

VIRGIN VALLEY WATER DISTRICT

SINGLE AUDIT ACT REPORT

FISCAL YEAR ENDED JUNE 30, 2008

VIRGIN VALLEY WATER DISTRICT

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the basic financial statements of Virgin Valley Water District, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Virgin Valley Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

This report is intended solely for the information of the Directors, Members of the Board, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



HINTON, BURDICK, HALL & SPILKER, PLLC
September 2, 2008



**Report on Compliance with Requirements
 Applicable to Each Major Program
 and on Internal Control over Compliance
 in Accordance with OMB Circular A-133**

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

We have audited the compliance of Virgin Valley Water District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Virgin Valley Water District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Virgin Valley Water District's management. Our responsibility is to express an opinion on Virgin Valley Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Virgin Valley Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Virgin Valley Water District's compliance with those requirements.

In our opinion, Virgin Valley Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Virgin Valley Water District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Virgin Valley Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Virgin Valley Water District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Virgin Valley Water District, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Virgin Valley Water District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Directors, Members of the Board, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



HINTON, BURDICK, HALL & SPILKER, P.L.L.C.
March 6, 2009

VIRGIN VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:

- Material weakness (es) identified? ___ yes X no
- Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? ___ yes X no
- Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.606	U.S. Environmental Protection Agency: Surveys-Studies-Investigations and Special Purpose Grants
None	U.S. Army Corps of Engineers: Virgin Valley Water District Arsenic Removal - Project 1

Dollar threshold used to distinguish between type
A and type B programs: \$ 500,000

Auditee qualified as low-risk auditee? ___ yes X no

VIRGIN VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section II - Financial Statement Findings

08-1. Fraud Risk Management Program

The District has apparently not formally developed a fraud risk management program that is appropriate for the size and complexity of the District, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

Recommendations

We recommend that the District formally develop and adopt a fraud risk management program that is appropriate for the size and complexity of the District, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

08-2. Segregation of Duties

We noted that there is one individual who is authorized to sign checks that also has the responsibility to reconcile the bank accounts. Someone independent of this process does review the bank reconciliation which mitigates this weakness or lack of segregation of duties.

Recommendations

We recommend that the individuals involved with the bank reconciliation process not be given the authority or responsibility for signing checks.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV - Summary Schedule of Prior Audit Findings

No significant matters were noted.



HINTON, BURDICK, HALL & SPILKER, P.L.L.C.
March 6, 2009

VIRGIN VALLEY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Grantor Agency	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Army Corps of Engineers			
Virgin Valley Water District Arsenic Removal Project 1	None	W81EYN52632169	<u>\$ 4,148,637</u>
U.S. Environmental Protection Agency:			
Surveys-Studies-Investigations and Special Purpose Grants	66.606	XP-96925001-0	<u>874,003</u>
Total expenditures of federal awards			<u><u>\$ 5,022,640</u></u>

Note: This schedule has been prepared on the accrual basis of accounting.