

**STATE OF NEW MEXICO
CUBERO LAND GRANT**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures (TIER 6)
And
Compilation Report of Independent Accountant And
Compiled Financial Statements**

**For the Fiscal Year Ended
June 30, 2013**

ASSURANCE TAX ACCOUNTING PC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

**STATE OF NEW MEXICO
CUBERO LAND GRANT**

Table of Contents

Fiscal Year Ended June 30, 2013

	Page
Table of Contents	1
Official Roster	2
Agreed-Upon Procedures	
Independent Accountants' Report on Applying Agreed-Upon Procedures (Tier 6)	3
Statement of Revenues and Expenses (Budget and Actual)	9
Schedule of Findings and Responses	10
Compiled Financial Statements and Report	
Compilation Report of Independent Public Accountant	16
Balance Sheet	18
Statement of Revenues, Expenses, And Changes in Net Position	19
Notes to Compiled Financial Statements	20
Exit Conference	26

**STATE OF NEW MEXICO
CUBERO LAND GRANT
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2013**

President
Vice President
Secretary
Treasurer
Collector

James Chavez
Star Gonzales
Annette Gonazles
Joseph DeSoto
Edward Chavez

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 6)

James Chavez, President
Cubero Land Grant
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by State of New Mexico Cubero Land Grant (Land Grant) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Land Grant's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3 B NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2013. The Land Grant's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

We verified Cubero Land Grant's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page" and it was determined that the Cubero Land Grant falls under the Tier 6 procedures. General revenues were \$353,970.57 and no capital projects were started or completed.

2. Cash

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

Bank reconciliations were not being performed. All bank statements and Investment/savings statements were complete and on hand without exception. See finding 2013-001.

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b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

The Land Grant did not have bank reconciliations, financial reports were not submitted to DFA Local Government Division. See finding 2013-001 and 2013-002

c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

We determined that the balance of the operating account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

3. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

I inquired of Joseph De Soto, Treasurer as to the procedures for taking inventory. He said that the Land Grant did not perform the Capital Asset inventory for FY 2013. See finding 2013-003

4. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

The Land Grant does not have any debt. No procedures were performed in this area.

5. Revenue

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

We performed an analytical review of each type of revenue and compared each type of revenue to the budget. We noted no exceptions.

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Select a sample of revenues based on auditor judgment and test using the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

We selected all the receipts and we traced the amounts recorded in the supporting documentation including deposit to the bank statements. The Land Grant had inadequate documentation for revenue. The Land Grant was unable to produce supporting documentation for 21 deposits out of the 46 selected for testing. The deposits totaled \$21,531.56. See finding 2013-004.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

The Land Grant has not prepared a general ledger. See finding 2013-004.

6. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

We randomly selected a sample of 25 disbursements and determined that the amount recorded as disbursed agrees to adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. All amounts were not recorded in a general ledger. See finding 2013-004.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and

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State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

No major projects requiring bidding were started or completed during this accounting period. None of the selected items for testing had travel and per diem reimbursement.

7. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

a) Journal entries appear reasonable and have supporting documentation.

Because there were no manual journal entries created during FY 2013, no testing was performed in this area.

b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Because there were no manual journal entries created during FY 2013, no testing was performed in this area.

8. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

We verified through review of minutes the original budget not approved by the Land Grant governing body and not DFA-LGD approval could be located. See finding 2013-002.

b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

We determined through comparing the Original/Final Budget to the Actual Expenditures that the Land Grant is in compliance with statutes by not over-expending at the fund level, which is the legal level of budgetary control.

c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis

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used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

We prepared a schedule of revenues and expenditures budget and actual, on the cash basis of accounting for the governmental fund. See the attached schedule as noted in the table of contents.

9. Capital Outlay Appropriations*

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

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Note – Capital Outlay appropriations procedures are only performed when capital outlay appropriation money has been expended during the fiscal year. Cubero Land Grant did not expend any capital outlay appropriation in the current fiscal year. Therefore, no testwork was performed in this area.

Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(1)(3)(C) NMAC

The Land Grant did not submit their FY 2013 agreed-upon procedures report to the Office of the State Auditor by December 15, 2013, the due date of the report. In addition, the IPA recommendation for FY 2013, which was due on July 1, 2013, was not submitted to the State Auditor until January 03, 2017. See Finding 2013-005

No other information than the above-mentioned items came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Land Grant's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of supervisors and management of the Cubero Land Grant, the New Mexico Office of the State Auditor, the New Mexico Legislature and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.
Albuquerque, New Mexico
July 26, 2017

STATE OF NEW MEXICO
CUBERO LAND GRANT
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (Cash Basis)
For the year ended June 30, 2013

	Budgeted Amount		Actual Cash Basis	Variances
	Original	Final		Favorable (Unfavorable)
Revenue				
American Tower	\$ 8,354	\$ 8,354	\$ 8,354	\$(0)
American Tower sold	-	-	146,519	146,519
CDEC Capital Credits	-	-	97	97
Cemetery Plot Elisida Romero	-	-	200	200
Checking Interest	-	-	48	48
DM & BM Realty	4,500	4,500	3,000	(1,500)
DOT 102 Land Settlement	-	-	185,000	185,000
Grazing Fees	1,400	1,400	1,035	(365)
Hay Advertising	2,700	2,700	2,250	(450)
Interest	-	-	105	105
Interest Short-term CD	-	-	767	767
USDA Reimbursement	-	-	6,595	6,595
Bibo East-Grazing laese	2,501	2,501	-	(2,501)
Bibo West-Grazing Lease	1,801	1,801	-	(1,801)
Total	21,256	21,256	353,970	332,714
Expenses				
Attorney Retainer	6,364	6,364	8,485	(2,121)
Attorney extra hours	4,500	4,500	2,952	1,548
Dues	200	200	200	-
Electric Utilities	3,780	3,780	3,658	122
Heating Fuel	2,142	2,142	850	
Land Taxes and Cattle Assesment	3,500	3,500	2,497	1,003
Surety Bonds	600	600	-	600
Election Expenses	263	263	-	263
Office Supplies	315	315	-	315
PO and Safety Deposit Boxes	100	100	70	30
5-Board Members Stipend \$10/mtg	600	600	1,359	(759)
5-Members Special Meetings @ \$15/mtg	750	750	-	750
Mileage and Per Diem \$85/day	1,020	1,020	-	1,020
Maint. Building, wells, and misc	7,875	7,875	6,768	1,107
	-	-	-	
Total	32,008	32,008	26,838	5,170
Revenues over (under) expenses	\$ <u>(10,752)</u>	\$ <u>(10,752)</u>	\$ <u>327,132</u>	\$ <u>327,544</u>

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

Prior Year Findings:

Current Year Finding:

Finding 2013-001 – Bank Reconciliations

Finding 2013-002 – Budget Approval and Quarterly Reporting
(Other Noncompliance)

Finding 2013-003 – Capital Asset Inventory Listing and Board Certification of Inventory at
Fiscal Year – End.

Finding 2013-004 – Lack of documentation to support revenue and expenditures and no G/L
Coding

Finding 2013-005 – Late Agreed –Upon Procedures Report and IPA Recommendation

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2013

Finding 2013-001 - Bank Reconciliations

Condition:

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the bank reconciliations for FY 2013 were not performed.

Criteria:

In accordance with Subsection I of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

Cause:

The Land Grant did not reconcile all the bank accounts. Because of no bank reconciliations, accurate documentation could not be located.

Effect:

Bank reconciliations that are not reconciled on a timely basis could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner.

Recommendation:

The Land Grant should establish a policy by which bank reconciliations are required to be performed within thirty days of the statement end date for all bank accounts.

Management's Response:

The Land Grant Treasurer will begin reconciling the bank statements on a timely basis effective immediately. The Land Grant Treasurer will ensure that these reconciliations are being performed within thirty days after the statement end date.

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2013

Finding 2013-002 – Budget Approval and Quarterly Reporting

Condition:

The Land Grant did not prepare or approve their FY 2013 operating budget and also did not submit their budget to the New Mexico Department of Finance and Administration (DFA) – Local Government Division. As a local public body, the Land Grant is also required to transmit operating results quarterly to DFA, which were not submitted.

Criteria:

Section 6-6-2 NMSA 1978 requires all local public bodies to submit their operating budget annually to DFA Local Government Division for certification. DFA also requires quarterly reporting by all agencies on prescribed forms.

Cause:

The Land Grant was not aware of the reporting requirement imposed by statute and DFA.

Effect:

DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

Recommendation:

We recommend the Land Grant establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. The Land Grant should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Management's Response:

Effective immediately, the Land Grant's President will contact a DFA budget analyst to determine which reports need to be reported and by what deadline these reports need to be reported. The Land Grant's Board will then determine a policy to ensure compliance with reporting to DFA. Once contact with a DFA analyst has been established, the President will also ensure that the reporting is conducted in a timely manner.

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2013

Finding 2013-003 – No Capital Asset Inventory Listing and No Board Certification of Inventory at Fiscal Year – End.

Condition:

For the fiscal year ending June 30, 2013 the Land Grant did not perform and document a physical inventory of its capital assets. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the Land Grant’s capital asset listing. Also, the governing body of the Land Grant did not certify the correctness of the capital asset inventory after the physical inventory was performed.

Criteria:

Section 12-6-10A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

Cause:

The Land Grant was not aware of the annual capital asset inventory laws and regulations.

Effect:

The Land Grant does not have a complete listing and an established carrying amount for the value of its capital assets as of June 30, 2013 which is useful for the Land Grant to properly control, account for, and manage its capital assets.

Recommendation:

At the end of each fiscal year, the Land Grant should perform and document a complete physical inventory of its capital assets. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Land Grant.

Management’s Response:

Effective immediately, the Land Grant’s President and Board will create a policy and procedure and perform a complete physical inventory of its capital assets which will include the required data. After the inventory is performed, the inventory listing will be certified as to correctness and signed by the governing body at the end of the fiscal year.

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2013

Finding 2013-004 Lack of Documentation to support revenue and expenditures and no G/L Coding

Condition:

The Land Grant did not use any software to record the transactions; therefore, we could not test if the transactions were properly coded. Receipts amounting to \$21,532 did not have supporting documentation to show the type of revenue received.

Criteria:

In accordance with Subsection I of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report.

Cause:

The Land Grant was not aware of the requirements and supporting documentation was not retained for the transactions.

Effect:

Because the Land Grant is not recording transactions accurately, inaccurate financial statements could result in the Governing Board making incorrect decisions for the entity, and fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The Land Grant should retain supporting documentation for all the transactions and use a software that allows the coding of transactions and preservation of the data.

Management's Response:

Effective immediately, the Land Grant Treasurer will begin making the corrections necessary and preparing the Financial Statements, the Land Grant Treasurer will provide the supporting documentation to the board for a quality review and approval. The Land Grant Treasurer is responsible for meeting the deadline as required.

STATE OF NEW MEXICO
CUBERO LAND GRANT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2013

Finding 2013-005 Late Agreed-Upon Procedures Report and IPA Recommendation

Condition:

The Land Grant did not submit their FY 2013 agreed-upon procedures report to the Office of the State Auditor by December 15, 2013, the due date of the report. In addition, the IPA recommendation for FY 2013, which was due on July 1, 2013, was not submitted to the State Auditor until January 03, 2017.

Criteria:

2.2.2 NMAC (State Audit Rule) requires submission of the IPA recommendation by July 1, 2013. 2.2.2 NMAC also requires submission of audit reports within five and a half months after year-end, or December 15, 2013.

Cause:

The Land Grant was not aware of the State Audit Rule requirements to contract with an audit firm.

Effect:

The Land Grant was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources.

Recommendation:

The Land Grant should prepare the annual auditor recommendation by July 1, of each year and submit it to the Office of the State Auditor. The Land Grant should also institute policies and procedures that will enable it to complete their annual audit five and a half months after year-end.

Management's Response:

The Land Grant's President and Board will create a policy and procedure to submit the IPA recommendation to the State Auditor Office before July 1, and complete the audit requirements within the five and half months after year-end.

**STATE OF NEW MEXICO
CUBERO LAND GRANT**

**Compilation Report of Independent Accountant
And Compiled Financial Statements**

**For the Fiscal Year Ended
June 30, 2013**

ASSURANCE TAX ACCOUNTING PC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

Compilation Report of Independent Public Accountant

James Chavez, Chairman
Cubero Land Grant
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of State of New Mexico Cubero Land Grant (Land Grant), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements included in the accompanying prescribed form nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirement of Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, and are not intended to be a complete presentation of the Land Grant's assets and liabilities.

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

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.
Albuquerque, New Mexico
July 26, 2017

**STATE OF NEW MEXICO
CUBERO LAND GRANT
BALANCE SHEET
June 30, 2013**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 769,343
Fixed Assets	<u>15,958</u>
Total assets	\$ <u><u>785,301</u></u>
 LIABILITIES AND EQUITY	
LIABILITIES	
	<u>-</u>
Total liabilities	\$ <u><u>-</u></u>
 EQUITY	
Retained Earnings	646,132
Net Income	<u>139,169</u>
Total fund balances	<u>785,301</u>
Total liabilities and fund balances	\$ <u><u>785,301</u></u>

See independent accountant's compilation report and accompanying notes.

**STATE OF NEW MEXICO
CUBERO LAND GRANT
STATEMENT OF REVENUES, EXPENSES
Year Ended June 30, 2013**

	<u>General Fund</u>
Revenues	
American Tower	\$ 154,873
CDEC Capital Credits	97
Cemetary Plot Elisida Romero	200
Checking Interest	48
DM & BM Realty	3,000
DOT 102 Land Settlement	185,000
Grazing Fees	1,035
Hay Advertising	2,250
Interest	105
Interest - Savings, Short - term CD	767
USDA Reimbursement	6,595
Total Revenue	353,971
Expenses	
Business License and Permits	25
Cleaning Expenses	600
Legal fees	11,437
Outside Contract Services	566
Dues and Subscriptions	200
Equipment Rental	48
Insurance Expense	320
Postal Service	58
Property Tax	2,497
Repaired Expenses	5,151
Safe Deposit Rental	70
Stipend Expense	1,359
Utilities	4,508
Total Expenses	<u>26,838</u>

Net change in fund balances 327,132

See independent accountant's compilation report and accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. "The Cubero Land Grant (Land Grant) was formed on May 1, 1947, and is a unit of New Mexico Government being a political subdivision of the State. Land grants were made both to individuals and communities during the Spanish (1598–1821) and Mexican (1821–1846) periods of New Mexico's history. Nearly all of the Spanish records of land grants that were made in what is now New Mexico prior to the [Pueblo Revolt](#) of 1680 were destroyed in the revolt. Thus, historians can often only be certain of land grants that were made after the [Spanish Reconquest of New Mexico](#) in 1693. "The two major types of land grants were private grants made to individuals, and communal grants made to groups of individuals for the purpose of establishing settlements. Communal land grants were also made to [Pueblos](#) for the lands they inhabited."¹¹"

The financial statements of the Land Grant have been prepared by Assurance Tax Accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The responsibility of these financial statements remains with the Land Grant.

A. Financial Reporting Entity

As required by GAAP, financial statements are presented for the Land Grant and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Land Grant has no component units.

When both restricted and unrestricted resources are available for use, it is the Land Grant's policy to use restricted resources first, then unrestricted resources as they are recorded.

Governmental financial statements are normally reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Land Grant considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, expenses related to compensated absences and claims and judgments are recorded only when payment is made.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The Land Grant follows the following revenue recognition principles applied to non-exchange transactions which are in accordance with GASB Statement 33, Accounting and Reporting for Non-exchange Transactions:

Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Land Grant reports the following enterprise fund:

General Fund. The General Fund is the Land Grant's primary operating fund. It accounts for all of the financial resources of the Land Grant.

B. Cash and cash equivalents

Cash includes amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and cash equivalents (continued)

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Land Grant does not have an investment policy. Land Grant funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Land Grant, the Federal Farm Credit Bank, or the Student Loan Marketing Land Grant, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan Land Grants, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

C. Capital Assets

Capital assets includes software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the Land Grant as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Land Grant has elected to not retroactively record infrastructure assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Capital Assets (continued)

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives, and are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	30 years
Buildings and structures	30 years
Machinery and equipment	5 – 30 years
Furniture and fixtures	5 – 30 years
Infrastructure	5 – 50 years

D. Deferred Inflows of Resources

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Balance

The Land Grant follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Land Grant itself, using its highest level of decision-making authority (i.e., Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Land Grant takes the same highest level action to remove or change the constraint.
- Assigned fund balance — amounts the Land Grant intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Land Grant does not currently have a policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those classifications could be used.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Land Grant considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Land Grant considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Land Grant Supervisors have provided otherwise in its commitment or assignment actions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenses when paid. Annual budgets are adopted.

The Land Grant follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Land Grant determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Supervisors and approved by the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a cash basis. The Land Grant submits a proposed budget to DFA for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

To meet legal compliance actual expenses cannot exceed the total budgeted expenses for the fund on a cash basis. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". The Land Grant does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. The budgetary comparison presented in these financial statements is on this Non-GAAP budgetary basis. The legal level of budgetary control is at the fund level.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

NOTE 2. RISK MANAGEMENT

The Land Grant is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Land Grant did not have an insurance policy in place during the year to address these types of risks. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

STATE OF NEW MEXICO
CUBERO LAND GRANT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2013

The report contents were discussed at an exit conference held on July 26, 2017 with the following in attendance:

Cubero Land Grant

James Chavez	President
Joseph DeSoto	Treasurer
Edward Chavez	Collector

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA	Principal
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