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**INTERTRIBAL
CEREMONIAL OFFICE**

**FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT**

JUNE 30, 2018

Accounting • Business Consultation • Auditing & Assurance

INTERTRIBAL CEREMONIAL OFFICE

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INTERTRIBAL CEREMONIAL OFFICE

Official Roster

Rebecca Latham, Cabinet Secretary, New Mexico Tourism Department

Isabel Lopez, ASD Deputy Director, New Mexico Tourism Department

FINANCIAL SECTION



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Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the Intertribal Ceremonial Office (the Office) of the State of New Mexico as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Office as of June 30, 2018, the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2018, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico

October 23, 2018

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

The State of New Mexico Intertribal Ceremonial Office (the Office) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Office's financial activity, identify changes in the Office's financial position (ability to address future year challenges), identify any material deviations from the financial plan and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts. Please read it in conjunction with the Office's financial statements and notes which follow this section.

Overview of the Financial Statements

This annual report consists of three parts: 1) management's discussion and analysis, 2) the basic financial statements and 3) notes to financial statements.

The basic financial statements include two kinds of statements that provide different views of the Office. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Office's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Office's operations in more detail than the government-wide statements. Due to the nature of the Office, there were no differences between the government-wide and fund financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The MD&A should provide an objective and easily readable analysis of the government's financial activities, based on currently known facts, decisions or conditions. It should provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Government-wide Financial Statements. The Statement of Net Position shows the Office's overall financial position as of June 30, 2018. This financial statement is comparable to the balance sheet in a private sector entity's set of financial statements. A Statement of Net Position differs from a balance sheet in several ways, but there is one main difference. The Office is a government agency and a trustee of public assets rather than a company with shareholders or owners. In a private sector balance sheet, the surplus (or deficit) of assets compared to liabilities is the owners' equity. In governmental financial statements, this excess is labeled net position.

The next government-wide statement is the Statement of Activities. This statement provides information about revenue and expenditure activity throughout the course of fiscal year 2018. The statement provides the net position balance at the beginning of the year and the balance at the end of the year. The difference between revenue and expenditure amounts provides for the change in net position.

The remaining financial statements report the Office's operations in greater detail than the government-wide statements.

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

Fund Financial Statements. The fund financial statements provide more detailed information about the Office's most significant funds. Funds are accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

The Office has one fund type:

Governmental Funds - All of the Office's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash, flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

Financial Analysis of the Office as a Whole

Net Position: Total Office net position for fiscal year ended June 30, 2018 is \$31,740. The assets are restricted as to the purposes they can be used for.

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>
Assets:			
Current ar	<u>\$ 31,740</u>	<u>\$ 4,125</u>	<u>\$ 27,615</u>
Total Assets	<u><u>\$ 31,740</u></u>	<u><u>\$ 4,125</u></u>	<u><u>\$ 27,615</u></u>
Total Liabilities	-	-	-
Net Position:			
Restricted	<u>31,740</u>	<u>4,125</u>	<u>27,615</u>
Total Net Position	<u><u>\$ 31,740</u></u>	<u><u>\$ 4,125</u></u>	<u><u>\$ 27,615</u></u>
Total Liabilities and Net Position	<u><u>\$ 31,740</u></u>	<u><u>\$ 4,125</u></u>	<u><u>\$ 27,615</u></u>

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

The Office's total net position is comprised of \$31,740 in current assets (cash). Change in net position from the previous fiscal year is due to a multi-year special appropriation of \$27,000. The Office did not carry any liabilities as of June 30, 2018.

Governmental Activities: The table below summarizes the Office's activities for the fiscal years ended June 30, 2018 and 2017.

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Amount Change</u>	<u>Total % Change</u>
General Revenues and Transfers	<u>\$ 77,000</u>	<u>\$ 77,100</u>	<u>\$ (100)</u>	0%
Total Revenues	77,000	77,100	(100)	0%
Expenses	<u>(49,385)</u>	<u>(77,100)</u>	<u>27,715</u>	-36%
CHANGE IN NET POSITION	27,615	-	27,615	
Net Position - Beginning	<u>4,125</u>	<u>4,125</u>	<u>-</u>	0%
NET POSITION - ENDING	<u>\$ 31,740</u>	<u>\$ 4,125</u>	<u>\$ 27,615</u>	669%

The Office is responsible for the management of one individual fund account, the General Fund.

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

Budgets, Revenue and Expenditure

General Fund: For fiscal year 2018, the Office received an appropriation in the amount of \$50,000 and had operating expenditures of \$49,385. The Office also received a multi-year Special appropriation in the amount of \$27,000 available through June 30, 2019.

Capital Asset and Long-term Debt Activity

Capital Assets The Office did not hold any capital assets at June 30, 2018.

Long-term Debt: The Office does not hold any long-term debt and also had no long-term liabilities.

Anticipated Future Conditions and Changes

The Office has changed to a Governmental Services Agreement with McKinley County to ensure the proper administration of the Gallup Intertribal Ceremonial Event is fiscal year 2019.

Contacting the Office Financial Management

The Office's financial statements are designed to provide our constituents and stakeholders with a general overview of the Office's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the New Mexico Tourism Department, 491 Old Santa Fe Trail, Santa Fe, New Mexico 87501.

BASIC FINANCIAL STATEMENTS

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF NET POSITION
June 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current	
State General Fund Investment Pool	\$ <u>31,740</u>
Total assets	<u>\$ 31,740</u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET POSITION	
Restricted	<u>31,740</u>
Total net position	<u>31,740</u>
Total liabilities and net position	<u>\$ 31,740</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018**

	<u>Governmental Activities</u>
EXPENSES	
Culture and Recreation	\$ 45,200
Other Expenses	<u>4,185</u>
Total program expense	49,385
General Revenues	
Transfers:	
State General Fund appropriation FY 18	50,000
State General Fund Special appropriation, FY18 & FY19	<u>27,000</u>
Total net transfers	<u>77,000</u>
Change in net position	27,615
Net position, beginning	<u>4,125</u>
Net position, ending	<u><u>\$ 31,740</u></u>

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year Ended June 30, 2018

	(82900) General Fund
	<u> </u>
EXPENDITURES	
Current	
Culture and Recreation	\$ 45,200
Other Expenses	<u> 4,185</u>
Total expenditures	<u> 49,385</u>
 OTHER FINANCING SOURCES (USES)	
State general fund appropriation	50,000
State general Fund Special appropriation, (FY18 & FY19)	<u>27,000</u>
Net other financing sources (uses)	<u>77,000</u>
 Net change in fund balance	 27,615
 Fund balance, beginning	 <u>4,125</u>
 Fund balance, ending	 <u><u>\$ 31,740</u></u>

The Notes to the Financial Statements are an integral part of this statement.

INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MAJOR GOVERNMENT FUND
BUDGET AND ACTUAL (Budgetary Basis) GENERAL FUND (82900)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government				
Contractual services	\$ 50,000	\$ 50,000	\$ 49,385	\$ 615
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>49,385</u>	<u>615</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	50,000	50,000	50,000	-
Net interagency transfers and financial sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Subtotal change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 615</u>
EXPENDITURES (Multi-Year Special Appropriation)				
Contractual Services	27,000	27,000	-	27,000
	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
OTHER FINANCING SOURCES (uses)				
State General Fund Appropriation	27,000	27,000	27,000	-
	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>-</u>
Subtotal - Change in Fund Balance	<u>-</u>	<u>-</u>	<u>27,000</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,615</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. DEFINITION OF REPORTING ENTITY

The State of New Mexico Intertribal Ceremonial Office (the Office) was created by Chapter 9 Arrival 15C NMSA 1978. The Office is administratively attached to the New Mexico Tourism Department. The purpose of the office is to:

- Administer an annual intertribal ceremonial event;
- Cooperate with and assist public and private entities that seek to promote recognition of ceremonies significant to Indian tribes and pueblos;
- Function as the coordinating office for all services and activities pertaining to the intertribal ceremonial event;
- Adopt rules in accordance with the State Rules Act (14-4-1 NMSA 1978) to carry out the duties of the office;
- Accept gifts, donations, bequests, and devises from any source to be used to carry out its duties;
- Enter into contracts.

The Intertribal Ceremonial Board (the Board) is created by NMSA Section 9-15C-3(E). The Board shall consist of eight members, including the director, who shall serve ex officio; the secretary of the New Mexico Tourism Department or the secretary's designated representative; and six members appointed by the Governor, who shall serve terms of five years each, provided that the Governor's first appointments shall be made of two board members for one-year terms, two for two years terms, one for a three year term, and one for a four year term. All intertribal ceremonial board members shall be bona fide residents of the state, and at least a majority of the members shall be Native Americans. A board member shall not be removed during the term of office except for cause, following notice and opportunity for a hearing.

The director of the Intertribal Ceremonial Office is appointed by the Governor of the State of New Mexico. The director serves at the pleasure of the Governor. The director shall hire and terminate other necessary employees, who shall be subject to the provisions of the Personnel Act 10-9-1 NMSA 1978. For the year ended June 30, 2018, the Office did not have a director or any employees.

The annual Intertribal Ceremonial event is administered, promoted, and produced with the assistance of McKinley County, the Office, the Governor's Ceremonial Board and the New Mexico Tourism Department.

The accounting policies of the Office conform to generally accepted accounting principles as applicable to governmental units.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Office have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Use of Estimates in Preparing 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity. The financial reporting entity as defined by GASB Statement 14 (amended by GASB 39 and 61) consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." The primary government is any state government or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Office, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State.

The Office is a "department" of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. The Office does not have any component units.

Government-Wide and Fund Financial Statements. The basic financial statements include both government-wide (based on the Office as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Position, the governmental activities are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Office did not have any long-term assets or receivables or long-term debt and obligations as of June 30, 2018.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued). The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. The program revenues, operating and capital grants. The program revenues must be directly associated with function. The Office includes only one function, culture and recreation.

The net cost, by function, is normally covered by general revenues (intergovernmental revenues or other revenue, etc.) The Office does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Office as an entity and the change in aggregate financial net position resulting from the activities of the current fiscal period.

Basic Financial Statements – Fund Financial Statements. The emphasis in fund financial statements is on the General Fund. The General Fund is required to be a major fund, and the general fund is the only fund utilized by the Office. The Office has no fiduciary funds or component units similar to fiduciary funds, but if the Office did, they would not be included in the government-wide financial statements.

The governmental fund statements are presented on a current financial resources and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Office's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities' column on the governmental-wide presentation. For fiscal year ended June 30, 2018, the Office had no reconciling items; therefore, reconciliations were not presented.

Basis of Presentation – Fund Accounting. The financial transactions of the Office are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses.

Governmental Funds. The focus of governmental funds; measurement (in fund statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the only Governmental Fund of the Office.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued).

General Fund – The General Fund (SHARE Fund 82900) is the general operating fund of the Office and is used to account for all financial resources except those required to be accounted for in another fund. The fund was created by New Mexico State Statute 9-15C-4. Money appropriated to the fund or accruing to it through sales, gifts, grants, fees, penalties, bequests, or any other source shall be delivered to the state treasurer and deposited in the fund. Money in the fund is appropriated to the Office for the purpose of carrying out the intertribal ceremonial event. Money in the fund at the end of any fiscal year shall not revert. Interest and earnings from the fund shall be credited to the fund. Disbursements from the fund shall be made on warrant drawn by the secretary of finance and administration pursuant to vouchers signed by the director or the director's authorized representative.

Measurement Focus and Basis of Accounting. Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-Wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, normally within 60 days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Budgets and Budgetary Accounting. The State Legislature makes annual appropriations to the Office's General Fund. Legal compliance is monitored through the establishment of a budget and a financial control system that permits a budget to actual expenditure comparison.

Expenditures by category may not legally exceed appropriations. Budgeted line-item classifications may be amended upon approval from the State Budget Division. The basis of accounting for the budget, as appropriated by the State Legislature and approved by the State Budget Division, differs from the basis of accounting required by GAAP.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Per the General Appropriation Act, Laws of 2017, Chapter 135, Section 3, item K, “For the purpose of administering the General Appropriation Act of 2017 and approving operation budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at the year-end. Appropriation periods are sometimes for periods in excess of 12 months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed. There are no encumbrances outstanding at year-end.

The Office follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than September 1, the Office submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and account based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effecting on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

Cash and Cash Equivalents. The Office has defined cash and cash equivalents to include investments with the State Treasurer General Fund Investment Pool. All cash is monitored by the State Treasurer. See Note 3 for additional investment disclosure.

Capital Assets. The Office has no capital assets.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact

Restricted – Amounts that can be spent only for specific purposes where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State.

Assigned – Amounts that are constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

Unassigned – All amounts not included in other spendable classifications.

As of June 30, 2018, the General Fund (82900) had a fund balance of \$31,740 which has been classified as restricted. The purpose of the fund is to ensure the proper administration of the Gallup Intertribal Ceremonial Event.

Use of Restricted Resources. When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2018.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position. The government-wide statements utilize a new position presentation categorized as follows:

Net investment in capital assets – This category reflects the portion of net position that are associated with capital assets less outstanding capital assets related debt.

Restricted net position – For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation. As of June 30, 2018, the restricted balance was \$31,740

Unrestricted net position – This category reflects net position of the Office not restricted for any project or other purpose.

NOTE 3. STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP. The STO maintains their investments at fair value.

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its fourth year. This process has been reviewed multiple times by the IPA's during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

Interest Rate Risk. The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. STATE GENERAL FUND INVESTMENT (CONTINUED)

Credit Risk. The New Mexico State Treasurer pools are not rated.

Pledged Collateral (Custodial Credit Risk). In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

The New Mexico State Treasurer's Office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer's Office issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Office.

For additional disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

NOTE 4. RISK MANAGEMENT

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes public liability, property, workers compensation, surety bond unemployment compensation, and group health insurance. These coverages are designed to satisfy the requirements of the State Tort Claims Act. The maximum limits provided by the Tort Claims Act are \$1,050,000 per occurrence.

The Department had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2018, 2017 and 2016, there were no settlements that exceeded insurance coverage.

NOTE 5. MEMORANDUM OF UNDERSTANDING

A memorandum of understanding (MOU) was entered into during the fiscal year and expired on June 30, 2018 by the New Mexico Tourism Department (NMTD) and McKinley County (County) to ensure the proper administration of Gallup Intertribal Ceremonial event and establish the roles of NMTD and the County with regard to the event.

INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6. OTHER FINANCING SOURCES

The following is a summary of other financing sources for the Intertribal Ceremonial Office:

Transfers in from Other State Agencies – Governmental Funds.

	<u>To</u>	<u>From</u>	<u>Purpose</u>
Dept. of Finance and Administration (Fund #85300)	\$	\$ 77,000	General Appropriations
General Fund (Fund #82900)	\$ 77,000		

NOTE 7. SPECIAL APPROPRIATION

Laws of 2018, Ch. 73, sec. 5, item #68 indicates a special appropriation in the amount of \$27,000 for operational cost. This appropriation expires June 30, 2019. As of June 30, 2018, none of the Special appropriation had been expended or encumbered.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 23, 2018, the date at which the financials were available to be issued for the year ended June 30, 2018.

COMPLIANCE



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Service plus value, it all adds up.

**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***

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
Ms. Rebecca Latham, Cabinet Secretary
New Mexico Tourism Department

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 the governmental activities, the general fund, and the budgetary comparisons of the general fund, of the Intertribal Ceremonial Office (the Office), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

The Department's Responses to Findings

The Office's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Office's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Ricci & Company, LLC
Albuquerque, New
Mexico October 23, 2018

**INTERTRIBAL CEREMONIAL OFFICE
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018**

SECTION 1 – FINANCIAL STATEMENT FINDINGS

Finding 2018-001 [2014-001] Noncompliance with State Statute (Compliance and Other Matters) - Repeated and Modified

Condition: During the audit, it was determined that the Office does not have a functioning board to provide oversight, as required by statute.

Management's Progress for Repeat Findings: Management has been working with the Legislative Finance Committee to bring up legislation in the 2019 legislative session to address the Office's operating requirements.

Criteria: Per Section 9-15C-3 NMSA 1978, the Intertribal Ceremonial Board (the Board) was created and was required to consist of eight members, including the director who shall serve ex officio, the Secretary of the New Mexico Tourism Department or the Secretary's designated representative; and six members appointed by the Governor, who shall serve terms of five years each, provided that the Governor's first appointments shall be made of two board members for one-year terms, two for two- year terms, one for a three-year term and one for a four-year term. All Board members shall be bona fide residents of the state, and at least a majority of the members shall be Native American.

Cause: The Office does not have any employees. The current structure of the Office differs from the intent set forth in the legislation, and a memorandum of understanding has transferred operations and much of the administration of the annual Intertribal Ceremonial event to McKinley County.

Effect: Non-compliance with Section 9-15C-3 NMSA 1978.

Recommendation: We recommend that the management of the New Mexico Tourism Department, to which the Office is administratively attached, work closely with the Governor's staff and members of the State Legislature to determine whether the Board should be reinstated or whether future legislation should be written to no longer require that the Board exist.

Management's Response: Management acknowledges the recommendation and is seeking a resolution. The ASD Deputy Director is working closely with the Cabinet Secretary to introduce a resolution regarding the Office's Board.

Timeline to correct: Upcoming Legislative session.

Responsible official: ASD Deputy Director.

**INTERTRIBAL CEREMONIAL OFFICE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2018**

SECTION 2 – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- **Finding 2017-001 [2014-001] Noncompliance with State Statute (Compliance and Other Matters) – Repeated and Modified**

**INTERTRIBAL CEREMONIAL OFFICE
EXIT CONFERENCE
Year Ended June 30, 2018**

EXIT CONFERENCE

An exit conference was held on October 22, 2018, to discuss the annual financial report. Attending were the following:

Representing the Intertribal Ceremonial Office:

Rebecca Latham, Cabinet Secretary, New Mexico Tourism Department
Isabel Lopez, Deputy Director, Administrative Services Division, New Mexico
Tourism Department

Representing Ricci & Company LLC:

Mark Santiago, CPA, Audit Senior Manager

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company LLC from the books and records of the Intertribal Ceremonial Office. The financial statements and related footnotes remain the responsibility of management.