

INTERTRIBAL CEREMONIAL OFFICE

FINANCIAL STATEMENTS

JUNE 30, 2016

**INTERTRIBAL CEREMONIAL OFFICE
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JUNE 30, 2016**

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**INTERTRIBAL CEREMONIAL OFFICE
OFFICIAL ROSTER
JUNE 30, 2016**

Rebecca Latham, Cabinet Secretary, New Mexico Tourism Department

Isabel Lopez, ASD Deputy Director, New Mexico Tourism Department



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INDEPENDENT AUDITORS' REPORT

Board Members
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the Intertribal Ceremonial Office (the Office), as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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 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.

Board Members
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

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.

Opinions

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 major fund of the Office as of June 30, 2016, and the respective changes in financial position and the budgetary comparison 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, 2016, 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 5 through 8 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Board Members
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 28, 2016

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 2016. 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.

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 - 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, 2016 is \$4,125. The assets are restricted as to the purposes they can be used for.

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

	FY 2016	FY 2015	Amount Change	Total % Change
Assets:				
Current and Other Assets	\$ 4,125	\$ 4,525	\$ (400)	-9%
Total Assets	<u>\$ 4,125</u>	<u>\$ 4,525</u>	<u>\$ (400)</u>	-9%
Total Liabilities	\$ -	\$ -	\$ -	N/A
Net Position:				
Restricted	<u>4,125</u>	<u>4,525</u>	<u>(400)</u>	-9%
Total Net Position	<u>4,125</u>	<u>4,525</u>	<u>(400)</u>	-9%
Total Liabilities and Net Position	<u>\$ 4,125</u>	<u>\$ 4,525</u>	<u>\$ (400)</u>	-9%

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Office's total net position is comprised of \$4,125 in current assets (cash). Total change in net position from the previous fiscal year was a decrease of \$400. The Office did not carry any liabilities as of June 30, 2016.

Governmental Activities: The table below summarizes the Office's activities for the fiscal years ended June 30, 2016 and 2015.

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

	FY 2016	FY 2015	Amount Change	Total % Change
General Revenues and Transfers	\$ 104,200	\$ 104,700	\$ (500)	0%
Total Revenues	104,200	104,700	(500)	0%
Expenses	(104,600)	(169,194)	64,594	-38%
CHANGE IN NET POSITION	(400)	(64,494)	64,094	-99%
Net Position - Beginning	4,525	69,019	(64,494)	-93%
NET POSITION - ENDING	<u>\$ 4,125</u>	<u>\$ 4,525</u>	<u>\$ (400)</u>	-9%

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 fiscal year 2016, the Office received an appropriation in the amount of \$104,800 and had operating expenditures of \$104,600. A \$600 budget decrease per Laws of 2016, Chapter 11, Section 1, Item A(1) occurred in FY16, resulting in a recognized \$600 reversion to the State General Fund.

Capital Asset and Long-term Debt Activity

Capital Assets: The Office did not hold any capital assets at June 30, 2016.

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

**INTERTRIBAL CEREMONIAL OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Anticipated Future Conditions and Changes

The Office has renewed its Memorandum of Understanding with McKinley County to ensure the proper administration of the Gallup Intertribal Ceremonial Event in fiscal year 2017.

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.

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF NET POSITION
JUNE 30, 2016**

	ASSETS	<u>Governmental Activities</u>
Current:		
Investment in State General Fund Investment Pool		\$ 4,125
Total Assets		<u>\$ 4,125</u>
LIABILITIES AND NET POSITION		
LIABILITIES		\$ -
NET POSITION		
Restricted		4,125
Total Net Position		<u>4,125</u>
Total Liabilities and Net Position		<u>\$ 4,125</u>

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Governmental Activities</u>
EXPENSES	
Culture and Recreation	\$ 100,000
Other Expenses	4,600
Total Program Expenses	<u>104,600</u>
 GENERAL REVENUES AND TRANSFERS	
State General Fund Appropriation	104,800
Reversion to State General Fund - Fiscal Year 2016	(600)
Total General Revenues and Transfers	<u>104,200</u>
 CHANGE IN NET POSITION	 (400)
 Net Position - Beginning of Year	 <u>4,525</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 4,125</u></u>

**INTERTRIBAL CEREMONIAL OFFICE
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>General Fund</u>
ASSETS	
Investment in State General Fund	
Investment Pool	\$ 4,125
Total Assets	<u>\$ 4,125</u>
LIABILITIES	
	\$ -
FUND BALANCE	
Restricted	4,125
Total Fund Balance	<u>4,125</u>
Total Liabilities and Fund Balance	<u>\$ 4,125</u>

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>
REVENUES	<u>\$ -</u>
Total Revenues	-
 EXPENDITURES	
Culture and Recreation	100,000
Other Expenses	4,600
Total Expenditures	<u>104,600</u>
 OTHER FINANCING SOURCES (USES)	
State General Fund Appropriation	104,800
Reversion to State General Fund - 2016 Fiscal Year	(600)
Total Other Financing Sources (Uses)	<u>104,200</u>
 CHANGE IN FUND BALANCE	(400)
Fund Balance - Beginning of Year	<u>4,525</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ 4,125</u></u>

**INTERTRIBAL CEREMONIAL OFFICE
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2016**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Contractual Services	\$ 104,200	\$ 104,600	\$ 104,600	\$ -
Total Expenditures	<u>104,200</u>	<u>104,600</u>	<u>104,600</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriations	104,200	104,600	104,800	(200)
Reversions (Non-Budgeted Item)	<u>-</u>	<u>-</u>	<u>(600)</u>	<u>600</u>
Total Other Financing Sources (Uses)	<u>104,200</u>	<u>104,600</u>	<u>104,200</u>	<u>400</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400)</u>	

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 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, grants, 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, 2016, 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, 2016**

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. The Office did not have any business-type activities during the year ended June 30, 2016. The more significant accounting policies established in GAAP and used by the Office are described below.

GASB accounting standards define 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.

All of the programs that are administered and/or controlled by the Office have been included.

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. The Department has no component units.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2016.

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 by related program revenues, operating and capital grants. The program revenues must be directly associated with the 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 government-wide presentation. For fiscal year ended June 30, 2016, the Office had no reconciling items; therefore, reconciliations were not presented.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net position and changes in financial net 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 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.

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, 2016, 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.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 2014, Chapter 63, Section 4, "For the purpose of administering the General Appropriation Act of 2012 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 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 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.
- 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 Appropriation 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.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

- Not later than May 1, the Office 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 effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

Capital Assets

The Office has no capital 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, 2016, the General Fund (82900) had a fund balance of \$4,125 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.

Expenditures are recognized when the related fund liability is incurred.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016.

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, 2016.

Net Position

The government-wide statements utilize a net 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 asset 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.

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.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Board of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated on August 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the 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.

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.

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.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

At June 30, 2016, the Office had the following invested in the State General Fund Investment Pool:

	SHARE Fund Number	Balance June 30, 2016
Operating Fund	82900	\$ <u>4,125</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 financial statements for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2016.

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.

**INTERTRIBAL CEREMONIAL OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 RISK MANAGEMENT (CONTINUED)

The Office had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2016, 2015 and 2014, there were no settlements that exceeded insurance coverage.

NOTE 6 MEMORANDUM OF UNDERSTANDING

A memorandum of understanding (MOU) was entered into on July 15, 2015 and expired on June 30, 2016 by the New Mexico Tourism Department (NMTD) and McKinley County (County) to ensure the proper administration of the Gallup Intertribal Ceremonial event and to establish the roles of the NMTD and the County with regard to the event. A subsequent MOU was executed in 2017, with an expiration date of June 30, 2017. Per this agreement, the NMTD transferred \$72,812 from the Office to the County per the MOU to fund activities supporting the August 2016 event. The County is the designated fiscal agent and the NMTD is the administering agency.

**INTERTRIBAL CEREMONIAL OFFICE
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
 EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)
 JUNE 30, 2016**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendor(s) that Responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the Vendor In-State and Chose Veteran's Preference? (Y or N) For Federal Funds, Answer N/A.</i>	<i>Brief Description of the Scope of Work</i>
N/A	Sole Source	McKinley County	\$ 100,000	\$ 100,000	N/A	Y	N/A	Intertribal Ceremonial Event funding

**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**

Board Members
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

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 major fund, and the budgetary comparison of the general fund of Intertribal Ceremonial Office (the Office), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements of the Office, and have issued our report thereon dated November 28, 2016.

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. 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. 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.

Board Members
Intertribal Ceremonial Office
Santa Fe, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from 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 one 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 2016-001.

The Office's Response to Finding

The Office's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Office's response 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 28, 2016

**INTERTRIBAL CEREMONIAL OFFICE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2016-001 (Previously Finding 2014-001) Noncompliance with State Statute (Compliance and Other Matters) - Repeated

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 2017 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 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 proactively seeking a resolution. Isabel Lopez, Deputy ASD Director, is working closely with the Cabinet Secretary and legislators to introduce a resolution in regards to the Office's Board and other issues in the 2017 legislative session.

**INTERTRIBAL CEREMONIAL OFFICE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2014-001 Noncompliance with State Statute (Compliance and Other Matters) - Repeated

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

**INTERTRIBAL CEREMONIAL OFFICE
EXIT CONFERENCE
JUNE 30, 2016**

An exit conference was held with the Office on November 29, 2016. The conference was held in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO INTERTRIBAL CEREMONIAL OFFICE

Rebecca Latham, Cabinet Secretary, New Mexico Tourism Department
Isabel Duran, Deputy Director, Administrative Services Division, New Mexico Tourism Department
Georgette Chavez, Financial Manager, New Mexico Tourism Department

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Ryan W. Jones, CPA, Engagement Director

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 Auditors' Report. Management reviewed and approved the financial statements.