VIRGIN VALLEY WATER DISTRICT

FINANCIAL STATEMENTS

June 30, 2012 and 2011

CONTENTS

WISAN, SMITH, RACKER & PRESCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Directors and Members of the Board
Virgin Valley Water District

We have audited the accompanying basic financial statements of the Virgin Valley Water District (the District), as of and for the year ended June 30, 2012 and 2011, respectively, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 24, 2012, on our consideration of Virgin Valley Water 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Virgin Valley Water District. The Budget to Actual Comparisons as of June 30, 2012 and 2011, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Budget to Actual Comparisons as of June 30, 2012 and 2011 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

Salt Lake City, Utah
September 24, 2012

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 year ended June 30, 2012 and 2011, respectively. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights for the year ended June 30, 2012

- Total assets exceed total liabilities (net assets) by $60,675,046 at the close of the fiscal year.
- Total net assets increased by $2,864,138, or 5.0%.
- Operating revenues increased by $850,493 or 14% from $6,032,570 to $6,883,063.
- Operating expenses decreased by $282,564 or 3.8% from $7,513,698 to $7,231,134.

In the previous (2010-2011) fiscal year some significant debts were satisfied with bond defeasement, capital projects associated with expansion were put on hold, and rates were increased to balance against the remaining debt service and operating expenses. After that a path of caution was set. In this 2011-2012 fiscal year the Board of Directors, General Manager and Senior Accountant kept and refined that course by engaging work that improved system reliability and economy while approving studies that look at long term values ahead of tackling any large capital improvement projects. Examples include:

- Studies and then reconstruction work at Well #32 were completed to make it vastly more efficient and economical to operate.
- We studied the booster pumping associated with Well #2 and determined that a rehabilitation of that well would allow us to eliminate expensive re-pumping and an old concrete tank. Design was authorized for that project.
- A staff review of the Bunkerville Secondary System put into perspective its marginal value, degraded condition, and vulnerability to river flood damage. We commissioned a study that is looking at the costs and merits of improving or abandoning this system.
- Our master plan's scope was revised to include all aspects of the District's facilities, revising the service area's build-out rate and amount. This master plan report is in progress.

A lawsuit that the District engaged in due to prematurely failing pipe in our distribution system was settled for $3.8 million. From this money the District was able to pay all remaining legal fees, undertake the replacement of the remaining unreliable pipe and patch the roads above those repairs, and put over $2.5 million into our reserves. We do not consider this hard-fought settlement a windfall, as it will approximately compensate the District for previous pipe replacement and legal costs. However, since most of those costs are already paid, it does make our financial condition for the next few years a bit more comfortable.

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

Despite the economic downturn, in the last 4 years our service area has continued to add connections for new homes at the rate of over 100/year, so the area is not withering. Our staff is stable and reliable. With good management the District's ability to reliably and economically serve appears secure.

Financial Highlights for the year ended June 30, 2011

- Total assets exceed total liabilities (net assets) by $57,810,908 at the close of the fiscal year.
- Total net assets decreased by $215,150, or 0.4%.
- Operating revenues increased by $1,053,442 or 21% from $4,979,128 to $6,032,570.
- Operating expenses decreased by $186,072 or 2% from $7,699,770 to $7,513,698.

This fiscal year was so different from previous years that some additional explanation is warranted to document what happened. The Board and General Manager made policy changes and took actions to shift the District's direction from rapid expansion to economy and stability. The full impact of these changes will be seen in the next fiscal year, although 2011 already shows a significant shift in the balance of revenues and expenditures.

Actions that reflected that policy change included:

- Elimination of planned large capital improvement projects that focused on expansion.
- Defeasement (sell-back) of approximately $9 million of a 2008 bond that would no longer be needed, reducing debt and debt service. This defeasance saved the District $18.8 million in principle and interest over the life of the bonds.
- Defeasance of the 2001 bond to reduce the debt service.
- Effective in December 2010, increasing the monthly water rates by 36% to balance operating costs and revenues.
- Operating cost reductions, primarily through electrical efficiency improvements.
- Limiting some legal costs through the assignment of a major lawsuit to a contingency basis.
- Concerted efforts to resolve other legal issues and their continuing liabilities.

Some of the conditions that led to this shift included:

- A dramatic drop in new connections due to the recession, reducing the non-operating revenues as well as the push for facility expansions.
- Re-assessment of the benefit of some of the proposed capital improvement projects.
- A decrease in intergovernmental revenues (grants) as previous capital improvement projects were completed.
- A management shift, with a new Hydrologist and General Manager.

There will be future capital improvement projects, but first studies to determine long-term values, with an emphasis on cost efficacy and sustainability. The District will also continue its focus on improving the maintenance and thus extending the value of its current assets.

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 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 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 District'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 District's cash changed during the most recent fiscal year.

The basic financial statements can be found on pages 14 through 18 of this report.

Notes to the finanical statements. The notes provide additional information that is essential to fully understanding of the data provided in the basic financial statements. The notes to the financial statements can by found on pages 19 through 32 of this report.

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

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 assets exceed liabilities at June 30 2012 and 2011 by $60,675,046 and $57,810,908, respectively. This is presented in the following condensed statement of net assets.

Assets	**2012**	**2011**	**2010**
Current and other assets	$ 11,307,218	$ 7,256,088	$ 6,897,525
Restricted assets	2,888,907	2,671,163	13,293,697
Capital assets	75,949,347	78,362,558	80,875,123
Total assets	$ 90,145,472	$ 88,289,809	$ 101,066,345
Liabilities			
Current liabilities	$ 2,523,279	$ 1,883,322	$ 2,655,719
Long-term obligations, less current maturities	26,947,147	28,595,579	40,384,568
Total liabilities	$ 29,470,426	$ 30,478,901	$ 43,040,287
Net Assets			
Invested in capital assets, net of related debt	$ 44,455,119	$ 45,569,706	$ 38,528,968
Restricted for capital projects	2,888,907	2,671,163	13,293,697
Unrestricted	13,331,020	9,570,039	6,203,393
Total net assets	$ 60,675,046	$ 57,810,908	$ 58,026,058

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

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 comprised $44,455,119 or 73% of total net assets at June 30, 2012 and $45,569,706 or 79% at June 30, 2011. 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.

DISTRICT FINANCIAL ANALYSIS AS A WHOLE (CONTINUED)

At June 30, 2012, restricted net assets comprised $2,888,907 or 5% and $2,671,163 or 5% at June 30, 2011 of total net assets and represent funds that are subject to restriction on how they may be used. At June 30, 2012 and 2011, 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, 2012, unrestricted net assets comprised $13,331,020 or 22% and $9,570,039 or 17% at June 30, 2011 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.

	2012	2011	2010
Revenues:			
Operating revenues	$ 6,883,063	$ 6,032,570	$ 4,979,128
Non-operating revenues	4,257,903	2,421,192	4,035,015
Total revenues	11,140,966	8,453,762	9,014,143
Expenses:			
Depreciation and amortization	3,142,113	3,110,784	2,471,812
Other operating expenses	4,089,021	4,402,914	5,227,958
Non-operating expenses	1,045,694	1,155,214	1,489,088
Total expenses	8,276,828	8,668,912	9,188,858
Change in net assets	2,864,138	(215,150)	(174,715)
Total net assets:			
Beginning of year	57,810,908	58,026,058	58,200,773
End of year	$ 60,675,046	$ 57,810,908	$ 58,026,058

During the year ended June 30, 2012, the District's operating revenues increased $850,493 or 14% over the prior year.

During the year ended June 30, 2011, the District's operating revenues increased $1,053,442 or 21% over the prior year.

DISTRICT FINANCIAL ANALYSIS AS A WHOLE (CONTINUED)

During the year ended June 30, 2012, total non-operating revenues increased $1,836,711 or 76% over the prior year. The single largest category increase consisted of other income increasing by $2,622,128; 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 30, 2011, total non-operating revenues decreased $1,613,823 or 40% over the prior year. The single largest category decrease consisted of intergovernmental revenues of $1,329,893 or 46% of the total decrease; the intergovernmental revenues consisted primarily of grants received for construction related to the arsenic treatment plants, mostly constructed in prior years and completed during fiscal 2011. Other selected non-operating account changes over the prior year consisted of decreases in Ordinance No. 2 fees of $232,900, impact fees of $163,240, and interest income of $59,191.

During the year ended June 30, 2012, three expense categories showed the biggest changes this year. There were significant changes in professional and legal services, repairs and maintenance expense and engineering services. Professional and legal services decreased $446,489 or 52% from 2011; repairs and maintenance increased $106,725 or 14% from the prior year; and engineering services decreased $51,781 or 32% from 2011.

During the year ended June 30, 2011, two expense categories showed the biggest changes during the year. There were significant decreases in contracted services and repairs and maintenance expense. Professional and legal services expense decreased $264,539 or 20% from 2010; repairs and maintenance decreased $320,111 or 29% from the prior year.

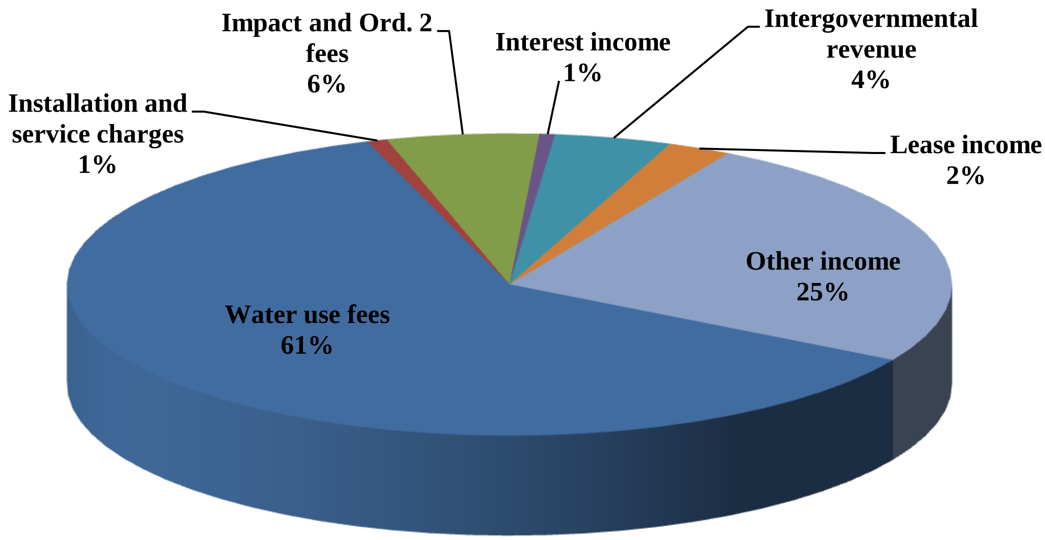
Depreciation expense was $3,093,745 during fiscal 2012 which was a $23,603 or less than 1% increase from the prior year. During the year ended June 30, 2011, depreciation expense increased over the previous year by $637,132 or 26%. A primary reason for the increase in depreciation in fiscal 2011 was related to arsenic treatment plants that were placed in service during the year.

Total non-operating expenses decreased $109,521 or 9.4% during fiscal 2012 as compared to 2011. During fiscal 2011, total non-operating expenses decreased $333,874 or 22% over the prior year. The decreases reported during fiscal 2012 and 2011, respectively, were primarily the result of the decrease in interest expense resulting from the bond defeasance.

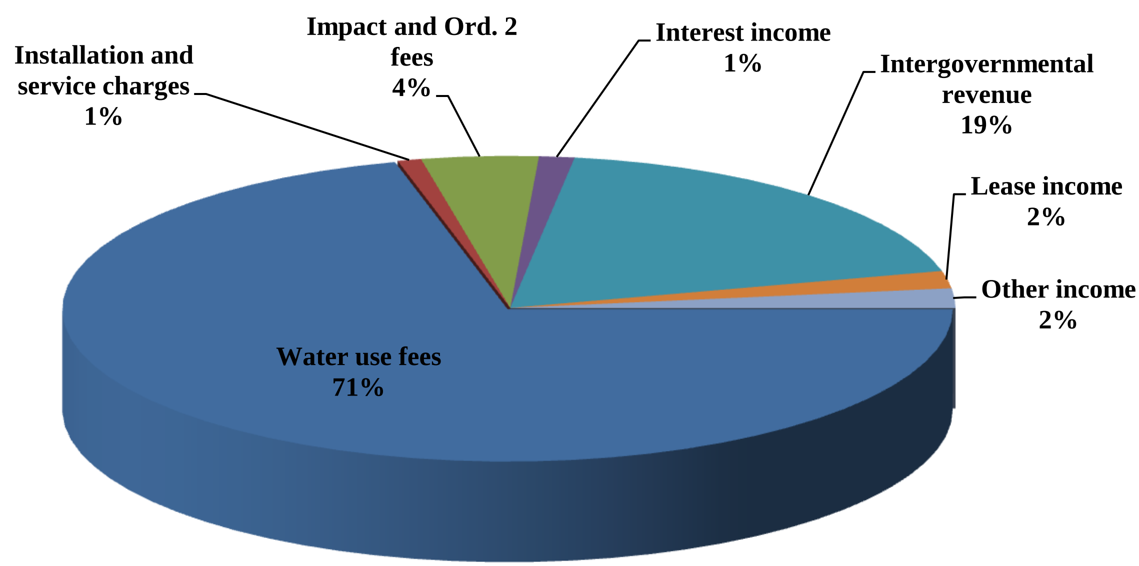
DISTRICT FINANCIAL ANALYSIS AS A WHOLE (CONTINUED)

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, 2012



Revenue by Source during the year ended June 30, 2011



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, 2012 amount to $75,949,347, which represents a decrease of $2,413,211 or 3.1% over the prior fiscal year. As of June 30, 2011, the District's net capital assets totaled $78,362,558 which was a $2,512,565 or 3% decrease from the prior fiscal year end.

Major capital asset events and approximate costs incurred during the past two fiscal years included the following:

- During 2012, well-related equipment was installed at approximately $482,694 to improve or replace the existing equipment.
- During 2012, additional valves were installed on transmission structures at approximately $91,010 to improve or replace the existing equipment.
- During 2011, asphalt roads were completed at approximately $315,000 to improve the road access to three well locations.
- During 2011, arsenic removal equipment was acquired for approximately $165,000.

	2012	2011	2010
Land	$ 591,064	$ 591,064	$ 591,064
Buildings and improvements	20,926,041	20,916,041	19,867,462
Operating equipment and wells	51,745,460	51,060,348	50,460,652
Engineering and other equipment and tools	293,718	290,811	270,321
Water Shares	22,400,460	22,400,460	22,400,460
	95,956,743	95,258,724	93,589,959
Less accumulated depreciation	(21,089,614)	(17,995,869)	(14,935,111)
	74,867,129	77,262,855	78,654,848
Construction in progress	1,082,218	1,099,703	2,220,275
Net capital assets	$ 75,949,347	$ 78,362,558	$ 80,875,123

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

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

	2012	2011	2010
Water revenue bonds	$ 17,169,228	$ 18,467,852	$ 19,581,506
General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues)	14,325,000	14,325,000	22,680,000
Notes payable	-	32,749	84,649
	$ 31,494,228	$ 32,825,601	$ 42,346,155

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. 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 ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,533,539	$ 1,031,042
Investments	3,762,244	4,192,485
Accounts receivable	703,579	671,372
Accrued interest income	11,793	10,956
Due from other governmental units	118,265	113,114
Prepaid expenses	29,309	27,407
Inventory	125,697	124,309
TOTAL CURRENT ASSETS	10,284,426	6,170,685
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	-	242,079
Restricted investments	2,888,907	2,429,084
Deposits	205,000	202,500
Capital assets, net	75,949,347	78,362,558
Original issue discount, net	27,493	31,111
Bond issuance costs, net	790,299	851,792
TOTAL NON-CURRENT ASSETS	79,861,046	82,119,124
TOTAL ASSETS	$ 90,145,472	$ 88,289,809

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF NET ASSETS (CONTINUED)
June 30, 2012 and 2011

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 188,993	$ 199,731
Accrued interest payable	320,958	125,003
Accrued payroll and payroll taxes	108,465	103,239
Retention payable	-	50,000
Deferred revenue	91,098	73,976
Current portion of notes payable	-	32,749
Current portion of bonds payable	1,813,765	1,298,624
TOTAL CURRENT LIABILITIES	2,523,279	1,883,322
NON-CURRENT LIABILITIES		
Bond premiums, net of amortization	239,656	256,400
Bonds payable, net of current portion	29,680,463	31,494,228
Loss on defeasance of debt	(2,972,972)	(3,155,049)
TOTAL NON-CURRENT LIABILITIES	26,947,147	28,595,579
TOTAL LIABILITIES	29,470,426	30,478,901
NET ASSETS		
Invested in capital assets, net of related debt	44,455,119	45,569,706
Restricted for bond requirements and Ordinance #2	2,888,907	2,671,163
Unrestricted	13,331,020	9,570,039
TOTAL NET ASSETS	60,675,046	57,810,908
TOTAL LIABILITIES AND NET ASSETS	$ 90,145,472	$ 88,289,809

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Water use fees	$ 6,846,013	$ 5,995,820
Installation charges	37,050	36,750
TOTAL OPERATING REVENUES	6,883,063	6,032,570
OPERATING EXPENSES		
Salaries and wages	1,060,732	1,059,053
Office expense	115,229	117,604
Professional and legal services	411,450	857,939
Engineering services	111,827	163,608
Payroll taxes	65,492	37,596
Retirement plan contributions	224,172	200,367
Travel and training	8,455	8,447
Bad debt expense	-	115
Dues and subscriptions	31,052	22,199
Uniforms and safety equipment	6,461	13,014
Water rights applications	15,507	3,104
Insurance	409,068	403,413
Utilities	718,304	711,776
Operations and maintenance	891,632	784,907
Miscellaneous	19,640	19,772
Amortization	48,368	40,642
Depreciation	3,093,745	3,070,142
TOTAL OPERATING EXPENSES	7,231,134	7,513,698
OPERATING LOSS	(348,071)	(1,481,128)
NON-OPERATING REVENUES (EXPENSES)		
Service charges	44,066	35,820
Interest income	62,318	108,829
Impact fees	322,240	309,520
Ordinance No. 2 fees	298,600	49,600
Lease income	257,425	155,853
Other income	2,796,517	174,389
Intergovernmental revenue	476,737	1,587,181
Unrealized gain (loss) on investments	48,846	(26,525)
Interest expense	(1,094,540)	(1,128,689)
TOTAL NON-OPERATING REVENUES - NET	3,212,209	1,265,978
CHANGE IN NET ASSETS	2,864,138	(215,150)
Net assets - beginning of year	57,810,908	58,026,058
Net assets - end of year	$ 60,675,046	$ 57,810,908

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, water usage fees	$ 6,829,378	$ 5,826,734
Cash received from customers, installation charges	37,050	36,750
Cash paid for operating expenses	(3,094,817)	(3,305,367)
Cash paid to employees	(1,055,506)	(1,053,648)
Net cash flows from operating activities	2,716,105	1,504,469
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(684,153)	(645,807)
Principal paid on long-term debt	(1,331,373)	(13,525,554)
Proceeds from 2011 Bond	-	4,005,000
Defeasement of 2008 bond	-	(2,788,696)
Impact fees collected	322,240	309,520
Ordinance No. 2 fees collected	298,600	49,600
Intergovernmental revenue	471,586	1,632,302
Lease revenue	267,210	194,798
Insurance reimbursement	2,788,282	170,744
Service charges collected	44,066	35,820
Interest paid	(712,890)	(1,474,928)
Net cash flows from (used by) capital and related financing activities	1,463,568	(12,037,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	61,481	121,077
(Increase) decrease in restricted cash	(217,744)	10,622,534
Sale of investments	1,750,000	2,732,476
Purchase of investments	(1,270,913)	(2,780,619)
Net cash flows from investing activities	322,824	10,695,468
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,502,497	162,736
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,031,042	868,306
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,533,539	$ 1,031,042

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

VIRGIN VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended June 30, 2012 and 2011

		2012		2011
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	$	(348,071)	$	(1,481,128)
Adjustments to reconcile operating loss to net cash flows from (used by) operating activities:				
Depreciation		3,093,745		3,070,142
Amortization		48,368		40,642
(Increase) decrease in assets:				
Accounts receivable		(32,207)		(164,210)
Inventory		(1,388)		(9,190)
Prepaid expenses		(1,902)		130,490
Deposits		(2,500)		
Increase (decrease) in liabilities:				
Accounts payable		(10,738)		(82,921)
Retention payable		(50,000)		-
Accrued expenses		5,226		5,405
Due to other governments		-		-
Deferred revenue		15,572		(4,761)
Net cash flows from operating activities	$	2,716,105	$	1,504,469
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Write-off of construction in process	$	-	$	(88,230)

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

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 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 Department of Taxation for final hearings and approval.

4. Formal budgetary integration in the financial records is employed to enhance management control during the year.

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 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 and Restricted 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Restricted 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

Deferred Revenue

Deferred revenue is comprised of prepaid water usage fees and lease revenues which are recognized by the District in the period the respective revenues are earned.

Net Assets

Net assets are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

Subsequent Events

Management of the District has evaluated subsequent events through September 24, 2012, 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, 2012 and 2011, the District's bank balance was $6,253,554 and $1,686,131, respectively. As of June 30, 2012 and 2011, $6,253,554 and $1,444,052 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, 2012 and 2011, respectively, none of the District's funds with the Bank of Nevada were uninsured or uncollateralized.

As of June 30, 2011, $242,079 was on deposit with America First Credit Union. The entire amount with America First was covered by the NCUA federal depository insurance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. The provisions of State law (NRS 355.170) govern the investment of public funds. The Nevada State Treasurer's Office operates the Local Government Pooled Investment Fund (LGPIF). The LGPIF is available for investment of funds administered by the 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 Agency's deposits with the LGPIF totaled $387,323 as of June 30, 2011. The Agency had no deposits with the LGPIF as of June 30, 2012.

The entire $2,514,939 and $3,805,162, as of June 30, 2012 and 2011, respectively, of the District's inventory in the US agencies and obligations 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. The Certificates of Deposit are with various banks and are all covered by FDIC insurance.

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, 2012:

Investment Type	Maturity less than one year	1-5 years	6-10 years	More than 10 years	Quality Ratings
U.S. Government Securities	$ 964,740	$ 1,550,199	$ -	$ -	AA+
Certificates of Deposit	-	1,247,305	-	-	N/A
Wells Fargo Bank Treasury Obligations	2,156,539	-	-	-	AA+
Bank of Nevada Treasury Obligations	732,368	-	-	-	AA+
Total	$ 3,853,647	$ 2,797,504	$ -	$ -	

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The following are the District's investments at June 30, 2011:

Investment Type	Maturity less than one year	1-5 years	6-10 years	More than 10 years	Quality Ratings
U.S. Government Securities	$ 1,314,123	$ 2,491,039	$ -	$ -	AA+
Wells Fargo Bank Treasury Obligations	1,996,876	-	-	-	AA+
Bank of Nevada Treasury Obligations	432,208	-	-	-	AA+
Nevada Local Government Pooled Investment Fund	387,323	-	-	-	Unrated
Total	$ 4,130,530	$ 2,491,039	$ -	$ -	

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

	2012	2011
Cash and cash equivalents	$ 5,533,539	$ 1,031,042
Restricted cash and cash equivalents	-	242,079
Investments	3,762,244	4,192,485
Restricted investments	2,888,907	2,429,084
	$12,184,690	$ 7,894,690
Cash on hand	$ 850	$ 650
Deposits (book balance)	5,532,718	1,272,471
U.S. Government Securities	2,514,939	3,805,162
Certificates of Deposit	1,247,305	-
Wells Fargo Bank Treasury Obligations	2,156,510	1,996,876
Bank of Nevada Treasury Obligations	732,368	432,208
Nevada Local Government Pooled Investment Fund	-	387,323
	$12,184,690	$ 7,894,690

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).

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 2012 and 2011, respectively, $298,600 and $49,600 was collected from customers as payments for Ordinance No. 2. At June 30, 2012 and 2011, respectively, the balance in the Ordinance No. 2 account was $241,485 and $574,606. The entire balance is restricted.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Additions / Transfers In	Disposals / Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 591,064	$ -	$ -	$ 591,064
Water shares	22,400,460	-	-	22,400,460
Construction in progress	1,099,703	222,325	(239,810)	1,082,218
Total capital assets not depreciated	24,091,227	222,325	(239,810)	24,073,742
Capital assets being depreciated:				
Buildings and improvements	20,916,041	10,000	-	20,926,041
Operating equipment and wells	51,060,348	685,112	-	51,745,460
Engineering and other equipment	290,811	2,907	-	293,718
Total capital assets being depreciated	72,267,200	698,019	-	72,965,219
Accumulated depreciation	(17,995,869)	(3,093,745)	-	(21,089,614)
Total capital assets being depreciated, net	54,271,331	(2,395,726)	-	51,875,605
Total capital assets, net	$ 78,362,558	$ (2,173,401)	$ (239,810)	$ 75,949,347

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions / Transfers In	Disposals / Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 591,064	$ -	$ -	$ 591,064
Water shares	22,400,460	-	-	22,400,460
Construction in progress	2,220,275	19,112	(1,139,684)	1,099,703
Total capital assets not depreciated	25,211,799	19,112	(1,139,684)	24,091,227
Capital assets being depreciated:				
Buildings and improvements	19,867,462	1,048,579	-	20,916,041
Operating equipment and wells	50,460,652	609,080	(9,384)	51,060,348
Engineering and other equipment	270,321	20,490	-	290,811
Total capital assets being depreciated	70,598,435	1,678,149	(9,384)	72,267,200
Accumulated depreciation	(14,935,111)	(3,070,142)	9,384	(17,995,869)
Total capital assets being depreciated, net	55,663,324	(1,391,993)	-	54,271,331
Total capital assets, net	$ 80,875,123	$ (1,372,881)	$ (1,139,684)	$ 78,362,558

NOTE 4 - LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance
Notes Payable				
Jimmy and Angie Hughes	$ 32,749	$ -	$ (32,749)	$ -
Bonds Payable				
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	4,005,000	-	(340,000)	3,665,000
Total bonds payable	$ 32,825,601	$ -	$ (1,331,373)	$ 31,494,228

VIRGIN VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance
Notes Payable				
Jimmy and Angie Hughes	$ 84,649	$ -	$ (51,900)	$ 32,749
Bonds Payable				
Water Revenue Bonds, Series 2001	4,190,000	-	(4,190,000)	-
Water Revenue Bonds, Series 2003	3,506,506	-	(143,654)	3,362,852
Water Revenue Bonds, Series 2004	5,435,000	-	(490,000)	4,945,000
Water Revenue Bonds, Series 2006	6,450,000	-	(295,000)	6,155,000
General Obligation (Limited Tax) Water Bonds (Additional Secured by Pledged Revenues), Series 2008	22,680,000	-	(8,355,000)	14,325,000
Water Revenue Bonds, Series 2011	-	4,005,000	-	4,005,000
Total bonds payable	$ 42,346,155	$ 4,005,000	$ (13,525,554)	$ 32,825,601

Long term debt consists of the following:

	Current	Long-Term	Total
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	$ 153,765	$ 3,060,463	$ 3,214,228
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.	515,000	3,930,000	4,445,000

NOTE 4 - LONG-TERM DEBT (CONTINUED)

	Current	Long-Term	Total
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 and 5%, maturing June 1, 2026.	325,000	5,520,000	5,845,000
General Obligation (Limited Tax) Water Bonds (Additionally Secured by Pledged Revenues), Series 2008, due in semi-annual interest installments ranging from $335,875 to $540,124 and beginning in March 2013, annual principal installments ranging from $420,000 to $1,435,000, bearing interest between 3.5 and 5%, maturing March 31, 2038.	460,000	13,865,000	14,325,000
Water revenue bonds, series 2011, due in semi-annual interest installments ranging from $10,094 to $87,058 and annual principal installments ranging from $240,000 to $475,000, bearing interest between 2 and 4.25%, maturing June 30, 2022.	360,000	3,305,000	3,665,000
Total bonds payable	1,813,765	29,680,463	31,494,228
Total long-term debt	$1,813,765	$29,680,463	$31,494,228

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, 2012, including interest of $12,366,947, are as follows:

2013	$ 3,121,114
2014	3,112,944
2015	3,113,534
2016	3,094,411
2017	3,097,894
2018-2022	13,354,235
2023-2027	8,995,187
2028-2032	5,801,356
2033-2037	170,500
2038-2039	-
Total	43,861,175
Less Interest	(12,366,947)
Total Principal	$31,494,228

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, 2012, $7,480,000 of bonds outstanding is considered defeased.

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:

2013	$ 140,098
2014	138,898
2015	124,370
2016	122,750
2017	122,750
Thereafter	170,250
Total	$ 819,116

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, 2012 and 2011, respectively, of the District's total payroll of $1,060,732 and $1,059,053, the payroll for employees covered by the system for the years ended June 30, 2010 and 2011, respectively, was $1,020,817 and $980,869.

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.

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 July 1, 2009. The contribution requirements for the years ended June 30, 2011 and 2010 were $224,172 and $200,367, respectively. These contributions represented 20% of the covered payroll. A copy of the PERS June 30, 2012 and 2011 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.

NOTE 9 - RESTRICTED NET ASSETS

Book balances of restricted net assets consist of the following:

	2012	2011
Ordinance No. 2 Fees	$ 241,485	$ 574,606
Bond Reserves	2,647,422	2,096,557
Total	$ 2,888,907	$ 2,671,163

SUPPLEMENTARY INFORMATION

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

Description	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Water use fees	$ 7,026,000	$ 6,846,013	$ (179,987)
Installation charges	36,000	37,050	1,050
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	48,368	3,733
Depreciation	3,012,000	3,093,745	(81,745)
Total operating expenses	7,492,829	7,231,134	261,695
Net operating income (loss)	(430,829)	(348,071)	82,758
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
Gain on disposal of assets	(7,500)	-	7,500
Intergovernmental revenue	445,000	476,737	31,737
Unrealized gain (loss) on investments	-	48,846	48,846
Interest expense	(1,506,100)	(1,094,540)	411,560
Total nonoperating revenue	(453,448)	3,212,209	3,665,657
Change in net assets	(884,277)	2,864,138	3,748,415
Total net assets - beginning	57,810,908	57,810,908	-
Total net assets - ending	$ 56,926,631	$ 60,675,046	$ 3,748,415

VIRGIN VALLEY WATER DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended June 30, 2011

Description	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Water use fees	$ 5,132,000	$ 5,995,820	$ 863,820
Installation charges	42,300	36,750	(5,550)
Total operating revenues	5,174,300	6,032,570	858,270
OPERATING EXPENSES:			
Salaries and wages	1,077,465	1,059,053	18,412
Office expense	135,478	117,604	17,874
Professional and legal services	856,950	857,939	(989)
Engineering services	25,000	163,608	(138,608)
Payroll taxes	47,815	37,596	10,219
Retirement plan contributions	218,420	200,367	18,053
Travel and training	18,500	8,447	10,053
Bad debt expense	-	115	(115)
Dues and subscriptions	29,130	22,199	6,931
Uniforms and safety equipment	13,800	13,014	786
Water rights applications	22,500	3,104	19,396
Insurance	444,124	403,413	40,711
Utilities	967,460	711,776	255,684
Operations and maintenance	1,162,419	784,907	377,512
Miscellaneous	19,700	19,772	(72)
Amortization	38,801	40,642	(1,841)
Depreciation	2,078,000	3,070,142	(992,142)
Total operating expenses	7,155,562	7,513,698	(358,136)
Net operating income (loss)	(1,981,262)	(1,481,128)	500,134
NON-OPERATING INCOME (EXPENSES)			
Service charges	26,000	35,820	9,820
Interest income	144,250	108,829	(35,421)
Impact fees	508,800	309,520	(199,280)
Ordinance No. 2 fees	99,000	49,600	(49,400)
Lease income	149,780	155,853	6,073
Other income	2,000	174,389	172,389
Intergovernmental revenue	1,975,000	1,587,181	(387,819)
Unrealized gain (loss) on investments	-	(26,525)	(26,525)
Interest expense	(1,919,839)	(1,128,689)	791,150
Total nonoperating revenue	984,991	1,265,978	280,987
Change in net assets	(996,271)	(215,150)	781,121
Total net assets - beginning	58,026,058	58,026,058	-
Total net assets - ending	$ 57,029,787	$ 57,810,908	$ 781,121

SUPPLEMENTARY REPORTS

WISAN, SMITH, RACKER & PRESCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 the financial statements of Virgin Valley Water District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 24, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

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.

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

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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*.

This report is intended solely for the information and use of management, the Members of the Board, others within the entity, and various state and federal agencies and is not intended to be and 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.

Wisan, Smith, Racker & Prescott, LLP

Salt Lake City, Utah
September 24, 2012

WISAN, SMITH, RACKER & PRESCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, and have issued our report thereon dated September 24, 2012. 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, 2012.

Wisan, Smith, Racker & Prescott, LLP

Salt Lake City, Utah
September 24, 2012

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