

STATE OF NEW MEXICO
INTERTRIBAL CEREMONIAL OFFICE
Santa Fe, New Mexico

FINANCIAL STATEMENTS
June 30, 2012

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**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
OFFICIAL ROSTER
June 30, 2012**

Monique Jacobson, Cabinet Secretary

Isabel Duran, ASD Deputy Director

Richard Pickering, ASD Director



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Independent Auditors' Report

To the Board Members of
State of New Mexico
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the State of New Mexico Intertribal Ceremonial Office (the Office) as of and for the year ended June 30, 2012, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Office are intended to present the financial position, and the changes in financial position, of only that portion of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information 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 State of New Mexico as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Office as of June 30, 2012, and the respective changes in the financial position thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 14, 2012

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 Assets shows the Office's overall financial position as of June 30, 2012. This financial statement is comparable to the balance sheet in a private sector entity's set of financial statements. A Statement of Net Assets 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 assets.

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 2012. The statement provides the net asset 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 assets.

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

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 - Most 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 Assets: Total Office net assets for fiscal year ended June 30, 2012 are \$3,007. The assets are restricted as to the purposes they can be used for.

**Table A-1
The Office's Net Assets**

	<u>FY 2012</u>	<u>FY2011</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and other assets	\$ 3,007	\$ 3,007	\$ -	0%
Total assets	<u>\$ 3,007</u>	<u>\$ 3,007</u>	<u>\$ -</u>	0%
Liabilities:				
Current liabilities	\$ -	\$ -	\$ -	0%
Total liabilities	-	-	-	0%
Net assets:				
Restricted	<u>3,007</u>	<u>3,007</u>	<u>-</u>	0%
Total net assets	<u>3,007</u>	<u>3,007</u>	<u>-</u>	0%
Total liabilities and net assets	<u>\$ 3,007</u>	<u>\$ 3,007</u>	<u>\$ -</u>	0%

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

The Office's total assets are comprised of \$3,007 in current and other assets. There was no change in total assets from the previous fiscal year. The Office did not carry any current or non-current liabilities as of June 30, 2012.

Governmental Activities: The table below summarizes the Office's activities for the fiscal years ended June 30, 2012 and 2011. There was no change in net assets from the previous fiscal year.

**Table A-2
The Office's Activities**

	<u>FY 2012</u>	<u>FY2011</u>	<u>Amount Change</u>	<u>Total % Change</u>
General revenues and transfers	\$ 30,000	\$ 84,828	\$ (54,828)	-65%
Total assets	30,000	84,828	(54,828)	-65%
Expenses	(30,000)	(84,800)	54,800	-65%
Change in net assets	-	28	(28)	-100%
Net assets, beginning	3,007	2,979	28	1%
Net assets, ending	\$ 3,007	\$ 3,007	\$ -	0%

Information on Individual Fund

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

Budgets, Revenue and Expenditures

General Fund: For FY 2012, State General Fund appropriations of \$30,000 equaled budgeted appropriations. Total expenditures were \$30,000, within budget due to proper budgeting throughout the year.

Capital Asset and Long-term Debt Activity

Capital Assets: The Office did not hold any capital assets at June 30, 2012.

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

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Anticipated Future Conditions and Changes

The Office has entered into a Memorandum of Understanding with McKinley County to ensure the proper administration of the Gallup Intertribal Ceremonial.

Contacting the Office's 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 questions about this report or need additional information, contact the New Mexico Tourism Department, 491 Old Santa Fe Trail, Santa Fe, New Mexico 87501.

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF NET ASSETS
BUDGET AND ACTUAL (BUDGETARY BASIS)**

	<u>Governmental Activities</u>
ASSETS	
Current:	
Investment in state general fund investment pool	\$ <u>3,007</u>
TOTAL ASSETS	\$ <u><u>3,007</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	<u>\$ -</u>
NET ASSETS	
Restricted	<u>3,007</u>
Total net assets	<u>3,007</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>3,007</u></u>

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

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF ACTIVITIES
BUDGET AND ACTUAL (BUDGETARY BASIS)**

	Governmental Activities
EXPENSES	
Culture and recreation	\$ 25,452
Other expenses	4,548
Total program expenses	30,000
GENERAL REVENUES AND TRANSFERS	
State general fund appropriation	30,000
Total general revenues and transfers	30,000
CHANGE IN NET ASSETS	-
NET ASSETS, BEGINNING OF YEAR	3,007
NET ASSETS, END OF YEAR	\$ 3,007

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

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
BALANCE SHEET - GOVERNMENTAL FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)**

ASSETS

	<u>General Fund</u>
Investment in state general fund investment pool	\$ <u>3,007</u>
TOTAL ASSETS	<u><u>3,007</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES	\$ <u>-</u>
FUND BALANCES	
Restricted:	
Culture and recreation	<u>3,007</u>
Total fund balances	<u>3,007</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,007</u></u>

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

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2012**

	<u>General Fund</u>
REVENUES	
Miscellaneous	\$ -
Total revenues	<u>-</u>
EXPENDITURES	
Culture and recreation	25,452
Other expenses	<u>4,548</u>
Total expenditures	<u>30,000</u>
OTHER FINANCING SOURCES	
General fund appropriation	<u>30,000</u>
Total other financing sources	<u>30,000</u>
CHANGE IN FUND BALANCE	-
FUND BALANCE, BEGINNING OF YEAR	<u>3,007</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,007</u>

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

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2012**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General fund	30,000	30,000	30,000	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
EXPENDITURES				
Personal services/employee benefits	-	-	-	-
Contractual services	30,000	30,000	30,000	-
Other	-	-	-	-
Other financing uses	-	-	-	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

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

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - NATURE OF ORGANIZATION

The State of New Mexico Intertribal Ceremonial Office (the Office) was created by Chapter 9 Article 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;
- 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;
- Adopt rules in accordance with the State Rules Act (14-4-1 NMSA 1978) to carry out the duties of the office;
- Accept gifts, grants, donations, bequests and devises from any source to be used to carry out its duties;
- Enter into contracts; and

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, 2012, 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.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Office did not have any business-type activities during the year ended June 30, 2012. The more significant accounting policies established in GAAP and used by the Office are described below.

GASB 14/39 defines the financial reporting entity as consisting 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."

A 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 Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Office has prepared and issued its own audited financial statements.

Included within the Office for this purpose are the following: all of the programs that are administered and/or controlled by the Office have been included.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

No entities were noted that should be considered component units of the Office. No entities were specifically excluded from the Office because no entities were noted as meeting any of the criteria for potential inclusion.

Basic Financial Statements – Government-wide 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 either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and 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 business-type activities during the year ended June 30, 2012.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Office includes only one function, culture and recreation.

The net cost (by function or business-type activity) 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 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 major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. 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, 2012, the Office had no reconciling items; therefore, a reconciliation was not presented.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund accounts, which are on the fund financial statements, would have been eliminated in the government-wide financial statements if there were any.

Basis of Presentation

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 Fund Types. The focus of Governmental Fund measurement (in the Fund Financial 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.

The Office reports the following major governmental fund:

General Fund (82900) - The General Fund (the fund) is the general operating fund of the Office and is used to account for all financial resources not accounted for and reported 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. 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.

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. For fiscal year ended June 30, 2012, there were no differences between accrual and modified accrual.

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, which is considered within sixty 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.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Per the General Appropriation Act, Laws of 2010, Chapter 6, Section 3, item M, "For the purpose of administering the General Appropriation Act of 2008 and approving operating 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 twelve 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 is the appropriations level. 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.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
- 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 Office submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Office has no capital assets.

GASB Statement 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Office does not own any infrastructure assets.

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, 2012, the General Fund (82900) had a fund balance which has been classified as restricted. The purpose of the fund is to ensure the proper administration of the Gallup Intertribal Ceremonial.

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.

Expenditures are recognized when the related fund liability is incurred.

Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as invested in fixed assets, restricted and unrestricted.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Invested in Capital Assets - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Office did not have any related debt during the year ended June 30, 2012.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation or constitutional provisions. At fiscal year ended June 30, 2012, all net assets were restricted.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.” The Office had no unrestricted net assets at year end.

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

In June 2012, an independent expert diagnostic report revealed that the State General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration’s website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is, “Current State Diagnostic of Cash Control”.

The General Fund Investment Pool is the State of New Mexico’s main operating account. State revenues, such as income taxes, sales taxes, rents and royalties, and other recurring revenues, are credited to the State General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the State General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Office’s balances at the business unit/fund level is not possible. Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer’s Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State’s current SHARE system configuration, cash accounting policies and procedures, business practices and banking structure. It is the understanding of Management that these changes will allow for the completion of a timely and accurate reconciliation on a point-forward basis only. The scheduled

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED (CONTINUED)

implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled, “Cash Management Plan and Business Processes”. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration’s website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department’s balances within the State General Fund Investment Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

NOTE 4 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the Office had the following invested in the State General Fund Investment Pool:

	SHARE Fund Number	Balance, June 30, 2012
Operating Fund	82900	<u>\$ 3,007</u>

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 a 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.

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 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, 2012.

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Pledged Collateral (Custodial Credit Risk)

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an 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.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the New Mexico State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

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.

NOTE 5 – RISK MANAGEMENT

The Office 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 Office had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2012, 2011 and 2010, there were no settlements that exceeded insurance coverage.

NOTE 6 – MEMORANDUM OF UNDERSTANDING

A memorandum of understanding (MOU) was entered into on September 19, 2011 and expired on June 30, 2012 by the New Mexico Tourism Department (MNTD) and McKinley County (County) to ensure the proper administration of the Ceremonial and to establish the roles of the NMTD and the County with regard to the Ceremonial. The NMTD transferred \$25,452 from the Office fund to the County per the MOU to fund activities supporting the 2011 Ceremonial. The County is the designated fiscal agent the NMTD is the administering agency.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION



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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board Members of
State of New Mexico
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund and the budgetary comparison for the general fund of the State of New Mexico, Intertribal Ceremonial Office (the Office) as of and for the year ended June 30, 2012, which collectively comprise the Office's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our audit procedures 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 financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Office's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted no other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

This report is intended solely for the information and use of the Office's management, others within the Office, the State Auditor, the State of New Mexico Department of Finance and Administration and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 14, 2012

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

Section I – Financial Statement Findings

There were no findings for the year ended June 30, 2012.

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

Section I – Financial Statement Findings

There were no findings for the year ended June 30, 2011.

**STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE
EXIT CONFERENCE
June 30, 2012**

An exit conference was held with the Office on December 13, 2012. The conference was held in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE

Monique Jacobson, Cabinet Secretary, NMTD
Richard Pickering, Director, Administrative Services Division, NMTD
Isabel Duran, Deputy Director, Administrative Services Division, NMTD
Brian O'Neill, Program Director, NMTD
Lancing Adams, Financial Manager, NMTD
Ricky Bejarano, State Controller, DFA Deputy Cabinet Secretary

CLIFTON GUNDERSON LLP

Raul J. Anaya, CPA, CGFM, CFE, Senior Manager
Ryan Jones, CPA, Senior Associate
Carson Townsend, Associate

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report. Management reviewed and approved the financial statements.