

**VIRGIN VALLEY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## **FINANCIAL SECTION**



**Independent Auditors' Report on the  
Basic Financial Statements**

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

MEMBERS:  
CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying basic financial statements of Virgin Valley Water District as of June 30, 2008, and for the year then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Virgin Valley Water District, as of June 30, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2008 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 6 through 11 and 30 through 32 respectively, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

September 2, 2008

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$48,739,826 at the close of the fiscal year.
- Total net assets increased by \$7,922,425 or 19.4%.
- Operating revenues increased by \$73,119 or 1.5% from \$4,958,408 to \$5,031,527.
- Operating expenses increased by \$466,034 or 10.2% from \$4,551,446 to \$5,017,480.

**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 sales, service fees, and impact fees.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 12-17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a fully understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 18-30 of this report.

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**DISTRICT FINANCIAL ANALYSIS AS A WHOLE**

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities at June 30, 2008 and 2007 by \$48,739,826 and \$40,817,401, respectively. This is presented in the following condensed statement of net assets.

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

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current and other assets	\$ 30,168,849	\$ 22,017,481
Capital assets	<u>66,042,905</u>	<u>44,580,293</u>
<b>Total assets</b>	<u>96,211,754</u>	<u>66,597,774</u>
<b>LIABILITIES</b>		
Current and other liabilities	3,865,276	1,921,150
Long-term liabilities	<u>43,606,652</u>	<u>23,859,223</u>
<b>Total liabilities</b>	<u>47,471,928</u>	<u>25,780,373</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of debt	9,705,545	18,856,206
Restricted for bond requirements and Ordinance No. 2	26,906,665	8,870,154
Unrestricted	<u>12,127,616</u>	<u>13,091,041</u>
<b>Total net assets</b>	<u>\$ 48,739,826</u>	<u>\$ 40,817,401</u>

The District's net assets are comprised of three components:

Capital assets (i.e. land, buildings, operating equipment, wells, furniture and fixtures, and water rights) comprised of \$9,705,545 or 19.9% of total net assets, 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.

Restricted net assets comprised of \$26,906,665 or 55.2% of total net assets and represents funds that are subject to restrictions on how they may be used. 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 are funds intended for the purchase of water rights.

Unrestricted net assets comprised of \$12,127,616 or 24.9% of total net assets and may be used to meet the District's obligations to customers, employees, and creditors and to honor next year's budget.

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

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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

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

	<u>2008</u>	<u>2007</u>
Revenues:		
Operating revenue	\$ 5,031,527	\$ 4,958,408
Non-operating revenues	<u>9,096,075</u>	<u>9,011,762</u>
Total Revenues	<u>14,127,602</u>	<u>13,970,170</u>
Expenditures:		
Depreciation and amortization - operating expenses	1,417,354	1,367,597
Other operating expenses	3,600,126	3,183,849
Non-operating expenses	<u>1,187,697</u>	<u>1,040,939</u>
Total Expenses	<u>6,205,177</u>	<u>5,592,385</u>
Increase in net assets	7,922,425	8,377,785
Net assets, beginning	<u>40,817,401</u>	<u>32,439,616</u>
Net assets, ending	<u>\$ 48,739,826</u>	<u>\$ 40,817,401</u>

The District's operating revenues increased \$73,119 or 1.5% in fiscal 2008 over the prior year.

Total non-operating revenues incurred an overall increase in fiscal 2008 of \$84,313 or 0.9%. Though this total net change was not significant, some of the individual non-operating revenue account categories included in the total did experience significant changes. Some of the significant account categories that had significant decreases consisted of; interest income of -\$292,180 or -26.4%, impact fees of -\$733,520 or -46.1%, ordinance no. 2 fees of -\$4,278,024 or -80.9%. The primary increase in non-operating revenue was intergovernmental revenue of \$5,378,795 or 614.2%.

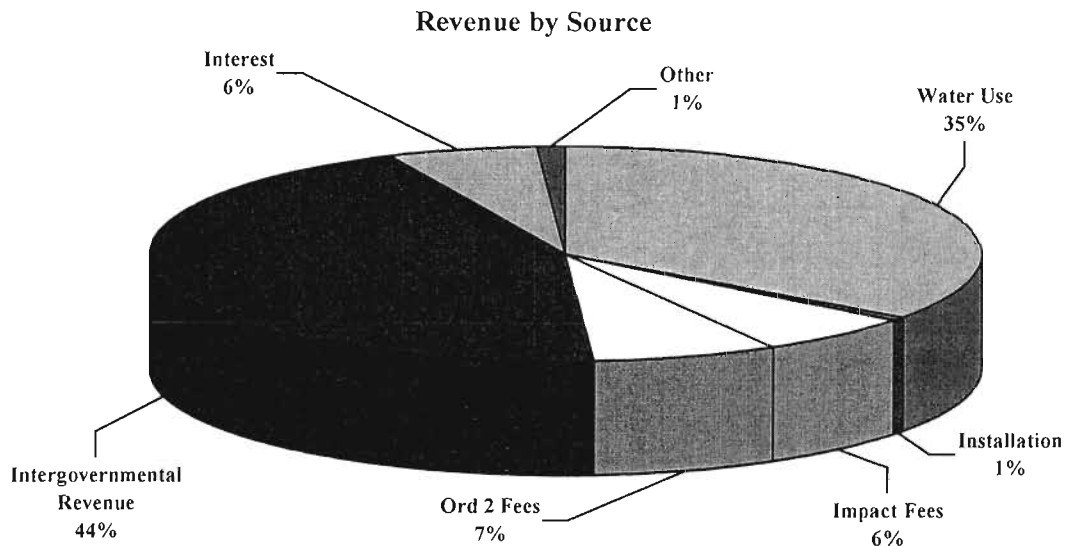
Total operating expenses increased \$466,034 or 10.2% in fiscal 2008, which is comparative to the prior year percentage increase. The significant changes consisted of increases of \$85,720 or 16.8% in contracted services, of \$138,353 or 29.9% in repairs and maintenance and of \$186,974 or 17.3% in salaries and benefits. Utilities expenses did experience a decrease of -\$32,788 or -3.5% over the prior year.



**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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

The following graph provides a breakdown of revenues by source for all District activities.



**BUDGETARY HIGHLIGHTS**

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

Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. Without any budget adjustments, the actual expenditures for the fiscal year 2008 were \$166,766 in excess of the final budget amount.

**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, 2008 amount to \$54,879,266, which represents an increase of \$10,298,973 or 23.1% over the prior fiscal year.

Major capital assets events and approximate costs incurred during the current fiscal year included the following:

- Water system improvements of approximately \$260,000.
- Additional construction in process costs related to the Commerce and Tech Center tank, waterline and access road of approximately \$675,000, which completed that project.
- Additional construction in process costs for the arsenic treatment plants of approximately \$9,420,000.
- Additional construction in process costs for Well #34 of approximately \$980,000.

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

<b>Capital Assets (net of accumulated depreciation) As of June 30<sup>th</sup></b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
Land	\$ 161,401	\$ 161,401
Buildings and improvements	1,219,660	1,219,660
Operating equipment and wells	40,790,789	37,068,380
Furniture and fixtures	173,599	167,903
Construction in process	11,817,783	4,116,980
Water shares	<u>11,879,673</u>	<u>11,848,173</u>
	66,042,905	54,582,497
Less accumulated depreciation	<u>(11,163,639)</u>	<u>(10,002,204)</u>
Net capital assets	<u>\$ 54,879,266</u>	<u>\$ 44,580,293</u>

**Long-Term Debt**

The District's long-term debt activity during fiscal year 2008 generally consisted as follows:

- General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008 was issued for \$23,100,000 during fiscal year 2008. The bond is intended to pay for, in whole or in part, costs to construct the arsenic treatment plants and other water projects as identified by the Governing Body as defined in the bond ordinance, which allows the District to carry out the powers as set forth in Section 3 of the District Act contained in the Statutes of the State of Nevada.
- The District paid off the note payable to the City of Mesquite (City) for approximately \$3,000,000 during fiscal year 2008 with investment funds that were available and not bond proceeds. The note payable originated from a fiscal year 2007 agreement between the City and the District to construct a new water tank and related infrastructure to provide water service in the general vicinity of the Mesquite Technology & Commerce Center.

<b>Outstanding Debt As of June 30<sup>th</sup></b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
Water revenue bonds	\$ 21,899,564	\$ 22,951,482
General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues)	23,100,000	0
Notes payable	<u>174,157</u>	<u>2,772,605</u>
	<u>\$ 45,173,721</u>	<u>\$ 25,724,087</u>

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

**VIRGIN VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**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 contact the District's office at 500 Riverside Road, Mesquite, Nevada 89027.

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Net Assets**  
**June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only June 30, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 532,051	\$ 1,372,710
Investments	6,286,709	10,093,244
Accounts receivable	530,973	576,030
Accrued interest income	91,885	113,639
Deposits	633,888	-
Due from other governmental units	5,099,709	241,296
Inventory	130,190	136,375
Total current assets	<u>13,305,405</u>	<u>12,533,294</u>
Noncurrent assets:		
Restricted cash and cash equivalents	7,815,842	7,757,043
Restricted investments	19,090,823	1,113,111
Prepaid expenses	74,294	66,677
Capital assets:		
Land	161,401	161,401
Buildings & improvements	1,219,660	1,219,660
Operating equipment & wells	40,790,789	37,068,380
Furniture & fixtures	173,599	167,903
Water shares	11,879,673	11,848,173
Construction in process	11,817,783	4,116,980
Less: accumulated depreciation	<u>(11,163,639)</u>	<u>(10,002,204)</u>
Total noncurrent assets	<u>81,860,225</u>	<u>53,517,124</u>
Other assets:		
Original issue discount, net of amortization	45,989	53,629
Bond issuance costs, net of amortization	<u>1,000,135</u>	<u>493,727</u>
Total other assets	<u>1,046,124</u>	<u>547,356</u>
Total assets	<u>\$ 96,211,754</u>	<u>\$ 66,597,774</u>

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**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Net Assets - Continued**  
**June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only June 30, 2007
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 1,767,471	\$ 275,748
Accrued interest payable	340,103	134,196
Accrued payroll & payroll taxes	76,521	67,077
Retention payable	420,343	82,288
Deferred revenue	33,639	26,400
Current portion of notes payable	42,527	209,159
Current portion of bonds payable	1,184,672	1,126,282
Total current liabilities	<u>3,865,276</u>	<u>1,921,150</u>
Noncurrent liabilities:		
Bond premiums, net of amortization	298,433	166,908
Notes payable - net of current portion	131,630	2,563,446
Bonds payable - net of current portion	43,814,892	21,825,200
Loss on defeasance of debt	(638,303)	(696,331)
Total noncurrent liabilities	<u>43,606,652</u>	<u>23,859,223</u>
Total liabilities	<u>47,471,928</u>	<u>25,780,373</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	9,705,545	18,856,206
Restricted for bond requirements and ordinance #2	26,906,665	8,870,154
Unrestricted	<u>12,127,616</u>	<u>13,091,041</u>
Total net assets	<u>\$ 48,739,826</u>	<u>\$ 40,817,401</u>

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only June 30, 2007
<b>Operating revenues</b>		
Water use fees	\$ 4,946,977	\$ 4,800,618
Installation charges	84,550	157,790
Total operating revenues	5,031,527	4,958,408
<b>Operating expenses</b>		
Salaries & wages	914,751	774,536
Office expense	96,304	70,126
Professional & legal services	491,423	412,591
Engineering services	89,341	69,402
Payroll taxes	40,829	25,515
Employers share PERS	173,558	140,543
Travel & training	13,189	11,797
Bad debt expense	368	258
Dues & subscriptions	8,423	18,829
Uniforms & safety equipment	8,134	7,613
Water rights applications	2,847	400
Insurance	226,777	212,743
Utilities	905,805	938,593
Operations & maintenance	617,579	492,277
Miscellaneous	10,798	8,626
Amortization	43,266	40,625
Depreciation	1,374,088	1,326,972
Total operating expenses	5,017,480	4,551,446
Net operating income / (loss)	\$ 14,047	\$ 406,962

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**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets - Continued**  
**For the Years Ended June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only June 30, 2007
<b>Non-operating income (expenses)</b>		
Service charges	\$ 29,043	\$ 27,788
Interest income	813,418	1,105,598
Impact fees	858,600	1,592,120
Ordinance No. 2 fees	1,012,300	5,290,324
Ordinance No. 3 fees	2,500	1,500
Lease income	77,240	77,720
Other income	3,671	9,920
Loss on disposal of assets	(179,722)	-
Intergovernmental revenue	6,254,556	875,761
Realized gain / (loss) on investments	44,747	31,031
Unrealized loss on investments	(762)	(145)
Interest expense	(1,007,213)	(1,040,794)
Total nonoperating revenue (expenses)	<u>7,908,378</u>	<u>7,970,823</u>
Change in net assets	7,922,425	8,377,785
Total net assets--beginning	<u>40,817,401</u>	<u>32,439,616</u>
Total net assets--ending	<u><u>\$ 48,739,826</u></u>	<u><u>\$ 40,817,401</u></u>

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only Year ended June 30, 2007
<b>Cash flows from operating activities:</b>		
Cash received from customers, water usage fees	\$ 4,946,977	\$ 4,737,159
Cash received from customers, installation charges	84,550	157,790
Cash paid for operating expenses	(2,106,504)	(2,534,112)
Cash paid to employees	(1,129,138)	(940,594)
Net cash flows from operating activities	<u>1,795,885</u>	<u>1,420,243</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(10,415,622)	(9,840,138)
Proceeds from sale of capital assets	36,145	-
Deposits	(633,888)	-
Proceeds from long-term debt	23,614,803	523,877
Principal paid on long-term debt	(4,023,958)	(1,178,423)
Bond issuance costs	(551,719)	-
Bond Premiums	45,311	7,641
Impact fees collected	865,839	1,594,202
Ordinance No. 2 and No. 3 fees collected	1,014,800	5,291,824
Intergovernmental revenue	1,396,143	749,413
Lease revenue	77,240	77,720
Service charges collected	29,043	27,788
Interest paid	(743,278)	(978,217)
Net cash flows from capital and related financing activities	<u>10,710,859</u>	<u>(3,724,313)</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	838,843	1,102,191
(Increase)/decrease in restricted cash	(18,036,511)	2,955,122
Sale of investments	10,950,000	3,390,000
Purchase of investments	(7,099,735)	(4,355,924)
Net cash flows from investing activities	<u>(13,347,403)</u>	<u>3,091,389</u>
Net change in cash and cash equivalents	(840,659)	787,319
Cash and cash equivalents at beginning of year	<u>1,372,710</u>	<u>585,391</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 532,051</u></u>	<u><u>\$ 1,372,710</u></u>

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**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Cash Flows - Continued**  
**For the Years Ended June 30, 2008 and 2007**

	Proprietary Fund	Memorandum Only Year ended June 30, 2007
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Net income from operations	\$ 14,047	\$ 406,962
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,374,088	1,326,972
Amortization	43,266	40,625
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	45,057	(63,459)
(Increase)/decrease in inventories	6,185	100,864
(Increase)/decrease in prepaid expenses	(7,617)	(582)
Increase/(decrease) in accounts payable	1,491,723	(392,986)
(Increase) in accounts payable related to capital assets	(1,473,306)	-
Increase/(decrease) in retention payable	338,055	(7,967)
Increase/(decrease) in accrued liabilities	9,444	9,814
Net cash flows from operating activities	<u>\$ 1,840,942</u>	<u>\$ 1,420,243</u>

**SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES**

Completed construction in progress transferred to fixed assets	\$ 3,458,789
Unrealized appreciation and premium/discount on investments	\$ (17,860)

**SUPPLEMENTAL SCHEDULE OF PAYMENTS FOR INTEREST**

During fiscal year 2008, the District incurred interest costs of \$1,007,213. Of this amount, \$58,027 was amortization of deferred losses resulting from a prior year bond refinance. Interest payable at the beginning of the year was \$134,196 and the interest actually paid during 2008 was \$743,278, leaving interest payable of \$340,103 at June 30, 2008.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**NATURE OF ORGANIZATION**

Virgin Valley Water District, (District) was created pursuant to Senate Bill 50, 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 PRESENTATION-FUND ACCOUNTING**

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 ACCOUNTING**

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB 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 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.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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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. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Virgin Valley Water District 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 from the date of acquisition.

**CASH AND 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 (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 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 has not been provided.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**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.

**NET ASSETS**

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted for bond payments as the payments come due and for Ordinance No. 2 fees as described in Note 2.

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**Note 2. Deposits and Investments**

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*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.

**Custodial Credit Risk**

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2008, the District's bank balance was \$1,100,118. Of this amount \$771,609 was on deposit with America First Credit Union. \$100,000 of the amount with America First is covered by NCUA federal depository insurance. America First has pledged their building as collateral for the District's deposit. The value of the building was unknown as of the date of these financial statements therefore there is a possibility that a portion on the deposit is not collateralized. The remaining amounts deposited with other financial institutions are insured or otherwise collateralized.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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*Investments*

Investment Fund

The Nevada State Treasurer's Office operates the Local Government Pooled Investment Fund (LGPIF). The LGPIF is available for investment of funds administered by any Nevada Public Treasurer. LGPIF deposits are permitted by NRS and are made in accordance with the District's investment policy.

The LGPIF is not registered with the SEC as an investment company. Deposits in the LGPIF are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

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

As of June 30, 2008 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 5,042,860	\$ 1,746,694	\$ 3,296,166	\$ -	\$ -
Wells Fargo Bank Treasury Obligations	1,421,913	1,421,913	-	-	-
Nevada Local Government Pooled Investment Fund	26,164,395	26,164,395	-	-	-
Total Fair Value	<u>\$32,629,168</u>	<u>\$29,333,002</u>	<u>\$ 3,296,166</u>	<u>\$ -</u>	<u>\$ -</u>

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).

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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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 (NRS 355.170).

At June 30, 2008 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 5,042,860	\$ 5,042,860	\$ -	\$ -	\$ -
Wells Fargo Bank Treasury Obligations	1,421,913	1,421,913	-	-	-
Nevada Local Government Pooled Investment Fund	26,164,395	-	-	-	26,164,395
Total Fair Value	<u>\$32,629,168</u>	<u>\$ 6,464,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,164,395</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 the fair market value of the water rights so the District can purchase them. In fiscal year 2008, \$1,012,300 was collected from customers as payments for Ordinance No. 2. At June 30, 2008, the balance in the Ordinance No. 2 account was \$7,815,842. The entire balance is restricted

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

**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 as follows:

	Useful Life
Improvements	15-40 years
Vehicles	5 years
Office furniture & equipment	3-15 years
Buildings	7-20 years

A summary of changes in capital assets as follows:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
<b>Capital Assets</b>				
Land	\$ 161,401	\$ -	\$ -	\$ 161,401
Buildings and improvements	1,219,660	-	-	1,219,660
Operating equipment and wells	37,068,380	4,148,750	426,341	40,790,789
Furniture and fixtures	167,903	7,875	2,179	173,599
Water shares	11,848,173	31,500	-	11,879,673
Subtotal	50,465,517	4,188,125	428,520	54,225,122
Accumulated depreciation	(10,002,204)	(1,374,088)	212,653	(11,163,639)
Net capital assets	<u>\$ 40,463,313</u>	<u>\$ 2,814,037</u>	<u>\$ (215,867)</u>	<u>\$ 43,061,483</u>
 <b>Construction in Process</b>				
CIP - Aresenic Treatment Plants	\$ 1,301,459	\$ 9,418,145	\$ -	\$ 10,719,605
CIP - Tank in Commerce and Tech	2,683,760	674,593	3,358,353	-
CIP - Well #34	31,986	979,285	-	1,011,271
CIP - 16 Water Line - Paradise Pkwy	99,775	661	100,436	-
CIP - Bunkerville Bridge	-	86,907	-	86,907
Total construction in process	<u>\$ 4,116,980</u>	<u>\$ 11,159,591</u>	<u>\$ 3,458,789</u>	<u>\$ 11,817,783</u>

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**Note 4. Long-Term Debt**

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The following is a summary of changes in long-term debt for the year ended June 30, 2008:

Notes Payable	June 30, 2007	Additions	Retirements	June 30, 2008
Jimmy and Angie Hughes	\$ 212,653	\$ -	\$ 38,496	\$ 174,157
City of Mesquite	2,559,952	461,274	3,021,226	-
Total notes payable	<u>2,772,605</u>	<u>461,274</u>	<u>3,059,722</u>	<u>174,157</u>
<b>Bonds Payable</b>				
Water Revenue Bonds, Series 1999	810,000	-	395,000	415,000
Water Revenue Bonds, Series 2001	5,030,000	-	270,000	4,760,000
Water Revenue Bonds, Series 2003	3,871,482	53,529	145,447	3,779,564
Water Revenue Bonds, Series 2004	5,975,000	-	35,000	5,940,000
Water Revenue Bonds, Series 2006	7,265,000	-	260,000	7,005,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008	<u>-</u>	<u>23,100,000</u>	<u>-</u>	<u>23,100,000</u>
Total bonds payable	<u>22,951,482</u>	<u>23,153,529</u>	<u>1,105,447</u>	<u>44,999,564</u>
Total long-term debt	<u>\$ 25,724,087</u>	<u>\$ 23,614,803</u>	<u>\$ 4,165,169</u>	<u>\$ 45,173,721</u>



**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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<u>Notes Payable</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
10% note payable to Jimmy and Angie Hughes, due in monthly installments of \$4,836 through January 15, 2012.	\$ 42,527	\$ 131,630	\$ 174,157
Total notes payable	42,527	131,630	174,157
 <b><u>Bonds Payable</u></b>			
Water revenue bonds, series 1999 due in semi-annual interest installments ranging from \$46,620 to \$260,479 and annual principal installments ranging from \$100,000 to \$480,000, bearing interest between 2.5% and 5%, maturing June 1, 2019.	415,000	-	415,000
Water revenue bonds, series 2001, due in semi-annual interest installments ranging from \$12,000 to \$134,799 and annual principal installments ranging from \$100,000 to \$480,000, bearing interest between 2.5% and 5%, maturing June 1, 2022.	280,000	4,480,000	4,760,000
Water revenue bonds, series 2003. Bonds have not been fully issued. Estimated annual interest installments range from \$2,615 to \$125,518 and estimated annual principal installments range from \$152,481 to \$297,291, bearing interest of 3.43%.	184,672	3,594,892	3,779,564
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% to 4%, maturing June 1, 2019.	35,000	5,905,000	5,940,000
Water revenue bonds, series 2006, due in semi-annual interest installments ranging from \$21,853 to \$327,253 and annual principal installments ranging from \$250,000 to \$530,000, bearing interest between 3.75% to 5%, maturing June 1, 2026.	270,000	6,735,000	7,005,000

-Continued on following page-

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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General Obligation (Limited Tax) Water Bonds  
(Additionally Secured by Pledged Revenues), Series 2008,  
due in semi-annual interest installments ranging from \$540,124  
to \$335,875 and annual principal installments ranging from  
\$420,000 to \$1,435,000, bearing interest between 3.50% to 5%,  
maturing March 1, 2038.

	-	23,100,000	23,100,000
Total bonds payable	1,184,672	43,814,892	44,999,564
Total long-term debt	<u>\$ 1,227,199</u>	<u>\$ 43,946,522</u>	<u>\$ 45,173,721</u>

The annual requirements for the next five year and 5 year increments thereafter to amortize long-term debt outstanding at June 30, 2008, including interest of \$28,704,544 are as follows:

Year Ending June 30,	Notes Payable	Bonds Payable	Total
2009	\$ 58,029	\$ 2,993,686	\$ 3,051,715
2010	58,028	3,567,196	3,625,224
2011	58,029	3,561,820	3,619,849
2012	33,851	3,559,271	3,593,122
2013	-	3,558,085	3,558,085
2014-2018	-	17,711,169	17,711,169
2019-2023	-	14,379,927	14,379,927
2024-2028	-	9,306,786	9,306,786
2029-2033	-	7,502,638	7,502,638
2034-2038	-	7,529,750	7,529,750
Total	207,937	73,670,328	73,878,265
Less Interest	<u>(33,780)</u>	<u>(28,670,764)</u>	<u>(28,704,544)</u>
Total Principal	<u>\$ 174,157</u>	<u>\$ 44,999,564</u>	<u>\$ 45,173,721</u>

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**Note 5. Defined Benefit Pension Plan**

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Virgin Valley Water District (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. The payroll for employees covered by the system for the year ended June 30, 2008, was \$848,894; the District's total payroll was \$914,751.

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 at 2.5 percent of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to retirement with a ceiling of 75 percent 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.

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 percent of their average compensations. 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 percent to a maximum of 90 percent 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. That statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to one percent until such time as the actuarially determined unfunded liability of the Plan is reduced to zero.

The District is enrolled in the employer-paid contribution plan of PERS. Under this plan the District is required to contribute 20.5 percent of covered employees' salaries to the plan. The actuarially determined contribution rate as of July 1, 2007. The contribution requirements for the years ended June 30, 2008 and June 30, 2007 were \$173,558 and \$140,543, respectively. These contributions represented 20 percent of the covered payroll. A copy of the PERS June 30, 2008 annual financial report may be obtained by writing to the Public Employee's Retirement System of Nevada, 693 W. Nye Lane, Carson City, NV 89703-1599, or by calling (775) 687-4200.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**Note 6.     Deferred Compensation Plan**

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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.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the District, subject to the claims of the District's general creditors.

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**Note 7.     Restricted Net Assets**

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Restricted net assets consist of the following:

Ordinance No. 2 Fees (See Note 2)	\$     7,815,842
Bond Reserves (See Note 2)	<u>19,090,823 *</u>
Total	<u><u>\$   26,906,665</u></u>

\*Amount includes accumulated interest income on fund.

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**Note 8.     Defeasance of Long-Term Debt**

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In prior years, the District defeased certain bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements.

**VIRGIN VALLEY WATER DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**Note 9. Subsequent Events**

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As of the date of these financial statements the District had entered into an agreement to purchase water shares for \$1,254,000. A deposit of \$627,000 was made on the shares (as shown on the statement of net assets). The remaining balance was paid in July of 2008.

Subsequent to the date of the financial statements, the District contracted to purchase water shares for \$4,285,363. This purchase was completed in July 2008 with the District paying the entire amount by cash.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual**  
**For the Year Ended June 30, 2008**

	Proprietary Fund			Variance with
	Budgeted Amounts		Actual Amounts	Final Budget
	<u>Original</u>	<u>Final</u>	(Budgetary) <u>Basis</u>	Positive <u>(Negative)</u>
<b>Operating revenues</b>				
Water use fees	\$ 5,099,000	\$ 5,099,000	\$ 4,946,977	\$ (152,023)
Installation charges	100,000	100,000	84,550	(15,450)
Total operating revenues	5,199,000	5,199,000	5,031,527	(167,473)
<b>Operating expenses</b>				
Salaries & wages	941,910	941,910	914,751	27,159
Office expense	91,363	91,363	96,304	(4,941)
Professional & legal services	426,735	426,735	491,423	(64,688)
Engineering services	82,000	82,000	89,341	(7,341)
Payroll taxes	49,200	49,200	40,829	8,371
Employers share PERS	183,000	183,000	173,558	9,442
Travel & training	10,500	10,500	13,189	(2,689)
Bad debt expense	-	-	368	(368)
Dues & subscriptions	19,440	19,440	8,423	11,017
Uniforms & safety equipment	8,520	8,520	8,134	386
Water rights applications	12,500	12,500	2,847	9,653
Insurance	220,686	220,686	226,777	(6,091)
Utilities	998,530	998,530	905,805	92,725
Operations & maintenance	633,957	633,957	617,579	16,378
Miscellaneous	11,300	11,300	10,798	502
Amortization	40,625	40,625	43,266	(2,641)
Depreciation	1,290,000	1,290,000	1,374,088	(84,088)
Total operating expenses	5,020,266	5,020,266	5,017,480	2,786
Net operating income / (loss)	\$ 178,734	\$ 178,734	\$ 14,047	\$ (164,687)

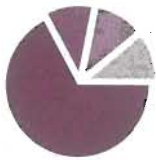
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**VIRGIN VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual**  
**For the Year Ended June 30, 2008**

	Proprietary Fund			Variance with
	Budgeted Amounts		Actual Amounts (Budgetary)	Final Budget Positive
	Original	Final	Basis)	(Negative)
Non-operating income (expenses)				
Service charges	\$ 30,000	\$ 30,000	\$ 29,043	\$ (957)
Interest income	696,322	696,322	813,418	117,096
Impact fees	2,128,206	2,128,206	858,600	(1,269,606)
Ordinance No. 2 fees	2,362,500	2,362,500	1,012,300	(1,350,200)
Ordinance No. 3 fees	-	-	2,500	2,500
Lease income	89,570	89,570	77,240	(12,330)
Other income	-	-	3,671	(26,329)
Loss on disposal of assets	(10,000)	(10,000)	(179,722)	(169,722)
Intergovernmental revenue	10,602,192	10,602,192	6,254,556	(4,347,636)
Realized gain loss on investments	-	-	44,747	44,747
Unrealized loss on investments	-	-	(762)	(762)
Interest expense	(1,008,145)	(1,008,145)	(1,007,213)	932
Total nonoperating revenue (expenses)	14,890,645	14,890,645	7,908,378	(6,982,267)
Change in net assets	15,069,379	15,069,379	7,922,425	(7,146,954)
Total net assets--beginning	40,817,401	40,817,401	40,817,401	-
Total net assets--ending	\$ 55,886,780	\$ 55,886,780	\$ 48,739,826	\$ (7,146,954)



**OTHER COMMUNICATIONS**  
**FROM**  
**INDEPENDENT AUDITORS**



**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

MEMBERS:  
CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

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 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 the 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 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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 certain other matters that we have reported to the management of the District in the schedule of findings and recommendations dated September 2, 2008.

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*

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



**Independent Auditors' Report on  
State Legal Compliance**

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

**MEMBERS:**

CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the basic financial statements of Virgin Valley Water District, for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. Our audit also included test work on Virgin Valley Water 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 Virgin Valley Water 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 and one Trust and Agency Fund (an expendable trust fund) in accordance with NRS 354.624. The District appears to be using the funds 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 statement.

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

Enterprise Fund:            Board of director's intended purpose and County resolution

The results 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the 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, 2008.

*Hinton, Burdick, Hall + Spilker, PLLC*  
HINTON, BURDICK, HALL, & SPILKER, PLLC  
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