - investments	-	-	(35,370)	(35,370)
Total repairs & maintenance	<u>2,428,000</u>	<u>2,428,000</u>	<u>3,069,732</u>	<u>641,732</u>
Other expenses				
Interest expense	897,886	897,886	854,853	43,033
(Gain)/loss on disposed assets	275,000	275,000	258,058	16,942
Total other expense	<u>1,172,886</u>	<u>1,172,886</u>	<u>1,112,911</u>	<u>59,975</u>
Net other income/(loss)	1,255,114	1,255,114	1,956,821	701,707
Net income/(loss)	<u>\$ 574,367</u>	<u>\$ 574,367</u>	<u>\$ 2,567,210</u>	<u>\$ 1,992,843</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, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 22, 2017.

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 22, 2017