



Memorandum #37-07

Date: November 15, 2007

To: SOUTHERN NEVADA DISTRICT BOARD OF HEALTH

From: Sylvia Claiborne, C.P.A, *Financial Services Manager* *sc*
Michael T. Walsh, *Director of Administration* *MW*
Lawrence Sands, D.O., M.P.H., *Chief Health Officer* *LS*

Subject: Audit Report FY 2006-2007

The independent firm of Stewart, Archibald and Barney, LLP, has completed an examination of District fiscal records and accounting procedures and will present a report on the financial status of the District to the Board at the November meeting. Attached is a copy of the firm's Comprehensive Annual Financial Report (CAFR). Overall, the District's financial position has improved from FY 2006 to FY 2007 as discussed in the Management's Discussion and Analysis section (page 3).

No instances of noncompliance or reportable conditions were disclosed during the audit of the financial statements. There were no major federal award program audit findings. Please refer to page 70.

attachments: CAFR



STEWART
ARCHIBALD
& BARNEY, LLP

November 2, 2007

To the Board of Health and Chief Health Officer
Southern Nevada Health District
Clark County, Nevada

In planning and performing our audit of the financial statements of the Southern Nevada Health District (District) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) 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.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. Below are our comments and suggestions regarding these matters. We previously reported on the District's internal control in our report dated November 2, 2007. This letter does not affect our report November 2, 2007 on the financial statements of the District.

Audit Committee

Observation

The District has not established an audit committee.

Recommendation

In order to strengthen financial governance and in accordance with best practices we recommend that the District establish an audit committee. An audit committee provides oversight of financial reporting, internal controls, and auditors' activities. An audit committee charter is required for most public companies. However, it is voluntary and a best practice for government organizations.

The American Institute of Certified Public Accountants audit committee effectiveness center materials can be accessed at <http://www.aicpa.org/audcommctr/homepage.htm>. This site provides audit committee toolkits and other guidance that will be helpful in establishing and operating an effective audit committee.

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This report is intended solely for the use of the Board of Health, management of Southern Nevada Health District and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation for the courtesy and assistance extended to us during our audit by all of your staff. We will be pleased to discuss the above recommendation with you in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement.

Sincerely,

Stewart, Archibald & Barry, LLP



STEWART
ARCHIBALD
& BARNEY, LLP

November 2, 2007

To the Board of Health and Chief Health Officer
Southern Nevada Health District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southern Nevada Health District (the District) for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated August 13, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

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Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on industry standard. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for compensated absences is based on accrued hours at the current wages. We evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the workers compensation estimated claims incurred but not reported payable is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the workers compensation estimated claims incurred but not reported payable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the valuation of inventory is based on historical cost. We evaluated the key factors and assumptions used to develop the valuation of inventory in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process.

Government-wide Financial Reporting

- Capital assets, accumulated depreciation, and depreciation expense accounts were adjusted for governmental activities.
- Grant revenue was adjusted for the amount of vaccines received from the State and Federal Government.
- Expenses were adjusted to reflect the usage of vaccines received from the State and Federal Government.
- Combining of the Internal Service Fund into the governmental activities for the government-wide financial statements.
- Accrual of compensated absences for governmental activities was adjusted for unrecorded amounts.

Fund Financial Reporting

- Expense accounts and liability accounts were adjusted for unrecorded amounts.
- The compensated absences account was adjusted for unrecorded amounts in the proprietary fund.
- Revenues were reclassified as deferred revenues in accordance with governmental accounting guidelines.

The net effect of the above mentioned journal entries were as follows:

Government-wide Financial Reporting

- Assets - increased total assets by \$13,034,563
- Liabilities - increased total liabilities by \$5,780,838
- Revenues - increased total revenues by \$6,501,892
- Expenses - increased total expenses by \$6,970,556
- Net Income - decreased change in net assets by \$468,664

Fund Financial Reporting

- Assets - increased total assets by \$11,925
- Liabilities - increased total liabilities by \$476,257
- Revenues - decreased total revenues by \$78,277
- Expenses - increased total expenses by \$386,055
- Net Income - decreased change in net assets by \$464,332

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Southern Nevada Health District

November 2, 2007

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This information is intended solely for the use of the Board of Health and management of Southern Nevada Health District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Stewart, Archibald : Barney, LL

**SOUTHERN NEVADA HEALTH DISTRICT
SUMMARY OF UNCORRECTED AUDIT DIFFERENCES
FISCAL YEAR ENDED JUNE 30, 2007**

General Fund

Description (Nature) of Audit Difference	Financial Statements Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
	Total Assets	Total Liabilities	Working Cap.	Fund Balance/ Net Assets	Revenues	Expen.	
GASB 31 investment adjustment	(16,821)	-	(16,821)	(16,821)	(16,821)	-	(16,821)
Investment interest receivable	(207,237)	-	(207,237)	(207,237)	(207,237)	-	(207,237)
Total audit differences	(224,058)	-	(224,058)	(224,058)	(224,058)	-	(224,058)
Financial statement caption totals	24,219,587	2,823,982	21,595,625	21,595,624	59,915,930	54,886,863	3,502,139

Southern Nevada Public Health Lab

Description (Nature) of Audit Difference	Financial Statements Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
	Total Assets	Total Liabilities	Working Cap.	Fund Balance/ Net Assets	Revenues	Expen.	
GASB 31 investment adjustment	705	-	705	705	705	-	705
Investment interest receivable	(3,359)	-	(3,359)	(3,359)	(3,359)	-	(3,359)
Total audit differences	(2,654)	-	(2,654)	(2,654)	(2,654)	-	(2,654)
Financial statement caption totals	1,959,750	144,527	1,815,223	1,815,223	1,313,928	1,547,881	292,975

Health Capital Reserve Fund


Description (Nature) of Audit Difference	Financial Statements Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
	Total Assets	Total Liabilities	Working Cap.	Fund Balance/ Net Assets	Revenues	Expen.	
Unrecorded asset - Xerox printer	-	(6,270)	6,270	6,270	-	(6,270)	6,270
GASB 31 investment adjustment	3,522	-	3,522	3,522	3,522	-	3,522
Investment interest receivable	12	-	12	12	12	-	12
Total audit differences	3,534	(6,270)	9,804	9,804	3,534	(6,270)	9,804
Financial statement caption totals	-	62,251	(62,251)	(62,251)	22,874	1,580,900	(558,226)

Internal Revenue Service Fund

Description (Nature) of Audit Difference	Financial Statements Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
	Total Assets	Total Liabilities	Working Cap.	Fund Balance/ Net Assets	Revenues	Expen.	
GASB 31 investment adjustment	716	-	716	716	716	-	716
Investment interest receivable	(3,062)	-	(3,062)	(3,062)	(3,062)	-	(3,062)
Total audit differences	(2,346)	-	(2,346)	(2,346)	(2,346)	-	(2,346)
Financial statement caption totals	294,003	35,019	258,984	258,984	15,362	121,826	(106,484)

We have reviewed the uncorrected financial statement misstatements summarized above and believe the effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

x 
Michael Walsh

x 
Sylvia B. Claiborne, CPA