

VIRGIN VALLEY WATER DISTRICT

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Directors and Members of the Board Virgin Valley Water District

We have audited the accompanying financial statements of the Virgin Valley Water District (the District), as of and for the years ended June 30, 2013 and 2012, respectively, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virgin Valley Water District as of June 30, 2013 and 2012 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 · Las Vegas, Nevada · 89119 · 702.451.3099 (office) · 702.568.5030 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, 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.

William Smith Racker & Pissotti, LLP

Salt Lake City, Utah
September 24, 2013

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

The following is a discussion and analysis of Virgin Valley Water District's (the District) financial performance providing an overview of the District's financial activities for the years ending June 30, 2013 and 2012, respectively. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights for the year ended June 30, 2013

- Total assets and deferred outflows of resources exceeded total liabilities (net position) by \$59,193,858 at the close of the fiscal year
- Net position decreased by \$556,472, or 0.9%
- Operating revenues decreased by \$34,815, or 0.5%
- Operating expenses increased by \$379,985, or 5.3%
- Long-term debt decreased by \$1,813,765, or 5.8%.

Financial Highlights for the year ended June 30, 2012

- Total assets and deferred outflows of resources exceeded total liabilities (net position) by \$59,750,330 at the close of the fiscal year.
- Net position increased by \$1,939,422, or 3.4%
- Operating revenues increased by \$850,493, or 14.0%
- Operating expenses decreased by \$332,773, or 4.4%
- Long-term debt decreased by \$1,331,373, or 4.1%

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

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, with the net of these categories being reported as *total net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

Notes to the 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 17 through 30 of this report.

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

District Financial Analysis as a Whole

Net Position

The District's net position at June 30, 2013 and 2012 was \$59,193,858 and \$59,750,330, respectively. This is presented in the following condensed statement of net position.

Assets	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 11,147,290	\$ 11,007,831	\$ 7,301,334
Restricted assets	2,155,072	2,397,995	2,625,917
Capital assets	<u>73,931,098</u>	<u>75,814,930</u>	<u>78,362,558</u>
Total assets	<u>87,233,460</u>	<u>89,220,756</u>	<u>88,289,809</u>
Deferred Outflows of Resources	<u>2,790,896</u>	<u>2,972,972</u>	<u>3,155,049</u>
Liabilities			
Current liabilities	2,796,206	2,523,279	1,883,322
Long-term obligations, less current maturities	<u>28,034,292</u>	<u>29,920,119</u>	<u>31,750,628</u>
Total liabilities	<u>30,830,498</u>	<u>32,443,398</u>	<u>33,633,950</u>
Net Position			
Net investment in capital assets	44,250,635	44,320,702	45,569,706
Restricted	2,155,072	2,397,995	2,625,917
Unrestricted	<u>12,788,151</u>	<u>13,031,633</u>	<u>9,615,285</u>
Total net position	<u>\$ 59,193,858</u>	<u>\$ 59,750,330</u>	<u>\$ 57,810,908</u>

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

At June 30, 2013, unrestricted net position comprised \$12,788,151 or 21.6% (\$13,031,633 or 21.8% at June 30, 2012) of total net position and may be used to meet the District's obligations to customers, employees, and creditors and to honor next year's budget.

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

District Financial Analysis as a Whole (Continued)

At June 30, 2013, restricted net position comprised \$2,155,072 or 3.6% (\$2,397,995 or 4.0% at June 30, 2012) of total net position and represents funds that are subject to restriction on how they may be used. At June 30, 2013 and 2012, respectively, the restricted balance consists of two components: 1) Funds reserved for bond requirements and payments as payments come due; and 2) Fees received from Ordinance No. 2 which are funds intended for the purchase of water rights.

At June 30, 2013 net investment in capital assets comprised \$44,250,635 or 74.8% (\$44,455,119 or 74.4% at June 30, 2012) of total net position. This represents capital assets (i.e. land, buildings, operating equipment, wells, office capital assets, and water rights) less any related debt outstanding that was used to acquire those assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Resources needed to repay capital related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

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

Change in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Operating revenues	\$ 6,848,248	\$ 6,883,063	\$ 6,032,570
Non-operating revenues	<u>1,643,579</u>	<u>4,257,903</u>	<u>2,421,192</u>
Total revenues	8,491,827	11,140,966	8,453,762
Expenses:			
Depreciation	3,010,120	3,091,904	3,110,784
Other operating expenses	4,550,790	4,089,021	4,402,914
Non-operating expenses	<u>1,487,389</u>	<u>1,168,827</u>	<u>1,155,214</u>
Total expenses	<u>9,048,299</u>	<u>8,349,752</u>	<u>8,668,912</u>
Change in net position	(556,472)	2,791,214	(215,150)
Total net position:			
Beginning of year	59,750,330	57,810,908	58,026,058
Adjustments to net position	<u>-</u>	<u>(851,792)</u>	<u>-</u>
End of year	<u>\$ 59,193,858</u>	<u>\$ 59,750,330</u>	<u>\$ 57,810,908</u>

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

District Financial Analysis as a Whole (Continued)

During the year ended June 30, 2013, the District's operating revenues decreased \$34,815 or 0.5% from the prior year.

During the year ended June 30, 2012, the District's operating revenues increased \$850,493 or 14.0% over the prior year.

During the year ended June 30, 2013, total non-operating revenues decreased \$2,614,324 or 61.4% from the prior year. The single largest category decrease consisted of other income decreasing by \$2,795,906; this was driven primarily by a one-time litigation settlement of \$2,788,282 received in fiscal 2012. The single largest category increase consisted of Impact Fees increasing by \$182,320; this was a result of new land development in the District's service area.

During the year ended June 30, 2012, total non-operating revenues increased \$1,836,711 or 75.9% over the prior year. The single largest category increase consisted of other income increasing by \$2,622,127; this was driven primarily by a litigation settlement of \$2,788,282 in the current year. The single largest category decrease consisted of Intergovernmental revenues decreasing by \$1,110,444; this was primarily driven by the completion of arsenic treatment plants in the prior year. Other selected non-operating account changes over the prior year consisted of increases in Ordinance No. 2 fees of \$249,000 and Lease income of \$101,572, and a decrease in interest income of \$46,511.

During the year ended June 20, 2013, there were two expense categories showing significant variances from the prior year. Professional and legal services expense increased by \$497,457 or 121.0% from the prior year. This increase was the result of a large amount of additional work performed by the District's legal counsel on certain ongoing litigation issues. Engineering services expense decreased by \$74,691 or 66.8% from the prior year. This decrease was the result of fewer non-capitalized engineering projects.

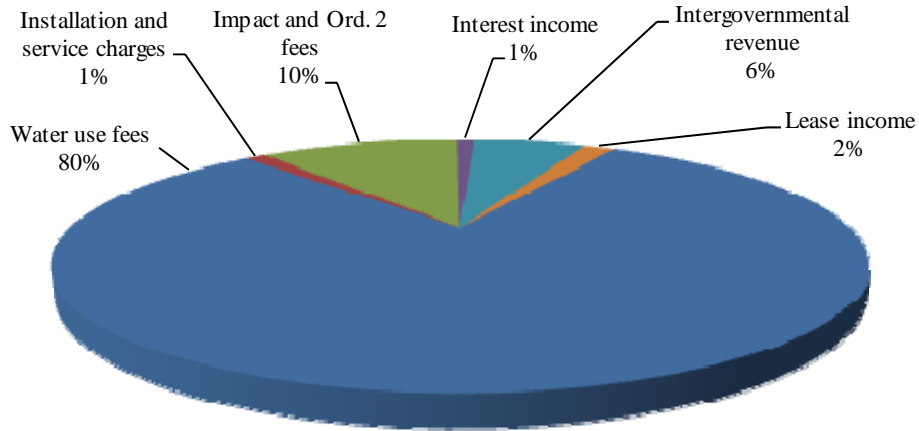
During the year ended June 30, 2012, three expense categories showed the biggest changes compared to the previous year. Professional and legal services was \$446,489 or 52% less than the prior year; operations and maintenance was \$106,725 or 14% more than the prior year; and engineering services was \$51,781 or 32% less than the prior year.

Depreciation expense was \$3,010,120 during fiscal 2013 which was an \$81,784 or 2.7% decrease from the prior year. During the year ended June 30, 2012, depreciation expense decreased from the previous year by \$23,603 or less than 1%.

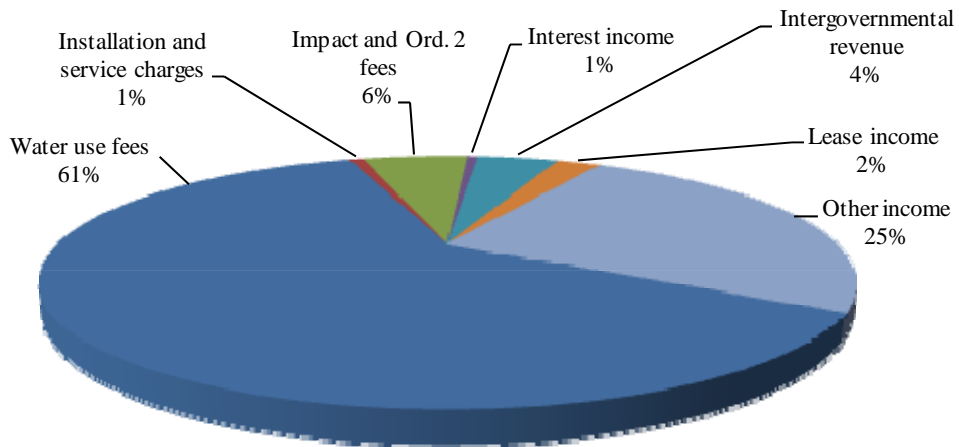
**VIRGIN VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

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

Revenue by Source during the year ended June 30, 2013



Revenue by Source during the year ended June 30, 2012



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

Capital Assets and Debt Administration

Capital Assets

The District operates as an enterprise fund, which includes capitalization and depreciation of assets. Asset categories include land, buildings, water system, construction in process, equipment, and water rights. The District's capital assets (net of accumulated depreciation) as of June 30, 2013 amount to \$73,931,098, which represents a decrease of \$1,883,832 or 2.5% compared to the prior fiscal year. As of June 30, 2012, the District's net capital assets totaled \$75,814,930 which was a \$2,547,628 or 3.3% decrease from the prior fiscal year end.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 931,392	\$ 591,064	\$ 591,064
Buildings and improvements	20,918,458	20,918,458	20,916,041
Operating equipment and wells	50,784,267	51,379,869	51,060,348
Engineering and other equipment and tools	250,931	289,711	290,811
Water Shares	<u>22,400,460</u>	<u>22,400,460</u>	<u>22,400,460</u>
	95,285,508	95,579,562	95,258,724
Less accumulated depreciation	<u>(22,412,751)</u>	<u>(20,846,850)</u>	<u>(17,995,869)</u>
	72,872,757	74,732,712	77,262,855
Construction in progress	<u>1,058,341</u>	<u>1,082,218</u>	<u>1,099,703</u>
Net capital assets	<u>\$ 73,931,098</u>	<u>\$ 75,814,930</u>	<u>\$ 78,362,558</u>

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

Capital Assets and Debt Administration (Continued)

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

- During 2013, well-related equipment was installed at approximately \$591,000 to improve or replace the existing equipment.
- During 2013, land directly neighboring the District's building was obtained costing approximately \$340,300.
- During 2013, a new transmission line was installed in Bunkerville at \$212,900 to convey water from Well #2 to the main transmission line along Riverside Road.
- During 2013, an internal fixed asset audit was performed by the District. This audit revealed 77 assets that had been previously replaced or otherwise disposed of, but were still being carried on the books of the District. These assets, totaling approximately \$1,846,000 were removed from the books of the District along with the corresponding accumulated depreciation.
- During 2012, well-related equipment was installed at approximately \$482,700 to improve or replace the existing equipment.
- During 2012, additional valves were installed on transmission structures at approximately \$91,000 to improve or replace the existing equipment.

Long-Term Debt

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Water revenue bonds	\$ 15,815,463	\$ 17,169,228	\$ 18,467,852
General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues)	13,865,000	14,325,000	14,325,000
Notes payable	<u>-</u>	<u>-</u>	<u>32,749</u>
	<u>\$ 29,680,463</u>	<u>\$ 31,494,228</u>	<u>\$ 32,825,601</u>

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

REQUESTS FOR INFORMATION

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 5,103,816	\$ 6,024,451
Investments	4,787,770	3,762,244
Accounts receivable	671,096	703,579
Accrued interest income	15,927	11,793
Due from other governmental units	124,979	118,265
Prepaid expenses	25,347	29,309
Inventory	191,980	125,697
Restricted cash and cash equivalents	2,155,072	2,397,995
Deposits	202,500	205,000
Capital assets, net	73,931,098	75,814,930
Original issue discount, net	23,875	27,493
TOTAL ASSETS	87,233,460	89,220,756
DEFERRED OUTFLOWS OF RESOURCES		
Loss on defeasance of debt	2,790,896	2,972,972
LIABILITIES		
Accounts payable	407,840	188,993
Accrued interest payable	309,499	320,958
Accrued payroll and payroll taxes	114,803	108,465
Retention payable	9,765	-
Prepaid water use fees	45,765	50,448
Prepaid lease income	39,450	40,650
Current portion of bonds payable	1,869,084	1,813,765
Bond premiums, net of amortization	222,913	239,656
Bonds payable, net of current portion	27,811,379	29,680,463
TOTAL LIABILITIES	30,830,498	32,443,398
NET POSITION		
Net investment in capital assets	44,250,635	44,320,702
Restricted for bond requirements and Ordinance #2	2,155,072	2,397,995
Unrestricted	12,788,151	13,031,633
TOTAL NET POSITION	\$ 59,193,858	\$ 59,750,330

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Water use fees	\$ 6,789,538	\$ 6,846,013
Installation charges	58,710	37,050
TOTAL OPERATING REVENUES	6,848,248	6,883,063
OPERATING EXPENSES		
Salaries and wages	1,072,990	1,060,732
Office expense	128,696	115,229
Professional and legal services	908,907	411,450
Engineering services	37,136	111,827
Payroll taxes	48,981	65,492
Retirement plan contributions	221,805	224,172
Travel and training	11,464	8,455
Bad debt expense	42	-
Dues and subscriptions	46,529	31,052
Uniforms and safety equipment	7,506	6,461
Water rights applications	15,009	15,507
Insurance	397,516	409,068
Utilities	709,528	718,304
Operations and maintenance	925,721	891,632
Miscellaneous	18,960	19,640
Depreciation	3,010,120	3,091,904
TOTAL OPERATING EXPENSES	7,560,910	7,180,925
OPERATING LOSS	(712,662)	(297,862)
NON-OPERATING REVENUES (EXPENSES)		
Service charges	35,824	44,066
Interest income	71,687	62,318
Impact fees	504,560	322,240
Ordinance No. 2 fees	385,100	298,600
Lease income	140,598	257,425
Other income	611	2,796,517
Loss on disposal of assets	(12,626)	(136,258)
Intergovernmental revenue	505,199	476,737
Unrealized gain (loss) on investments	(1,100)	48,846
Interest expense	(1,473,663)	(1,081,415)
TOTAL NON-OPERATING REVENUES - NET	156,190	3,089,076
CHANGE IN NET POSITION	(556,472)	2,791,214
Net position - beginning of year	59,750,330	57,810,908
Adjustments to beginning net position	-	(851,792)
Net position - end of year	\$ 59,193,858	\$ 59,750,330

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, water usage fees	\$ 6,817,296	\$ 6,829,378
Cash received from customers, installation charges	58,710	37,050
Cash paid for operating expenses	(3,308,967)	(3,094,817)
Cash paid to employees	(1,066,652)	(1,055,506)
Net cash flows from operating activities	2,500,387	2,716,105
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,138,914)	(684,153)
Principal paid on long-term debt	(1,813,765)	(1,331,373)
Impact fees collected	504,560	322,240
Ordinance No. 2 fees collected	385,100	298,600
Intergovernmental revenue	498,485	471,586
Lease revenue	140,009	267,210
Insurance reimbursement	-	2,788,282
Service charges collected	35,824	44,066
Interest paid	(1,316,171)	(712,890)
Net cash flows from (used by) capital and related financing activities	(2,704,872)	1,463,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	67,553	61,481
Decrease in restricted cash	242,923	227,922
Sale of investments	950,000	1,750,000
Purchase of investments	(1,976,626)	(1,270,913)
Net cash flows from (used by) investing activities	(716,150)	768,490
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(920,635)	4,948,163
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,024,451	1,076,288
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,103,816	\$ 6,024,451

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING LOSS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (712,662)	\$ (297,862)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	3,010,120	3,091,904
Bad debts	42	-
(Increase) decrease in assets:		
Accounts receivable	32,441	(32,207)
Inventory	(66,283)	(1,388)
Prepaid expenses	3,962	(1,902)
Deposits	2,500	(2,500)
Increase (decrease) in liabilities:		
Accounts payable	218,847	(10,738)
Retention payable	9,765	(50,000)
Accrued expenses	6,338	5,226
Prepaid water use fees	(4,683)	15,572
Net cash flows from operating activities	\$ 2,500,387	\$ 2,716,105

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

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Virgin Valley Water District (the District) was created pursuant to Senate Bill 100, which was passed by the 1993 Nevada Legislature and signed into law by the governor and in accordance with a June 29, 1993 vote by the membership of the District's predecessor Mesquite Farmstead Water Association. As of June 30, 1993, Mesquite Farmstead Water Association ceased operations and the District was created. The District is a governmental special service district. The District began operations on July 1, 1993 and has a fiscal year end of June 30.

Basis of Accounting

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

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Budget Policy and Process

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

1. On or before April 15, the District's Board of Directors files a tentative budget with the Nevada Department of taxation.
2. Public hearings on the tentative budget are held on the third Thursday or Friday in May.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board and by adopting a resolution. The final budget must then be forwarded to the Nevada Tax Commission for final hearings and approval.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Process (continued)

5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at year end.

6. Budget amounts may be transferred if amounts do not exceed the original budget. Such transfers are to be approved with a resolution by the Board of Directors. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Board of Directors, following a properly scheduled public hearing.

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

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Investments

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

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

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

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.

- Certain securities issued by local governments of the State of Nevada.

- Other securities expressly provided by other statutes, including repurchase agreements.

Accounts Receivable

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

Inventory

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

Capital Assets

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

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

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

Prepaid Water Use Fees

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

Prepaid Lease Income

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

Reclassifications

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

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management of the District has evaluated subsequent events through September 24, 2013, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

A. Custodial Credit Risk

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

As of June 30, 2013 and 2012, the District's bank balance was \$7,274,899 and \$8,386,828, respectively. As of June 30, 2013 and 2012, \$4,690,404 and \$6,221,349 was on deposit with the Bank of Nevada, respectively. Of this amount \$250,000 is insured by FDIC insurance. The Bank of Nevada has pledged securities set aside with the State of Nevada to collateralize the District's funds through the Nevada Pooled Collateral Program that are equal to or in excess of the remaining amount on deposit above the FDIC insurance limit of \$250,000. Thus, at June 30, 2013 and 2012, respectively, none of the District's funds with the Bank of Nevada were uninsured or uncollateralized.

As of June 30, 2013 and 2012, \$2,584,495 and \$2,165,479, respectively, was on deposit with Wells Fargo Bank in various government money market funds which are short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations.

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

As of June 30, 2013 and 2012, respectively, the entire \$1,780,163 and \$2,514,939 of the District's investments in U.S. government securities and the entire \$3,007,607 and \$1,247,305 of the District's inventory in certificates of deposit are uninsured, unregistered, and held by the counterparty's trust department but not in the District's name and are therefore exposed to custodial credit risk.

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Credit Risk

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

The following are the District's investments at June 30, 2013:

<u>Investment Type</u>	<u>Maturity less than one year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>	<u>Quality Ratings</u>
U.S. Government Securities	\$ 504,629	\$ 1,275,534	\$ -	\$ -	AA+
Certificates of Deposit	-	3,007,607	-	-	Unrated
Total	<u>\$ 504,629</u>	<u>\$ 4,283,141</u>	<u>\$ -</u>	<u>\$ -</u>	

The following are the District's investments at June 30, 2012:

<u>Investment Type</u>	<u>Maturity less than one year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>	<u>Quality Ratings</u>
U.S. Government Securities	\$ 964,740	\$ 1,550,199	\$ -	\$ -	AA+
Certificates of Deposit	-	1,247,305	-	-	Unrated
Total	<u>\$ 964,740</u>	<u>\$ 2,797,504</u>	<u>\$ -</u>	<u>\$ -</u>	

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 5,103,816	\$ 6,024,451
Investments	4,787,770	3,762,244
Restricted cash and cash equivalents	<u>2,155,072</u>	<u>2,397,995</u>
	<u>\$ 12,046,658</u>	<u>\$ 12,184,690</u>

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on hand	\$ 850	\$ 850
Deposits (book balance)	7,258,038	8,421,596
U.S. Government Securities	1,780,163	2,514,939
Certificates of Deposit	<u>3,007,607</u>	<u>1,247,305</u>
	<u>\$ 12,046,658</u>	<u>\$ 12,184,690</u>

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to maintain compliance with the provisions of State law (NRS 355.170). State law, under NRS355.170, limits the type of investments the District can be involved in where the risk of losing value is mitigated by the safety of the instrument (i.e., government debt, certificates of deposit with insured institutions, commercial paper with an A-1 rating, etc.) or by the limited amount of time a local government may hold the debt (i.e., 270 days for corporate debt).

D. Concentration of Credit Risk

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

During fiscal year 1996, the Board passed Ordinance No. 2 which requires that any applicant requesting water services to a new location shall dedicate to the District either water rights and water supply sufficient for the anticipated usage or pay the District the fair market value of the water rights so the District can purchase them. In fiscal year 2013 and 2012, respectively, \$385,100 and \$298,600 was collected from customers as payments for Ordinance No. 2. At June 30, 2013 and 2012, respectively, the balance in the Ordinance No. 2 account was \$105,702 and \$241,456. The entire balance is restricted.

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Disposals / Transfers Out</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 591,064	\$ 340,328	\$ -	\$ 931,392
Water shares	22,400,460	-	-	22,400,460
Construction in progress	<u>1,082,218</u>	<u>877,292</u>	<u>(901,169)</u>	<u>1,058,341</u>
Total capital assets not depreciated	<u>24,073,742</u>	<u>1,217,620</u>	<u>(901,169)</u>	<u>24,390,193</u>
Capital assets being depreciated:				
Buildings and improvements	20,918,458	-	-	20,918,458
Operating equipment and wells	51,379,869	810,904	(1,406,506)	50,784,267
Engineering and other equipment	<u>289,711</u>	<u>23,797</u>	<u>(62,577)</u>	<u>250,931</u>
Total capital assets being depreciated	72,588,038	834,701	(1,469,083)	71,953,656
Accumulated depreciation	<u>(20,846,850)</u>	<u>(3,010,120)</u>	<u>1,444,219</u>	<u>(22,412,751)</u>
Total capital assets being depreciated, net	<u>51,741,188</u>	<u>(2,175,419)</u>	<u>(24,864)</u>	<u>49,540,905</u>
Total capital assets, net	<u>\$ 75,814,930</u>	<u>\$ (957,799)</u>	<u>\$ (926,033)</u>	<u>\$ 73,931,098</u>

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Disposals / Transfers Out</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 591,064	\$ -	\$ -	\$ 591,064
Water shares	22,400,460	-	-	22,400,460
Construction in progress	<u>1,099,703</u>	<u>222,325</u>	<u>(239,810)</u>	<u>1,082,218</u>
Total capital assets not depreciated	<u>24,091,227</u>	<u>222,325</u>	<u>(239,810)</u>	<u>24,073,742</u>
Capital assets being depreciated:				
Buildings and improvements	20,916,041	10,000	(7,582)	20,918,459
Operating equipment and wells	51,060,348	685,112	(365,592)	51,379,868
Engineering and other equipment	<u>290,811</u>	<u>2,907</u>	<u>(4,007)</u>	<u>289,711</u>
Total capital assets being depreciated	72,267,200	698,019	(377,181)	72,588,038
Accumulated depreciation	<u>(17,995,869)</u>	<u>(3,091,905)</u>	<u>240,924</u>	<u>(20,846,850)</u>
Total capital assets being depreciated, net	<u>54,271,331</u>	<u>(2,393,886)</u>	<u>(136,257)</u>	<u>51,741,188</u>
Total capital assets, net	<u>\$ 78,362,558</u>	<u>\$ (2,171,561)</u>	<u>\$ (376,067)</u>	<u>\$ 75,814,930</u>

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Water Revenue Bonds, Series 2003	\$ 3,214,228	\$ -	\$ (153,765)	\$ 3,060,463
Water Revenue Bonds, Series 2004	4,445,000	-	(515,000)	3,930,000
Water Revenue Bonds, Series 2006	5,845,000	-	(325,000)	5,520,000
General Obligation (Limited Tax)				
Water Bonds (Additional Secured by Pledged Revenues), Series 2008	14,325,000	-	(460,000)	13,865,000
Water Revenue Bonds, Series 2011	<u>3,665,000</u>	<u>-</u>	<u>(360,000)</u>	<u>3,305,000</u>
Total bonds payable	<u>\$ 31,494,228</u>	<u>\$ -</u>	<u>\$ (1,813,765)</u>	<u>\$ 29,680,463</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable				
Jimmy and Angie Hughes	\$ 32,749	\$ -	\$ (32,749)	\$ -
Bonds Payable				
Water Revenue Bonds, Series 2001	-	-	-	-
Water Revenue Bonds, Series 2003	3,362,852	-	(148,624)	3,214,228
Water Revenue Bonds, Series 2004	4,945,000	-	(500,000)	4,445,000
Water Revenue Bonds, Series 2006	6,155,000	-	(310,000)	5,845,000
General Obligation (Limited Tax)				
Water Bonds (Additional Secured by Pledged Revenues), Series 2008	14,325,000	-	-	14,325,000
Water Revenue Bonds, Series 2011	<u>4,005,000</u>	<u>-</u>	<u>(340,000)</u>	<u>3,665,000</u>
Total bonds payable	<u>\$ 32,825,601</u>	<u>\$ -</u>	<u>\$ (1,331,373)</u>	<u>\$ 31,494,228</u>

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long term debt consists of the following:

	Current Portion (due within) one year)	Long-Term Portion	Total Outstanding at June 30, 2013
	<u> </u>	<u> </u>	<u> </u>
Water revenue bonds, series 2003. Bonds have not been fully issued. Estimated semi-annual interest installments range from \$22,150 to \$62,518 and estimated semi-annual principal installments range from \$68,835 to \$129,138, bearing interest of 3.43%, maturing in June 30, 2028	\$ 159,084	\$ 2,901,379	\$ 3,060,463
Water revenue bonds, series 2004, due in semi-annual interest installments ranging from \$21,500 to \$108,670 and annual principal installments ranging from \$35,000 to \$1,075,000, bearing interest between 2.25 and 4%, maturing June 1, 2019.	535,000	3,395,000	3,930,000
Water revenue bonds, series 2006, due in semi-annual interest installments ranging from \$10,931 to \$163,626 and annual principal installments ranging from \$250,000 to \$530,000, bearing interest between 3.75 and 5%, maturing June 1, 2026.	340,000	5,180,000	5,520,000

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

	<u>Current Portion (due within one year)</u>	<u>Long-Term Portion</u>	<u>Total Outstanding at June 30, 2013</u>
<p>General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008, due in semi-annual interest installments ranging from \$4,125 to \$330,463 and beginning in March 2013, annual principal installments ranging from \$165,000 to \$1,070,000, bearing interest between 3.5 and 5%, maturing March 31, 2038.</p>	475,000	13,390,000	13,865,000
<p>Water revenue bonds, series 2011, due in semi-annual interest installments ranging from \$10,094 to \$87,058 and annual principal installments ranging from \$340,000 to \$475,000, bearing interest between 2 and 4.25%, maturing June 30, 2022.</p>	<u>360,000</u>	<u>2,945,000</u>	<u>3,305,000</u>
<p>Total bonds payable</p>	<u>1,869,084</u>	<u>27,811,379</u>	<u>29,680,463</u>
<p>Total long-term debt</p>	<u>\$ 1,869,084</u>	<u>\$ 27,811,379</u>	<u>\$ 29,680,463</u>

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The annual requirements for the next five years and 5-year increments thereafter to amortize long-term debt outstanding at June 30, 2013, including interest of \$11,059,600 are as follows:

2014	\$ 3,112,944
2015	3,113,534
2016	3,094,411
2017	3,097,894
2018	3,079,287
2019-2023	12,181,640
2024-2028	8,454,982
2029-2033	4,605,371
2034-2038	-
2039-2043	-
	<hr/>
Total	40,740,063
Less Interest	<u>(11,059,600)</u>
Total Principal	<u>\$ 29,680,463</u>

NOTE 5 - DEFEASANCE OF LONG-TERM DEBT

In prior years, the District defeased certain general bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$7,480,000 of bonds outstanding is considered defeased.

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 6 - LEASES

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

2014	\$ 139,398
2015	124,870
2016	123,250
2017	123,250
2018	123,250
Thereafter	<u>47,500</u>
Total	<u>\$ 681,518</u>

NOTE 7 - DEFINED BENEFIT PENSION PLAN

The District is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing multiple-employer program. All full-time employees are covered under the system. In addition, those part-time employees working at least 20 hours per week and more than 120 days are covered, except for those employees who participate in PERS with an employer other than the District. For the years ended June 30, 2013 and 2012, respectively, of the District's total payroll of \$1,072,990 and \$1,060,732, the payroll for employees covered by the system for the years ended June 30, 2013 and 2012, respectively, was \$991,338 and \$1,020,817.

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

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

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Member contribution rates are established by NRS 286.465. The statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the Plan is reduced to zero.

The District is enrolled in the employer-paid plan of PERS. Under this plan the District is required to contribute 21.5% of covered employees' salaries to the plan, the actuarially determined contribution rate as of June 30, 2011. The contribution requirements for the years ended June 30, 2013 and 2012 were \$221,805 and \$224,172, respectively. These contributions represented 20% of the covered payroll. A copy of the PERS June 30, 2013 and 2012 annual financial reports may be obtained by writing to the Public Employee's Retirement System of Nevada, 693 W. Nye Lane, Carson City, Nevada 89703-1599, or by calling (775) 687-4200.

NOTE 8 - DEFERRED COMPENSATION PLAN

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

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

**VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 9 - RESTRICTED NET ASSETS

Book balances of restricted net assets consist of the following:

	2013	2012
Ordinance No. 2 Fees	\$ 105,702	\$ 241,456
Bond Reserves	2,049,370	2,156,539
Total	\$ 2,155,072	\$ 2,397,995

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

As required by GASB 65, the beginning net position balance for fiscal year 2012 has been restated to reflect the District expensing bond issuance costs relating to each series of water revenue bonds that were initially capitalized and amortized over the life of the respective bond. This resulted in a decrease in beginning net position of \$851,792. It also resulted in an adjustment to fiscal year 2012 financial statements to remove amortization expense of \$61,493.

Prior to fiscal year 2013, the District neglected to account for certain capital assets disposals occurring in fiscal year 2012. An adjustment was made to fiscal year 2012 which decreased net capital assets by \$134,417, decreased prior year depreciation expense by \$1,841, and increased loss on disposal of assets by \$136,258.

SUPPLEMENTARY INFORMATION

**VIRGIN VALLEY WATER DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended June 30, 2013**

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Water use fees	\$ 7,026,000	\$ 6,789,538	\$ (236,462)
Installation charges	<u>36,000</u>	<u>58,710</u>	<u>22,710</u>
Total operating revenues	7,062,000	6,848,248	(213,752)
OPERATING EXPENSES:			
Salaries and wages	1,151,758	1,072,990	78,768
Office expense	153,574	128,696	24,878
Professional and legal services	388,700	908,907	(520,207)
Engineering services	40,000	37,136	2,864
Payroll taxes	60,229	48,981	11,248
Retirement plan contributions	229,988	221,805	8,183
Travel and training	19,500	11,464	8,036
Bad debt expense	-	42	(42)
Dues and subscriptions	36,400	46,529	(10,129)
Uniforms and safety equipment	9,200	7,506	1,694
Water rights applications	19,000	15,009	3,991
Insurance	437,940	397,516	40,424
Utilities	789,000	709,528	79,472
Operations and maintenance	1,154,847	925,721	229,126
Miscellaneous	30,000	18,960	11,040
Amortization	48,368	-	48,368
Depreciation	<u>3,162,385</u>	<u>3,010,120</u>	<u>152,265</u>
Total operating expenses	<u>7,730,889</u>	<u>7,560,910</u>	<u>169,979</u>
Net operating loss	<u>(668,889)</u>	<u>(712,662)</u>	<u>(43,773)</u>
NON-OPERATING INCOME (EXPENSES)			
Service charges	35,000	35,824	824
Interest income	40,000	71,687	31,687
Impact fees	200,000	504,560	304,560
Ordinance No. 2 fees	50,000	385,100	335,100
Lease income	140,598	140,598	-
Other income	1,000	611	(389)
Loss on disposal of assets	-	(12,626)	(12,626)
Intergovernmental revenue	440,000	505,199	65,199
Unrealized loss on investments	-	(1,100)	(1,100)
Interest expense	<u>(1,486,788)</u>	<u>(1,473,663)</u>	<u>13,125</u>
Total nonoperating income (expense)	<u>(580,190)</u>	<u>156,190</u>	<u>736,380</u>
Change in net assets	(1,249,079)	(556,472)	692,607
Total net assets - beginning	<u>59,750,330</u>	<u>59,750,330</u>	<u>-</u>
Total net assets - ending	<u>\$ 58,501,251</u>	<u>\$ 59,193,858</u>	<u>\$ 692,607</u>

**VIRGIN VALLEY WATER DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended June 30, 2012**

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Water use fees	\$ 7,026,000	\$ 6,846,013	\$ (179,987)
Installation charges	<u>36,000</u>	<u>37,050</u>	<u>1,050</u>
Total operating revenues	7,062,000	6,883,063	(178,937)
OPERATING EXPENSES:			
Salaries and wages	1,016,769	1,060,732	(43,963)
Office expense	139,240	115,229	24,011
Professional and legal services	426,100	411,450	14,650
Engineering services	100,000	111,827	(11,827)
Payroll taxes	53,485	65,492	(12,007)
Retirement plan contributions	214,234	224,172	(9,938)
Travel and training	19,500	8,455	11,045
Dues and subscriptions	35,690	31,052	4,638
Uniforms and safety equipment	13,440	6,461	6,979
Water rights applications	6,000	15,507	(9,507)
Insurance	416,540	409,068	7,472
Utilities	761,240	718,304	42,936
Operations and maintenance	1,208,990	891,632	317,358
Miscellaneous	17,500	19,640	(2,140)
Amortization	52,101	-	52,101
Depreciation	<u>3,012,000</u>	<u>3,091,904</u>	<u>(79,904)</u>
Total operating expenses	<u>7,492,829</u>	<u>7,180,925</u>	<u>311,904</u>
Net operating loss	<u>(430,829)</u>	<u>(297,862)</u>	<u>132,967</u>
NON-OPERATING INCOME (EXPENSES)			
Service charges	32,000	44,066	12,066
Interest income	91,800	62,318	(29,482)
Impact fees	318,000	322,240	4,240
Ordinance No. 2 fees	49,500	298,600	249,100
Lease income	121,852	257,425	135,573
Other income	2,000	2,796,517	2,794,517
Loss on disposal of assets	(7,500)	(136,258)	(128,758)
Intergovernmental revenue	445,000	476,737	31,737
Unrealized gain on investments	-	48,846	48,846
Interest expense	<u>(1,506,100)</u>	<u>(1,081,415)</u>	<u>424,685</u>
Total nonoperating income (expense)	<u>(453,448)</u>	<u>3,089,076</u>	<u>3,542,524</u>
Change in net assets	(884,277)	2,791,214	3,675,491
Total net assets - beginning	57,810,908	57,810,908	-
Adjustments to beginning net position	<u>-</u>	<u>(851,792)</u>	<u>(851,792)</u>
Total net assets - ending	<u>\$ 56,926,631</u>	<u>\$ 59,750,330</u>	<u>\$ 2,823,699</u>

SUPPLEMENTARY REPORTS

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

**The Board of Directors
Virgin Valley Water District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Virgin Valley Water District, which comprise the statement of net position as of June 30, 2013 and the statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virgin Valley Water 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 Virgin Valley Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Virgin Valley Water District's internal control.

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

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

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
LAS VEGAS ~ 1820 East Warm Springs Road, Suite 112 · Las Vegas, Nevada · 89119 · 702.451.3099 (office) · 702.568.5030 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

William Smith Racker & Pissotti, LLP

Salt Lake City, Utah
September 24, 2013

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

The Board of Directors Virgin Valley Water District

We have audited the financial statements of Virgin Valley Water District (the District) as of and for the year ended June 30, 2013, and have issued our report thereon dated September 24, 2013. Our audit also included test work on the District's compliance with selected requirements identified in the State of Nevada Revised Statutes (NRS) including, but not limited to, NRS section 354.624 and section 354.6241.

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

The District has established one Enterprise Fund in accordance with NRS 354.624. The District appears to be using the fund expressly for the purposes for which it was created and in accordance with NRS 354.624. The fund is being administered in accordance with generally accepted accounting principles and the reserves, as applicable, appear reasonable and necessary to carry out the purposes of the fund. Sources of revenues available and retained earnings or net assets are reflected in the fund financial statements.

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

Enterprise Fund: Board of Director's intended purpose and State resolution.

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

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

In our opinion, Virgin Valley Water District complied, in all material respects, with the requirements identified above for the year ended June 30, 2013.



Salt Lake City, Utah
September 24, 2013

WISAN, SMITH, RACKER & PRESCOTT, LLP

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