

**Financial Statements and  
Independent Auditor's Report  
For the Years Ended June 30, 2017 and 2016**



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## **INTRODUCTORY SECTION**

**SAN JUAN COUNTY PARTNERSHIP, INC.**

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*"Working together with people of all ages and cultures, to develop community wellness and prevention awareness."*



January, 2018

Dear Friends of San Juan County Partnership, Inc.,

The fiscal reporting in this audit is reflective of the quality programming provided by the Partnership as we consistently implement evidence-based programs that reflect the mission of our organization. We have maintained program funding, but with the current economic climate, we have been challenged to obtain adequate infrastructure support. The Partnership has done its best to maximize resources while holding a conservative stance.

The audit resulted in a finding that is related to Department of Justice Immigration forms and payroll information in employee files. The forms and payroll records will be corrected and updated to be in compliance with regulations.

The general and administrative expense account shows an increase which is primarily due to increased insurance costs. It is well to note that staff has not received cost of living salary increases for several years.

Two recently added programs, Healthy Kids Healthy Communities and the San Juan County Youth Coalition, have developed well during fiscal year 2017. They have resulted in improved nutrition and exercise options in schools and communities and implementation of underage drinking prevention strategies for and by youth.

San Juan County Partnership works in collaboration with community organizations and leaders to address community concerns. The Partnership continues to bring programs and initiatives to San Juan County that make our area a better place to live.

Sincerely,

A handwritten signature in cursive script that reads "Pamela Drake".

Pamela Drake  
Executive Director

3535 East 30<sup>th</sup> St., Suite 239 ■ Farmington ■ NM ■ 87402 ■ (505)566-5867 ■ Fax (505)566-5870  
office@sjcpartnership.org

**SAN JUAN COUNTY PARTNERSHIP, INC.**

**OFFICIAL ROSTER**

**JUNE 30, 2017**

**BOARD OF DIRECTORS**

Kristine Carlson	Board Chair
John Dean	Vice-Chair
Dale Gerber	Secretary/Treasurer
Chad Byers	Member
Lorenzo Reyes	Member
Pandora Mike	Member
Victor Valdez	Member

**ADMINISTRATIVE OFFICIALS**

Pamela Drake	Executive Director
Deborah Frank	Office Mgr/Bookkeeper

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## **FINANCIAL SECTION**





# Manning Accounting and Consulting Services, LLC

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
San Juan County Partnership, Inc.  
Farmington, New Mexico

We have audited the accompanying financial statements of San Juan County Partnership, Inc., (a New Mexico nonprofit organization), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Juan County Partnership, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

The financial statements of San Juan County Partnership, Inc. as of June 30, 2016 were audited by other auditors who expressed an unmodified opinion in a report dated December 28, 2016 except as to Note 10 which is dated December 29, 2017.

The introductory section on pages 1 through 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018 on our consideration of San Juan County Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Juan County Partnership, Inc.'s internal control over financial reporting and compliance.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
January 10, 2018

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## **FINANCIAL STATEMENTS**

**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		(as reissued)
<i>Current Assets</i>		
Cash and cash equivalents	\$ 128,049	\$ 88,645
Contracts receivable	76,671	144,664
Other current assets	2,650	3,097
<i>Total current assets</i>	207,370	236,406
Equipment, net of accumulated depreciation of \$58,853 and \$63,022	387	1,725
<i>Total assets</i>	\$ 207,757	\$ 238,131
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 5,943	\$ 9,891
Accrued expenses	2,285	5,028
Accrued compensated absences	25,170	20,810
Unearned revenue	5,000	2,000
<i>Total current liabilities</i>	38,398	37,729
<i>Net assets</i>		
Unrestricted net assets	169,359	200,402
<i>Total net assets</i>	169,359	200,402
<i>Total liabilities and net assets</i>	\$ 207,757	\$ 238,131

See accompanying notes to the financial statements.

**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016 (as reissued)
<b>UNRESTRICTED SUPPORT AND REVENUES</b>		
<i>Support</i>		
Government grants and contracts	\$ 855,839	\$ 1,141,200
In-kind rent	20,224	20,224
<i>Total support</i>	876,063	1,161,424
<i>Revenues</i>		
Interest income	129	26
Other program revenues	4,861	4,929
Total revenues	4,990	4,955
<i>Total unrestricted support and revenues</i>	881,053	1,166,379
<b>EXPENSES</b>		
<i>Program expenses</i>		
21st century learning	-	243,449
Substance abuse prevention	363,362	436,906
Housing assistance	344,799	351,406
Community prevention & wellness	151,365	126,883
<i>Total program expenses</i>	859,526	1,158,644
<i>Supporting services</i>		
Management and general	47,820	34,440
Fundraising	4,750	2,205
<i>Total support services</i>	52,570	36,645
<i>Total expenses</i>	912,096	1,195,289
<b>Increase (decrease) in unrestricted net assets</b>	(31,043)	(28,910)
<b>Unrestricted net assets, beginning (as reissued)</b>	200,402	229,312
<b>Unrestricted net assets, ending</b>	\$ 169,359	\$ 200,402

See accompanying notes to the financial statements.

**SAN JUAN COUNTY PARTNERSHIP, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Program Expenses</b>				<b>Support Services</b>		<b>Total</b>
	<b>21st Century Learning</b>	<b>Substance Abuse Prevention</b>	<b>Housing Assistance</b>	<b>Community Prevention &amp; Wellness</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 361	\$ -	\$ 361
Communication	-	5,136	1,811	2,848	263	-	10,058
Employee benefits	-	10,975	380	849	171	-	12,375
Insurance	-	10,054	6,053	2,120	4,201	-	22,428
Maintenance & repairs	-	-	-	-	600	-	600
Other	-	-	-	-	3,278	-	3,278
Payroll taxes	-	15,676	7,627	9,152	1,254	-	33,709
Postage	-	495	698	278	143	-	1,614
Professional services	-	72,487	2,361	10,000	3,029	-	87,877
Program expenses	-	30,747	228,373	4,496	8,104	-	271,720
Rent	-	17,549	3,160	9,534	2,655	-	32,898
Salaries and wages	-	189,561	90,998	103,712	19,961	-	404,232
Supplies	-	2,038	2,297	1,167	1,053	4,750	11,305
Training	-	92	-	-	-	-	92
Travel	-	6,012	939	6,552	1,419	-	14,922
Vehicle expense	-	2,540	102	657	713	-	4,012
Depreciation	-	-	-	-	615	-	615
<b>Total expenses</b>	<b>\$ -</b>	<b>\$ 363,362</b>	<b>\$ 344,799</b>	<b>\$ 151,365</b>	<b>\$ 47,820</b>	<b>\$ 4,750</b>	<b>\$ 912,096</b>

See accompanying notes to the financial statements.

**SAN JUAN COUNTY PARTNERSHIP, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Program Expenses</b>				<b>Support Services</b>		<b>Total</b>
	<b>21st Century Learning</b>	<b>Substance Abuse Prevention</b>	<b>Housing Assistance</b>	<b>Community Prevention &amp; Wellness</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 155	\$ -	\$ 155
Communication	-	4,501	2,888	2,054	941	-	10,384
Employee benefits	121	10,682	436	1,543	9	-	12,791
Insurance	4,597	8,944	4,607	1,781	2,937	-	22,866
Maintenance & repairs	-	-	-	-	-	-	0
Other	-	-	-	-	-	-	0
Payroll taxes	20,922	19,120	9,584	6,423	1,104	-	57,153
Postage	-	895	167	119	742	8	1,931
Professional services	-	65,228	2,050	25,000	10,268	-	102,546
Program expenses	41,731	91,279	232,494	9,040	3,713	237	378,494
Rent	-	25,815	245	1,114	5,724	-	32,898
Salaries and wages	174,414	199,524	96,418	73,324	5,703	-	549,383
Supplies	996	2,546	1,940	3,379	1,037	1,960	11,858
Training	-	367	-	-	-	-	367
Travel	668	5,615	395	2,468	756	-	9,902
Vehicle expense	-	2,390	182	638	298	-	3,508
Depreciation	-	-	-	-	1,053	-	1,053
<b>Total expenses</b>	<b>\$ 243,449</b>	<b>\$ 436,906</b>	<b>\$ 351,406</b>	<b>\$ 126,883</b>	<b>\$ 34,440</b>	<b>\$ 2,205</b>	<b>\$ 1,195,289</b>

See accompanying notes to the financial statements.



**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016 (as reissued)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (31,043)	\$ (28,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	616	1,052
Loss on disposal of property and equipment	722	-
(Increase) decrease in operating assets:		
Contracts receivable	67,993	43,655
Prepaid expenses	447	(3,097)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,948)	(14,995)
Accrued expenses	(2,743)	(5,281)
Accrued compensated absences	4,360	(4,768)
Unearned revenue	3,000	(52,224)
Net cash provided (used) by operating activities	39,404	(64,568)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-	-
Net cash provided (used) by investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on debt	-	-
Net cash provided (used) by financing activities	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	39,404	(64,568)
<b>Cash and cash equivalents, beginning of period</b>	88,645	153,213
<b>Cash and cash equivalents, end of period</b>	\$ 128,049	\$ 88,645
Supplemental disclosure cash flow information:		
Cash paid for interest	\$ 367	\$ -

See accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Purpose of the Organization

San Juan County Partnership, Inc. (the Organization) is a 501(c)(3) non-profit corporation which was incorporated under the laws of the State of New Mexico in 1933. The Organization provides a complete range of health and welfare services to the community of San Juan County, New Mexico. The Organization is comprised of a primary office in Farmington, New Mexico. The services provided by the Organization are funded by grants and contracts from the various Federal, state, and local sources. The Organization is controlled by an elected Board of Directors as identified in the accompanying roster.

#### Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than when received, and expenses are recognized when the related liability is incurred rather than when paid.

#### Basis of Presentation

Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows. As permitted by the statement, the Organization does not use fund accounting and only has unrestricted net assets.

#### Program Services

San Juan County Partnership, Inc. conducts the following programs:

21st Century Learning – This program offers after school enrichment programs to include study skills, parental involvement, coordinate resources at each school, perform program evaluation and prepare performance data, and attend all required meetings by the New Mexico Public Education Department. Funding is provided by the U.S. Department of Education. This program ended at the completion of the 2016 fiscal year.

Substance Abuse Prevention – This program provides a wide diversity of individual programs that prevent, reduce, and remediate drug and alcohol related behaviors in the community. Activities include, but are not limited to, designing and implementing prevention programs, policy development, public presentations, and monitoring program results and outcomes. Some of the individual programs include Office of Substance Abuse Prevention, Drug Free Communities, and local underage substance abuse prevention programs. Funding is provided by Federal, state and local sources.

1. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Program Services (Continued)

Housing Assistance – This program includes payments for eligible homeless individuals or those at imminent risk of homelessness for assistance with housing and utility charges. Funding is provided from the U.S. Department of Housing and Urban Development, and New Mexico Mortgage Finance Authority.

Community Prevention & Wellness – This program provides coordination of community health activities including development and participation in the Community Health Council, AmeriCorps, and assessment and planning. Funding is provided by Federal, State and local sources.

Cash and Cash Equivalents

Cash and cash equivalents include all monies held at financial institutions, including savings accounts and money markets. As of June 30, 2017 and 2016, cash and cash equivalent accounts were insured by FDIC insurance. These balances have not exceeded insured limits of the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk. For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

San Juan County Partnership, Inc.'s policy is to capitalize all disbursements for fixed assets in excess of \$1,500. Individual items with a cost of less than \$1,500 are expensed in the year of acquisition. Donations of property and equipment are recorded at their estimated fair market value at the time of donation. Improvements are capitalized while expenditures for maintenance and repair are charged to operations when incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statement of Activities.

Depreciation

Property and equipment are stated at cost. Depreciation of property and equipment is provided over the estimated lives of the respective assets using the straight-line method. The lives of assets are five to seven years.

Net Assets

*Unrestricted net assets* represent unrestricted resources available to support The Organization's operations. All of the Organization's net assets are classified as unrestricted.

*Temporarily restricted net assets* represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. The Organization has no net assets classified as temporarily restricted net assets at this time.

1. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Net Assets (Continued)

*Permanently restricted net assets* represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization has no net assets classified as permanently restricted net assets at this time.

Contract Services

San Juan County Partnership, Inc. received approximately 98 percent of its total revenues from contracts with Federal and state agencies.

Allowance for Doubtful Accounts

It is the opinion of management that contracts receivable are fully collectible and that an allowance for doubtful accounts is not necessary.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated to programs based on the allowable program's administrative purpose, not the allocable benefit of that cost to the program served.

Income Taxes

San Juan County Partnership, Inc. is exempt from Federal income taxes under the Internal Revenue Code Section 501(c)(3) and files an annual information return (Form 990) with the Internal Revenue Service and copies of Form 990 with states in which the Organization is registered, as required. San Juan County Partnership, Inc. has received a ruling from the Internal Revenue Service that it is not a private foundation under Section 509(a) of the Internal Revenue Code. No provision for income taxes for unrelated business income was necessary for either of the years ended June 30, 2017 and 2016. The statute of limitations for examination of the Organization's returns expires three years from the due date of the return or the date filed, whichever is later. The Organization's returns for the years ended June 30, 2014 through 2016, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2017, will expire in February 2020.

Vacation and Sick Pay

It is the policy of San Juan County Partnership, Inc. to permit full time employees to begin to earn paid vacation on the first day of employment. Those employees who have completed initial eligibility up to three years may accrue up to 10 days (120 hours) of vacation which may be carried over into the next year. Three years to seven years accrue 15 days, seven to ten years accrue 20 days, ten to fifteen years accrue 25 days, and fifteen plus years accrue 30 days. Employees may not accrue more than 30 days of leave in any year.

1. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Vacation and Sick Pay (Continued)

Upon termination of employment, only employees who have worked for San Juan County Partnership, Inc., who provided a minimum of a two week (10 working days) written notice will be eligible to receive payment for up to 30 days of accrued vacation time. A liability of \$25,170 at June 30, 2017 and \$20,810 at June 30, 2016 has been accrued to represent the Organization's commitment to fund such costs. Sick pay does not vest to employees upon separation.

Use of Estimates

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include the useful lives of property and equipment, determinations of current and non-current portions of accrued leave, and allowances for doubtful accounts. Accordingly, actual results could differ from those estimates.

2. **CONTRACTS RECEIVABLE**

The details of contracts receivable at June 30, 2017 and 2016 are presented below:

Payee	<u>2017</u>	<u>2016</u>
Department of Health and Human Services	\$ 19,595	\$ 12,896
Department of Housing and Urban Development	25,915	32,065
Healthy Native Communities	-	10,997
Indian Health Services	-	16,143
New Mexico Department of Health	4,334	15,000
New Mexico Mortgage Finance Authority	7,862	6,872
State of New Mexico - DFA	-	35,911
Tse Da Kaan Chapter	6,118	6,833
United Behavioral Health	9,399	-
Other	3,448	7,947
Total	<u>\$ 76,671</u>	<u>\$ 144,664</u>

**3. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2017 and 2016:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets used in governmental activities:				
Furniture, fixtures, and equipment	18,923	-	(5,507)	13,416
Vehicles	45,824	-	-	45,824
Total capital assets being depreciated	<u>64,747</u>	<u>-</u>	<u>(5,507)</u>	<u>59,240</u>
Less accumulated depreciation:				
Furniture, fixtures, and equipment	17,198	616	(4,784)	13,029
Vehicles	45,824	-	-	45,824
Total accumulated depreciation	<u>63,022</u>	<u>616</u>	<u>(4,784)</u>	<u>58,853</u>
Total capital assets, net of depreciation	<u>\$ 1,725</u>	<u>\$ (616)</u>	<u>\$ (722)</u>	<u>\$ 387</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$616 and \$1,053, respectively.

**4. UNEARNED REVENUE**

Unearned revenue of \$5,000 was recorded in the current year. These funds were received from Childhaven, and were to be used for the Underage Drinking Youth Coalition expenses which were not covered by the STOP grant. These funds will be used in the 2017-2018 fiscal year. Unearned revenue of \$2,000 was recorded as a current liability as of June 30, 2016. This amount was from the New Mexico Coalition to End Homelessness (NMCEH). These funds were used in the current fiscal year.

**5. CONCENTRATION OF CREDIT RISK**

San Juan County Partnership, Inc. maintains its cash in one financial institution in Farmington, NM and one brokerage account. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000. The cash balances, at times, may exceed Federal insured limits. At June 30, 2017 and 2016, the Organization's deposits were fully insured.

The ability to collect receivables resulting from services provided is affected by general economic conditions in the State of New Mexico. Concentrations of credit risk with respect to receivables results from funding agencies accepting or rejecting claims for services provided. Contracts with Federal and state agencies account for 98 percent of its total revenues. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk

**6. CONTINGENCIES**

The Organization receives financial assistance from Federal and state sources in the form of grants. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The Federal and state agencies reserve the right to review the scope of the audit and conduct a follow-up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of San Juan County Partnership, Inc.. The amount, if any, of revenues or expenses which may be disallowed by the contracting agency cannot be determined at this time, although San Juan County Partnership, Inc. expects such amounts, if any, to be insignificant.

**7. OPERATING LEASE**

San Juan County Partnership, Inc. has entered into a lease agreement with San Juan College for the use and occupancy of office space used as their administrative and program headquarters. The lease terms provide for renewal each year. For the years ended June 30, 2017 and 2016, the annual fair market rental value of the office is estimated at \$32,898, and is recorded as an expense. For the years ended June 30, 2017 and 2016, rental expenses were \$32,898 and \$32,898, respectively. The Organization also recorded \$20,224 in in-kind rent revenue in each year.

**8. RETIREMENT PLAN**

During the years ended June 30, 2017 and 2016, San Juan County Partnership, Inc. sponsored a defined contribution retirement plan. The Organization adopted a simplified employee pension-individual retirement plan (SEP) in 2011. The plan requires the Organization to contribute 1% of employee gross wages to eligible employees who have performed services in at least the previous 90 days up to the maximum legal limit. Contributions vest to the employee immediately upon contribution. For fiscal years ended June 30, 2017 and 2016 there were employer contributions made for eligible participants of the SEP Plan in the amounts of \$1,539 and \$1,586, respectively. At year-end for 2017 and 2016, there were 3 employees contributing to the plan.

**9. EVALUATION OF SUBSEQUENT EVENTS**

San Juan County Partnership, Inc. has evaluated subsequent events through January 10, 2018, the date which the financial statements were available to be issued.

San Juan County Partnership, Inc. has determined that there are no subsequent events requiring disclosure.

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**COMPLIANCE SECTION**



# Manning Accounting and Consulting Services, LLC

## INDEPENDENT AUDITOR'S 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*

To the Board of Directors of  
San Juan County Partnership, Inc.  
Farmington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Juan County Partnership, Inc. (a New Mexico nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of San Juan County Partnership, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (FS 2017-001)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

### **San Juan County Partnership, Inc.'s Response to Findings**

San Juan County Partnership, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
January 10, 2018

**SAN JUAN COUNTY PARTNERSHIP, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section I – Summary of Audit Results**

*Financial Statements:*

- |   |            |
|---|------------|
| 1. Type of auditor's report issued  | Unmodified |
| 2. Internal control over financial reporting:                                     |            |
| a. Material weakness identified?  | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses?  | Yes        |
| c. Control deficiencies identified not considered to be significant deficiencies? | None noted |

**SAN JUAN COUNTY PARTNERSHIP, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings**

**FS 2017-001 – I-9 Documentation and Other Payroll Related Issues (Significant Deficiency)**

***Criteria: Immigration Reform and Control Act of 1986:***

Federal law and good accounting practices state that an entity should maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal form I-9 for citizenship certification), Federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, and direct deposit authorizations.

All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form. On the form, an employee must attest to his or her employment authorization. The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization. The employer must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and to relate to the employee and record the document information on the Form I-9. Employers must retain Form I-9 for a designated period and make it available for inspection by authorized government officers. NOTE: State agencies may use Form I-9.

***Condition:*** During our review of payroll we noted the following instances in which proper procedures were not followed:

- In 8 of 12 employee files reviewed the employer portion of the I-9 was either not filled out or was filled out incorrectly.
- In 2 of 12 employees reviewed the Organization did not have a copy of the I-9 in the employee's file.
- There are no employee contracts or other documentation which detail the hourly or salaried rates of employees as such it is difficult to independently verify that employees are being paid at a proper rate.
- There are no retirement or insurance election forms in the employee files which would verify employee withholdings have been authorized by the employee and are being withheld at the proper rates.

***Cause:*** Federal and good accounting practices are not being followed or reviewed to ensure proper execution.

***Effect:*** The Organization is in a violation of the Immigration Reform and Control Act of 1986.

***Auditor's Recommendation:*** We recommend that the Organization follow the corrective action plan set forth in the Immigration Reform and control Act of 1986 and request that the employee complete section 1 of the Form I-9 immediately and submit documentation as required in Section 2. The new form should be dated when completed - never postdated. When an employee does not provide acceptable documentation, the employer must terminate employment or risk being subject to penalties for "knowingly" continuing to employ an unauthorized worker if the individual is not in fact authorized to work. Additionally, the Organization should take steps to ensure there is documentation in the employee file that describes the salary or hourly rate of its employees and get signed authorization from employees for any amounts withheld from the employee's pay.

**SAN JUAN COUNTY PARTNERSHIP, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings (Continued)**

**FS 2017-001 – I-9 Documentation and Other Payroll Related Issues (Significant Deficiency)**  
**Continued**

*Responsible Official's Plan:*

- Specific corrective action plan for finding:  
**New I-9 forms will be issued to every employee to be completed in full by employees and employer with supporting documentation. Written documentation will be completed for each employee's file including rate of pay and payroll deductions, signed by each employee.**
  
- Timeline for completion of corrective action plan:  
**All forms and documentation will be completed and in file by Jan. 31, 2018.**
  
- Employee position(s) responsible for meeting the timeline:  
**Executive Director**

**SAN JUAN COUNTY PARTNERSHIP, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section III – Prior Year Audit Findings**

**Financial Section Findings**

2015-001 – Reconciliation of General Ledger Accounts – Resolved