

State of New Mexico
Commissioner of Public Lands

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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INGRAM

CPAs and Advisors

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Introductory Section

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State of New Mexico
Commissioner of Public Lands
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June 30, 2018

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State of New Mexico
Commissioner of Public Lands
Official Roster
June 30, 2018

Name

Title

Aubrey Dunn
Laura Riley

Commissioner of Public Lands
Deputy Commissioner of Public Lands

Assistant Commissioners of Public Lands

Clyde Ward
Peter St. Cyr
Sandra Lopez
Michael Perry

Commercial Resources
Communications
Administrative Support Division
Field Operations

Division Directors

Terry Warnell
Dana Vackar Strang
Craig Johnson
Danny Martinez
Lucille Sisneros
Margaret Sena
Selena Romero
Bobby Gallegos

Oil, Gas and Minerals Division
Field Operations Division
Commercial Leasing Division
Royalty Management Division
Records Management Division
Administrative Services Division
Human Resources Division
Facilities Management Division

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Report

INDEPENDENT AUDITORS' REPORT

Mr. Aubrey Dunn
State of New Mexico
Commissioner of Public Lands
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue fund with a legally adopted budget of the New Mexico Commissioner of Public Lands (the "State Land Office"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State Land 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Land Office as of June 30, 2018, and the changes in financial position thereof, 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 1, the financial statements of the State Land Office are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the State Land Office. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 13 through 19 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Land Office's basic financial statements. The introductory section and supplemental budget comparisons are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the supplemental budget comparisons have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the State Land 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 solely 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 effectiveness of the State Land Office's 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 State Land Office's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 25, 2018

State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018

The Management's Discussion and Analysis (MD&A) provides in layman's terms the past and current position of the agency's financial condition. Further, the discussion and analysis of the New Mexico State Land Office's (SLO) financial performance, introduces the basic financial statements and provides an analytical overview of the agency's financial activities for the fiscal year ended June 30, 2018. The report provides an analysis of the agency's overall financial position and results of operations, information on changes in the agency's financial position, and a discussion of significant changes in assets and liabilities. Since the MD&A is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the agency's financial statements.

FINANCIAL STATEMENTS EXPLAINED

The State Land Office's Basic Financial Statements (BFS) are presented in four parts, in the following order:

1. Government-Wide Financial Statements,
2. Fund Financial Statements,
3. Budgetary Comparison Statements, and
4. Notes to the Basic Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the first two financial statements, the Statement of Net Position and the Statement of Activities. These statements report information on all of the financial activities and resources of the State Land Office as a whole, except for information applicable to fiduciary activities. Fiduciary activities represent funds held in trust for beneficiaries. These funds are not included in the resources available to support the State Land Office's governmental activities. Governmental activities are financed by Land Maintenance Fund revenue appropriated as other state funds.

The Government-Wide Statement of Net Position reports the assets of the State Land Office and the corresponding claims and liabilities against those assets at June 30, 2018. The difference between the value of the assets and the liabilities is reflected as the value of the net assets. Increases or decreases in net assets measure whether the financial position of the State Land Office improved or deteriorated. Net assets legally limited to a particular use are reported as restricted. Unrestricted net assets are assets that can be used to fund operating expenses in future years.

Government-Wide Statement of Activities reports the expenses of administering state trust lands with a comparison of the program revenues obtained to finance costs.

Fund Financial Statements

The Fund Financial Statements that follow the department-wide financial statements report on the financial position and changes in financial position of the individual funds used by the State Land Office.

State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018

Funds are separate accounting entities used in government accounting to segregate transactions according to the sources of funding and to demonstrate legal compliance with the restrictions that may be imposed on those financial resources. The State Land Office uses two types of funds to account for its financial activities: Governmental Funds and Fiduciary Funds.

Governmental Funds are used to account for the finances of the governmental activities reported in the department-wide financial statements. The State Land Office uses a **general fund** to account for its general operating activities.

Beneficiary	LMF	LGPF	Total
Common Schools	\$111.8	\$586.0	\$697.8
Colleges & Universities	\$13.4	\$35.5	\$48.9
Other Schools	\$1.1	\$25.6	\$26.7
Hospitals	\$5.8	\$8.3	\$14.1
All Other Institutions	\$6.9	\$33.8	\$40.7
Total	\$139.0	\$689.2	\$828.2

Special Revenue Funds are used to records inflows that must be used for a specified purpose. The State Land Office uses four special revenue funds as clearing accounts for payments. Please refer to Note 1 to the Financial Statements for an explanation of these funds.

FINANCIAL HIGHLIGHTS

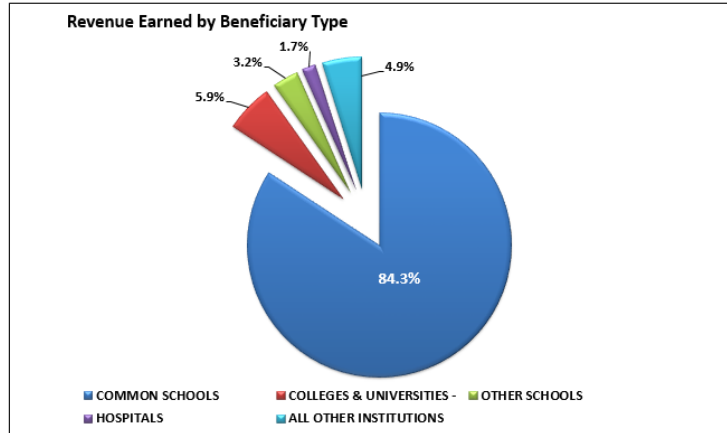
The Commissioner of Public Lands is responsible for providing for current and future revenues for specified beneficiaries, while ensuring the long-term health and productivity of State Trust Lands for future generations of New Mexicans. The Commissioner of Public Lands is an elected official pursuant to the New Mexico Constitution and does not receive general fund appropriations. The Land Maintenance Fund is the general operating fund of the State Land Office and it is used to account for the general operations of the office in carrying out its specific functions. Sources of revenue are provided by the transfer of lease and miscellaneous (fees and interest on deposits) income from the Land Suspense Fund.

In 2018 the state trust lands generated total revenues of \$851.9 million. Revenue earned from renewable and non-renewable sources are tied to a lease and each lease identifies the beneficiary(s) share of the lease. Land Maintenance Funds (LMF) not spent for operations or retained for special appropriations, \$139.0 million or 8.4% were distributed directly to beneficiaries. 94% of the revenue generated came from resources extracted from state trust lands; \$679.4 million (98.4% from oil and gas royalties) was transferred to the Land Grant Permanent Fund (LGPF) at the State Investment Council.

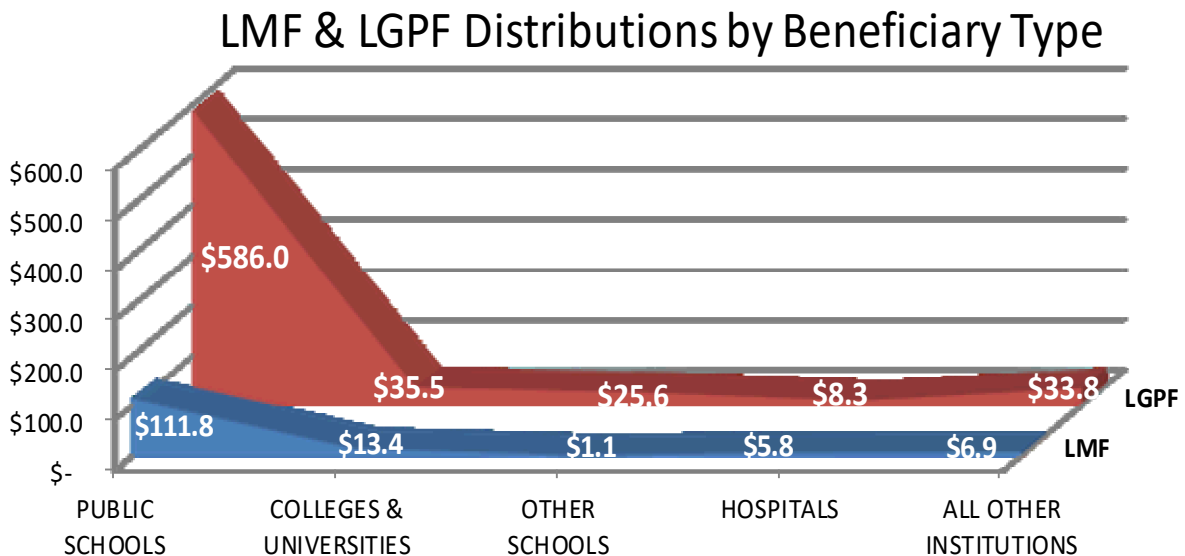
State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018

Total beneficiary earnings (in millions) from state trust lands by beneficiary type are described as follows.

Land Maintenance Funds are distributed directly to beneficiaries at the end of each month. Earnings from royalties are transferred to the **Land Grant Permanent Fund (LGPF)** and are invested on behalf of the beneficiaries by the State Investment Council who manages the fund.



The State Investment Council distributes LGPF earnings to beneficiaries based on the formula set in the Constitution. Distributions from the LGPF totaled \$689.2 million¹ in FY 2018¹. Distributions to state trust land beneficiaries from the Land Maintenance Fund totaled \$139.0 million. Total distributions from the Land Maintenance Fund and the Land Grant Permanent Fund totaled \$828.2 million. The illustrated charts above and below show the distribution of funds (in millions) by beneficiary type during FY 2018.



**State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018**

ANALYSIS OF THE AGENCY'S FINANCES

Net Position and Changes in Net Position

The following table summarizes the net position of the agency for the fiscal year ended June 30, 2018, with comparative balances for the fiscal years ended June 30, 2017.

	Comparative Analysis of Statement of Net Position			
	Government Activities			
	2018	2017	\$ Change	% Change
Assets				
Current and other assets	\$ 274,736,145	\$ 196,072,027	\$ 78,664,118	40.1%
Capital assets less accumulated depreciation	40,028,032	40,340,786	(312,754)	-0.8%
Total assets	314,764,177	236,412,813	78,351,364	33.1%
Liabilities	263,169,313	189,249,081	73,920,232	39.1%
Net Position				
Investments in capital assets	40,028,032	40,340,786	(312,754)	-0.8%
Restricted Fund Balance - Special Appropriations	12,008,707	7,293,996	4,714,711	64.6%
Unrestricted Fund Balance	(441,875)	(471,050)	29,175	-6.2%
Total net position	51,594,864	47,163,732	4,431,132	9.4%
Total Liabilities and Net Position	\$ 314,764,177	\$ 236,412,813	\$ 78,351,364	33.1%

For more detailed information see the Statement of Net Position

Net Position increased by 9.4% in FY 2018. Liabilities increased due to the increase in oil and gas revenue due to the permanent fund.

The government-wide financial statements also include the Statement of Activities. This statement is focused on the cost of various activities that are provided by the agency's general and other revenues. This section is intended to summarize and simplify the users' analysis of the cost of operating the State Land Office and amounts due to our beneficiaries. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018

Net Position and Changes in Net Position (Continued)

The following table presents the detail changes in net assets in agency for the fiscal year ended June 30, 2018, with comparative balances for the fiscal year ended June 30, 2017.

	Comparative Analysis Statement of Activities			
	Government Activities			
	FY 2018	FY 2017	\$ Change	% Change
Expenses				
General government	\$ (18,039,849)	\$ (17,281,894)	\$ (757,955)	4.4%
Program revenues	25,128,436	19,476,703	(25,360)	-100.0%
Reapportionable to other beneficiaries	(4,319,653)	(4,546,161)	226,508	-5.0%
Net (Expense) Revenue	2,768,934	(2,351,352)	(783,315)	-217.8%
General revenues and (expenses)				
Transfers in (out)	-	(130,825)	130,825	-100.0%
Other income	3,365	148,156	(144,791)	-97.7%
Unrestricted investment earnings	1,649,535	793,770	855,765	107.8%
Gain on sale of capital assets	14,298	7,074,802	(7,060,504)	-99.8%
Total General Revenues and Transfers	1,667,198	7,885,903	(6,218,705)	-78.9%
Change in Net Position	4,431,132	5,534,551	5,435,390	98.2%
Net position, beginning of year	47,163,732	41,106,101	6,057,631	14.7%
Prior Period Adjustment	-	523,080	(523,080)	0.0%
Restated net position, beginning of the	47,163,732	41,629,181	5,534,551	13.3%
Net position, ending of year	\$ 51,594,864	\$ 47,163,732	\$ 4,431,132	9.4%

BUDGETARY COMPARISONS

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules present both the original and final appropriated budgets for the reporting period as well as the actual inputs, outputs and balances stated on the government's budgetary basis. As required by the Office of the State Auditor under 2 NMAC 2.2.10, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

State of New Mexico
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Management's Discussion and Analysis
(Unaudited)
June 30, 2018

The General Fund is the operating fund for the State Land Office. The State Land Office is a non-general fund agency and reserves revenue needed to support operations or special appropriations. Since amounts are held to fund projected expenditures any variance as of June 30 will revert to the beneficiaries in accordance with 19-1-13 NMSA 1978. The balance remaining in the State Lands Maintenance Fund on June 30 of each year shall be apportioned back to the beneficiaries. All other agency funds are fiduciary funds and serve as flow through accounts.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the agency. The Land Maintenance Fund (LMF) is the revenue source for the agency's budget. All adjustments to the budget require approval by the Budget Division of the Department of Finance and Administration with review by the Legislative Finance Committee. Over the course of the year the State Land Office may adjust its budget as authorized in the General Appropriations Act or through other acts of the legislature.

During the fiscal year revenue supported budget increases in the amount of \$5,000,000 as follows:

- \$5,000,000 – Continue the replacement of the oil and natural gas administration and revenue database system.

CAPITAL ASSETS

The Agency's investment in capital assets as of June 30, 2018, amounted to \$40,028,032 net of accumulated depreciation. This investment in capital assets includes land, buildings, automobiles, furniture, equipment and machinery, data processing equipment. The total decrease in the Agency's investment in capital assets for the current period was (\$312,754) or -0.8%. The following table illustrates the change from FY 2017 to FY 2018.

	Comparative Analysis of Capital Assets			
	Government Activities			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Capital Assets				
Land	\$ 34,683,101	\$ 34,683,250	\$ (149)	0.0%
Buildings and library	5,525,636	5,172,542	353,094	6.8%
Furniture, fixtures and equipment	484,812	738,442	(253,630)	-34.3%
Data processing	5,837,095	6,105,228	(268,133)	-4.4%
Automobiles	952,386	939,515	12,871	1.4%
Total Capital Assets	47,483,030	47,638,977	(155,947)	-0.3%
Accumulated depreciation	(7,454,998)	(7,298,191)	(156,807)	2.1%
Capital assets, net	\$ 40,028,032	\$ 40,340,786	\$ (312,754)	-0.8%

**State of New Mexico
Commissioner of Public Lands
Management's Discussion and Analysis
(Unaudited)
June 30, 2018**

CURRENTLY KNOWN FACTS DECISIONS OR CONDITIONS OF FUTURE SIGNIFICANCE

During the last fiscal year, the State Land Office continued to experience record breaking earnings for Land Maintenance Rental Income, with revenues reported at \$161.5 million. When compared to Fiscal Year 2017, the State Land Office directly distributed 38.9% more to the beneficiaries in FY 2018 than was distributed in FY 2017. The State Land Office earned an average of \$2.3 million per day in FY 2018 from rentals and royalty revenues. Although oil and gas prices have increased, the State Land Office continues to estimate conservatively with regard to revenue estimates. As oil and gas prices continue to rise, revenue projections have been adjusted in FY 2019 to \$60/BBL and production of 5.0 million.

FINANCIAL CONTACT

The agency's financial statements are designed to present users with the general overview of the agency's finances and to demonstrate the department's accountability. If you have questions about the report or need additional financial information contact the agency's Assistant Commissioner for Administrative Services at (505) 827-5755 or the agency's Chief Financial Officer at (505) 827-5705. You can also reach them by mail at 310 Old Santa Fe Trail, PO Box 1148, Santa Fe, New Mexico 87501-1148.

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Financial Statements

State of New Mexico
Commissioner of Public Lands
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current assets:	
Interest in the State General Fund Investment Pool	\$ 114,838,640
Cash	400
Investments	15,080,842
Receivables:	
Royalties	143,237,414
Interest assessments, net	1,571,845
Supplies inventory	7,004
Total current assets	274,736,145
Noncurrent assets:	
Capital assets, net of accumulated depreciation	40,028,032
Total noncurrent assets	40,028,032
Total assets	\$ 314,764,177
Liabilities	
Current liabilities:	
Accounts payable	\$ 977,992
Accrued payroll and payroll liabilities	432,737
Compensated absences payable	488,836
Due to other state agencies	143,237,414
Undistributed receipts	118,031,623
Total current liabilities	263,168,602
Total liabilities	263,168,602
Net position	
Net investment in capital assets	40,028,032
Restricted for capital projects and special appropriations	12,008,707
Unrestricted	(441,164)
Total net position	51,595,575
Total liabilities and net position	\$ 314,764,177

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

State of New Mexico
Commissioner of Public Lands
Statement of Activities
For the Year Ended June 30, 2018

	Governmental Activities
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Expenses	
General government	\$ 18,039,138
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Less: Program revenues	
Charges for services	25,128,436
Less: reapportionment to beneficiaries	(4,319,653)
<hr/>	
Charges for services, net	20,808,783
<hr/>	
Net program income and change in net position	2,769,645
<hr/>	
General revenues	
Gain on sale of assets	14,298
Interest income	1,644,535
Other income	3,365
<hr/>	
Total general revenues	1,662,198
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Change in net position	4,431,843
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Net position, beginning	47,163,732
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Net position, ending	\$ 51,595,575
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
Commissioner of Public Lands
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund 09800	Land Suspense Fund 77700	Oil and Gas Royalty Fund 26400
Assets			
Interest in the State General Fund			
Investment Pool	\$ 17,040,038	\$ 19,397,186	\$ 76,481,361
Cash	400	-	-
Investments	-	-	-
Due from other funds	17,256	-	9,050,000
Receivables:			
Royalties	-	-	143,237,414
Interest assessments, net	-	1,571,845	-
Supplies inventory	7,004	-	-
Total assets	\$ 17,064,698	\$ 20,969,031	\$ 228,768,775
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 977,992	\$ -	\$ -
Accrued payroll and payroll liabilities	432,737	-	-
Due to other funds	-	-	-
Due to other state agencies	-	-	143,237,414
Undistributed receipts	4,319,653	20,969,031	85,531,361
Total liabilities	5,730,382	20,969,031	228,768,775
Fund balances			
Nonspendable	7,004	-	-
Spendable:			
Restricted for special & capital appropriations	11,286,644	-	-
Committed for projects	23,012	-	-
Unassigned	17,656	-	-
Total fund balances	11,334,316	-	-
Total liabilities and fund balances	\$ 17,064,698	\$ 20,969,031	\$ 228,768,775

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

Royalty Advance Payment Fund 51400	Sales Expense Fund 77600	STL Restoration & Remediation Fund 68210	Total
\$ 1,180,736	\$ 17,256	\$ 722,063	\$ 114,838,640
-	-	-	400
15,080,842	-	-	15,080,842
-	-	-	9,067,256
-	-	-	143,237,414
-	-	-	1,571,845
-	-	-	7,004
\$ 16,261,578	\$ 17,256	\$ 722,063	\$ 283,803,401
\$ -	\$ -	\$ -	\$ 977,992
-	-	-	432,737
9,050,000	17,256	-	9,067,256
-	-	-	143,237,414
7,211,578	-	-	118,031,623
16,261,578	17,256	-	271,747,022
-	-	-	7,004
-	-	722,063	12,008,707
-	-	-	23,012
-	-	-	17,656
-	-	722,063	12,056,379
\$ 16,261,578	\$ 17,256	\$ 722,063	\$ 283,803,401

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

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State of New Mexico
Commissioner of Public Lands
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2018

Total fund balance for the governmental funds	\$ 12,056,379
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore are not reported in the funds	40,028,032
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds	(488,836)
<hr/>	
Total net position	\$ 51,595,575
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
 Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2018

	General Fund 09800	Land Suspense Fund 77700	Oil and Gas Royalty Fund 26400
Revenues			
Rental income	\$ 21,141,017	\$ -	\$ -
Less: reapportionment to beneficiaries	(4,319,653)	-	-
Rental income, net	16,821,364	-	-
Other state funds	2,412,963	-	-
Interest income	1,644,535	-	-
Other income	17,663	-	-
Total revenues	20,896,525	-	-
Expenditures			
Current			
General Government:			
Personnel services and employee benefits	11,441,665	-	-
Contractual services	3,160,391	-	-
In-State Travel	143,356	-	-
Maintenance and Repairs	162,684	-	-
Supplies and Materials	422,577	-	-
Out-of-State Travel	65,983	-	-
Other costs	992,941	-	-
Capital outlay	503,368	-	-
Total expenditures	16,892,965	-	-
Excess (deficiency) of revenues over expenditures	4,003,560	-	-
Net change in fund balance	4,003,560	-	-
Fund balance, beginning of year	7,330,756	-	-
Fund balance, end of year	\$ 11,334,316	\$ -	\$ -

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

Royalty Advance Payment Fund 51400	Sales Expense Fund 77600	STL Restoration & Remediation Fund 68210	Total
\$ -	\$ -	\$ 1,574,456	\$ 22,715,473
-	-	-	(4,319,653)
-	-	1,574,456	18,395,820
-	-	-	2,412,963
-	-	-	1,644,535
-	-	-	17,663
-	-	1,574,456	22,470,981
-	-	-	11,441,665
-	-	852,393	4,012,784
-	-	-	143,356
-	-	-	162,684
-	-	-	422,577
-	-	-	65,983
-	-	-	992,941
-	-	-	503,368
-	-	852,393	17,745,358
-	-	722,063	4,725,623
-	-	722,063	4,725,623
-	-	-	7,330,756
\$ -	\$ -	\$ 722,063	\$ 12,056,379

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

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State of New Mexico
Commissioner of Public Land
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balance - governmental funds	\$	4,725,623
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay		503,368
Depreciation expense		(815,973)
Sale of land		(149)

Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:

Decrease in compensated absences		18,974
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Change in net position	\$	4,431,843
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund - Including Multi-Year Appropriations
For The Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Rental income	\$ 14,552,500	\$ 15,252,500	21,141,017	\$ 5,888,517
Less: reapportionment to beneficiaries	-	-	(4,319,653)	(4,319,653)
Rental income, net	14,552,500	15,252,500	16,821,364	1,568,864
Other services - interagency	1,100,000	1,100,000	2,412,963	1,312,963
Special appropriations	7,640,000	7,640,000	-	(7,640,000)
Interest income	212,600	212,600	1,644,535	1,431,935
Other income	29,600	29,600	17,663	(11,937)
Total revenues	23,534,700	24,234,700	20,896,525	(4,907,039)
Expenditures				
Current:				
General Government				
Personnel services and employee benefits	11,805,800	11,880,800	11,441,665	439,135
Contractual services	6,189,000	5,819,000	3,160,391	2,658,609
Other costs	5,539,900	6,534,900	2,290,909	4,243,991
Total expenditures	23,534,700	24,234,700	16,892,965	7,341,735
Other financing sources (uses)				
Transfers to other state agencies, net	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing resources	\$ -	\$ -	\$ 4,003,560	\$ 2,434,696

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

State of New Mexico
Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
STL Remediation & Restoration Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Rental income	\$ -	\$ 1,300,000	\$ 1,574,456	\$ 274,456
Other services - interagency	-	-	-	-
Special appropriations	-	-	-	-
Interest income	-	-	-	-
Other income	-	-	-	-
Total revenues	-	1,300,000	1,574,456	274,456
Expenditures				
Current:				
General Government				
Personnel services and employee benefits	-	-	-	-
Contractual services	-	1,300,000	852,393	447,607
Other costs	-	-	-	-
Total expenditures	-	1,300,000	852,393	447,607
Other financing sources (uses)				
Transfers to other state agencies, net	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing resources	\$ -	\$ -	\$ 722,063	\$ 722,063

P615 is the only appropriation for this fund.

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

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State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. The State of New Mexico Commissioner of Public Lands (“State Land Office”) was created by the Constitution of New Mexico, Article XIII, Sections 1 and 2; Sections 19-1-1 through 19-15-10 and others in NMSA 1978. The Commissioner of Public Lands is elected by the citizens of the State of New Mexico.

The Constitution and Enabling Act combine to create a very specific trust document which granted lands to the State Land Office and designate the Commissioner of Public Lands as the trustee. As a result, the State Land Office controls approximately 8.5 million acres of surface rights and approximately 13.0 million acres of mineral rights in the State of New Mexico. Trust assets are sold, leased, controlled and managed by the Commissioner and staff to develop income for specified beneficiaries. The Commissioner and staff plan and preserve the assets and resources of the trust. Revenues are earned for the beneficiaries of the trust by leasing lands for grazing, agriculture, commercial use, oil and gas drilling, mining, and other surface and subsurface activities. In addition to money earned from rental of State Trust Lands, the State Land Office receives royalties earned from the extraction and sale of minerals, as well as principal and interest from land sales. Income from land sales and royalties is deposited into the Land Grant Permanent Fund of the State of New Mexico (also known as the Permanent School Fund). The corpus of the Land Grant Permanent Fund is invested, not spent, and the earned income is distributed to the proper beneficiaries.

Financial Reporting Entity. The State Land Office is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

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

No entities were noted that should be considered component units of the State Land Office.

The accounting policies of the State Land Office conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Basic Financial Statements – The basic financial statements include both government-wide (based on the State Land Office as a whole) and fund financial statements. The reporting model focus is on either the State Land Office as a whole or major individual fund (within the 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 column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Government-Wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues in the Statement of Activities consist of lease and rental income from lands held by the State Land Office. The State Land Office includes only one function (general government). Interfund balances have been eliminated in the government-wide financial statements.

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

The governmental fund statements are presented on a current financial resource 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 the State Land Office's actual financial activity in relation 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 column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the State Land Office first uses restricted resources then unrestricted resources.

Fund Accounting. The accounts of the State Land Office are organized 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 equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the State Land Office:

Governmental Funds

General Fund. The Land Maintenance Fund (SHARE fund number 09800) is the general operating fund of the State Land Office and it is used to account for the general operations of the State Land Office in carrying out its specific functions. Sources of revenue are provided by the transfer of lease and rental income from the Land Suspense Fund. The fund does not revert to the State general fund per section 19-1-1.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds

Special Revenue funds are used to record inflows that must be used for a specified purpose. The special revenue funds of the State Land Office are classified as such because they serve as clearing accounts for payments of resources that are restricted or committed to the specified beneficiaries. As these resources are transferred to the beneficiaries, they are not recognized as a revenue or an expense of any of the special revenue funds; however, they serve as the foundation for the funds. The special revenue funds of the State Land Office are:

Land Suspense Fund - The Land Suspense Fund (SHARE Fund number 77700) is used as a collection and clearing account for State Land Office receipts. Lease and rental income, interest on land contracts, filing fees, copy fees, interest on cash deposits, and interest assessments are "participating income". Royalty income, land contract payments, reimbursed sales expense are "non-participating income".

Participating income is made available for operating expenses. The excess of receipts over operating expenses is then transferred to the beneficiaries. Royalty income and land contract payments are transferred to the Land Grant Permanent Fund. Sales expense income is recorded in the Sales Expense Fund. Filing fees, copy fees, and interest on cash deposits are transferred to the Land Maintenance Fund.

Undistributed receipts included in "due to beneficiaries" on the balance sheet are principally comprised of monies received prior to the authorized distribution dates. Any distribution would be made after all operating costs are defrayed and a determination of payment is made.

Oil and Gas Royalty Fund - The Oil and Gas Royalty Fund (SHARE Fund number 26400) is a collection and clearing account for royalties. Distributable royalties are transferred to the Land Grant Permanent Fund each month.

The royalties presented as undistributed receipts in the balance sheet represent royalty payments received as advances but not yet allowed to be distributed.

Royalty Advance Payment Fund - The Royalty Advance Payment Fund (SHARE Fund number 51400) is a collection account for advance royalty payments made in accordance with Sections 19-10-56 through 19-10-60 NMSA 1978 and related investment income on behalf of beneficiaries.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Expense Fund - The Sales Expense Fund (SHARE Fund number 77600) is an imprest clearing account for the purpose of paying, as required by State law, expenses of land sales. When a sale is completed, the related sales expense is initially accounted for in the Land Suspense Fund, and then reimbursed to the Sales Expense Fund.

STL Restoration and Remediation Fund - The STL Restoration and Remediation Fund (SHARE Fund number 68210) was created to utilize 1% of Land Maintenance Fund Revenue for the purpose of remediation and restoration projects on state trust land under Chapter 24 of the Laws of New Mexico 2017. Amounts collected in excess of \$5,000,000 will revert to State Land Office beneficiaries.

Basis of Accounting. The Government-Wide Financial Statements are presented on an accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. The governmental funds in the fund financial statements are presented on a modified accrual basis.

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. The State Land Office considers revenues to be available if they are collected within sixty days from the end of the current fiscal period. 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.

The Annual General Appropriation Act established the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the State Land Office of Finance and Administration as the budgetary basis of accounting for the State of New Mexico. The change in policy resulted in the recognition of budgetary control from a fiscal year to an appropriation period. Under the budgetary basis, prior year encumbrances allowed for money to be expended in one fiscal year, while charging the expenditure to another year's budget. Under the new policy, as long as the appropriation period has not lapsed, and a budget has been approved by the State Land Office of Finance and Administration, an encumbrance can be charged against that budget. However, when the appropriation period has lapsed, so does the authority for the budget.

In applying the "susceptible to accrual" concept to inter-governmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data. The State Legislature makes annual appropriations to the State Land Office. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund. Expenditures may not legally exceed appropriations at the object expenditure classification level. Budget amendments require approval by the State's Budget Division of the Department of Finance and Administration.

Unexpended and unencumbered amounts in the General Fund lapse at year-end and are reapportioned to beneficiaries in the same ratio as distributions to beneficiaries from the Land Suspense Fund per NMSA 19-1-13.

The budgetary legal authorization to incur obligations is on a basis that differs from the basis of accounting required by generally accepted accounting principles (GAAP) for the General Fund and the Special Revenue Funds.

The budget is prepared on a modified accrual basis and may include encumbrances for multiple year appropriations in fund expenditures (commitments for the expenditure of monies relating to unperformed contracts of orders for goods and services). GAAP includes accrued expenditures but does not include encumbrances in fund expenditures. Per the Annual General Appropriation Act, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that are not paid by the statutory deadline. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

The State Land Office is required to submit a budget report for the General Fund to the Department of Finance and Administration and the Legislative Finance Committee by September 1 of each year. The report submitted by the State Land Office also details revenues and expenditures or expenses for the preceding year.

The Department of Finance and Administration makes recommendations and adjustments to the appropriation request which becomes the Governor's proposal to the Legislature. The Legislative Finance Committee holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.

The recommended appropriation proposals from both the Department of Finance and Administration and the Legislative Finance Committee are presented to the Legislature for approval of the final budget plan.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All subsequent budget transfers and increases must be authorized by the Director of the State Budget Control Division. The budget has been amended for the year ended June 30, 2018.

Legal budget control for expenditures and encumbrances is by appropriation unit.

Cash and Investments. Cash is deposited by the State Land Office into its accounts with the State Treasurer. The balances of these accounts are then pooled and invested by the State Treasurer.

Funds in the Royalty Advance Payment Fund are invested in the New Mexico State Investment Council Equity (Large Cap Active and Large Cap Index) and Fixed (Core Bonds) Income Investments. Investments in these external investment pools are carried at market value.

The Constitution and statutes of the State of New Mexico place certain restrictions on investments which may be held by the Royalty Advance Payment Fund. The purpose of these restrictions is to minimize risk within the portfolio.

The State Land Office follows Government Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement 3*. Per GASB 40, "the Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, foreign currency risk, and also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates as well as deposit and investment policies related to the risks identified in the Statement."

Supplies Inventory. Supplies inventory is stated at cost using the first-in, first-out method. Inventory consists of office supplies and materials held for consumption and are recorded as expenditures when purchased. The reported fund balance reservation indicates that inventory does not represent available spendable resources of the General Fund.

Capital Assets. Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Land trades of trust land are valued at the fair value as of the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Effective July 1, 2006, assets are capitalized by the State Land Office if the cost is more than \$5,000. Information Technology Equipment including software is being capitalized and included in data processing in accordance with NMAC 2.20.1.9 C (5). Other costs incurred for repairs and maintenance are expensed as incurred.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Leave. Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay up to 600 hours is forfeited and vacation is limited to 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semi-annual period. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. The compensated absences payable has been valued using current pay levels. The amount that would normally be liquidated with expendable available financial resources has been recorded as a current liability in the appropriate funds.

Interfund Transactions. During the course of normal operations, the State Land Office has transactions between funds. The accompanying financial statements reflect such transactions as operating transfers.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings and Library	20 – 40 years
Furniture, fixtures, and equipment	3 – 10 years
Data processing	6 – 10 years
Automobiles	5 years

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Risk Management. The State Land Office, as a "State Agency" defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The State Land Office pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverages to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverages for State of New Mexico employees.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At June 30, 2018, the State Land Office had no claims for which the Risk Management Division has returned as not covered that would become the responsibility of the State Land Office. See footnote 12 on contingencies.

Government Fund Reporting. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by outside entities. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

The agency's fund balances include amounts that represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, none of the restricted special appropriations and capital project appropriations were from the State General Fund; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by outside entities; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2018, follows:

Nonspendable - Supplies. This reserve was created to represent the portion of fund balance that is not available for expenditures because the State Land Office expects to use the resources within the next budgetary period.

Spendable - Restricted for Refunds. This reserve was created for refunds, per New Mexico Statute 1978 Chapter 19 Public Lands, Section 19-7-62.

Spendable – Restricted for ONGARD Modernization. This reserve was created to replace the oil and natural gas administration and revenue database system per Laws of 2016, Chapter 11, Section 7, Item 5. The appropriation was re-appropriated to the Commissioner of Public Lands per Laws 2017, Chapter 135, Section 7, Item 7. Per Laws of 2018, Chapter 73, Section 7, Item 18

Spendable – Restricted for ONGARD Modernization. This reserve was created to replace the oil and natural gas administration and revenue database system per Laws of 2018, Chapter 73, Section 7, Item 19.

Spendable – Restricted for Right of Way Digitization. This reserve was created to complete conversion of historical right of way parcel location information into a geographic information system framework per Laws of 2017, Chapter 135, Section 5, Item 15.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Spendable – Restricted for Capital Projects. This reserve was created for the continued upgrade and replacement of the electrical distribution system at the State Land Office Building, per Laws of 2015, Chapter 3, Section 81, Item 2.

Spendable – Restricted for Capital Projects. This reserve was created to plan and design improvements to the phone and network wiring infrastructure at the State Land Office Building, per Laws of 2015, Chapter 2, Section 81, Item 3.

Spendable – Restricted for Capital Projects. This reserve was created to plan, design upgrade, repair, and replace the parking lot and sidewalks at the State Land Office Building, per Laws of 2018, Chapter 80, Section 47, Item 2.

Spendable – Restricted for Capital Projects. This reserve was created to plan, design, upgrade, repair, and replace the heating, ventilation and air conditioning system at the State Land Office Building, per Laws of 2018, Chapter 80, Section 47, Item 1.

Spendable – *Restricted for Capital Projects*. This reserve was created for the upgrading of wiring infrastructure in the State Land Office Building per Laws of 2014, Chapter 66, Section 48, Items 3.

Spendable – *Restricted for Capital Projects*. This reserve was created to plan, design, excavate, and replace the parking lot at the State Land Office Building per Laws of 2018, Chapter 68, Section 125.

Spendable – *Committed for Nut Grassland*. This reserve was created from an agreement to study long term environmental impacts of a solar facility on the Nutt Grassland.

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

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period and so will not be recognized as an expense or expenditure until then. The State Land Office has no items that meet this criterion. 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 represents an acquisition of net position that applied to a future period and so will not be recognized until then. The State Land Office has no items that meet this criterion.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Effective Pronouncements. This fiscal year, the following statements went into effect:

Statement No. 75- *Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 81- Irrevocable Split- Interest Agreements

Statement No. 85- Omnibus 2017

Statement No. 86- Certain Debt Extinguishment Issues

The State Land Office's financial statements reflect the pronouncements accordingly. The implementation of these statements did not have a significant impact on the State Land Office because the activities of the A State Land Office were not affected by the pronouncements in a material manner.

NOTE 2: INTEREST IN THE 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.

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 State Land Office has established daily and monthly procedures that mitigate the risk of misstatement of the State Land Offices' 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 of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 2: INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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 General Fund Investment Pool (GFIP) managed by the New Mexico State Treasurer's Office.

As of June 30, 2018 the State Land Office had the following cash and investment in the State General Fund Investment Pool:

Account		Balance per
Account Name/Type	Account Number	Financial
		Statements
Governmental funds		
General Fund		
On deposit with the State Treasurer		
Land Maintenance Fund	539-09800	\$ 17,040,038
Petty Cash	N/A	400
Total - General Fund		\$ 17,040,438
Special revenue funds		
On deposit with the State Treasurer		
Land Suspense Fund	539-77700	\$ 19,397,186
Oil and Gas Royalty Fund	539-26400	76,481,361
Royalty Advance Payment Fund	539-51400	1,180,736
Sales Expense Fund	539-77600	17,256
STL Remediation and Restoration Fund	539-68210	722,063
Total - Special Revenue Funds		97,798,602
Total Cash and Cash Equivalents		\$ 114,839,040

There were no differences between State Treasurer's Office (STO) and reconciled cash balances for the State Land Office as of June 30, 2018.

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.

State of New Mexico
Commissioner of Public Lands
Notes to Financial Statements
June 30, 2018

NOTE 2: INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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

The State Land Office's cash funds, other than petty cash and change funds, are deposited into its accounts with the New Mexico State Treasurer's Office, which are pooled and invested by the State Treasurer or deposited by the Department with local banks as State Agency cash deposits to the credit of the New Mexico State Treasurer's Office.

Provisions of the New Mexico State Public Money Act (Article 10, Sections 6-10-1 to 6-10-63 NMSA 1978) require a bank to be qualified to receive deposits of public monies by depositing collateral security or by giving bond at a minimum level of 50 percent to collateralize governmental cash deposits when they exceed the amounts of depository insurance by the federal deposit insurance corporation (FDIC) or the national credit union administration (NCUA).

The State Treasurer's Office financial statements disclose the type of purchased security investments held (i.e., bond, note, Treasury bill, etc.), categories of risk involved, security number, Committee on Uniform Securities Identification Procedures (CUSIP) identification number, fair market value, maturity date of securities held, name of the custodian and the place of safekeeping for all "collateral" pledged to secure State Agency cash deposits. The bank balances as of June 30, 2018, are entirely insured or collateralized with securities held by the agent in the bank's name.

Cash in Banks consists of amounts temporarily deposited in local bank accounts statewide prior to being "swept" nightly into the department's cash accounts at the State Treasurer's Office.

Petty cash of \$400 was held by the State Land Office for payment of emergency business expenses requiring immediate payment or purchase of goods or services essential to perform the agency mission.

As of June 30, 2018 the State Land Office's cash balances (called "Interest in the State General Fund Investment Pool") have been reconciled to the State Land Office's portion of the GFIP. See the Schedule of Cash and Investments in the Supporting Schedules Section.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

NOTE 3: INVESTMENTS

Investments in the Royalty Advance Payment Fund are held in the Equity and Fixed Income Pooled Investment Funds of the New Mexico State Investment Council. The market value of the units held in the Investment Funds is \$15,080,842. This represents the Royalty Advance Payment Fund's proportionate share of the quoted market prices of the securities held in Investment Funds. The Funds invest in equity securities, U.S. Treasury and Federal Agency notes, industrial and utility bonds and notes, and overnight repurchase agreements. The investments held by the State Investment Council for the State Land Office are uninsured and unregistered and there is no regulatory oversight on the Investment Funds.

Investment interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The State Land Office has exposure to interest rate risk by its investment in the Core Bond holdings with the State Investment Council.

Investment Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the State Land Office will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Mutual funds, external investment pools, and securities underlying reverse repurchase agreements are not exposed to custodial credit risk.

The State Land Office does have a custodial risk policy for Investments, which requires collateral in an amount greater than or equal to 50% of the deposit not insured by Federal Insuring Agencies.

The State Land Office Royalty Advance Payment Fund's investments are held with the State Investment Council in the external investment pools of Large Capital Index, Large Capital Active and Core Bonds, thus there is no custodial risk related to these investments.

Concentration of Credit Risk. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of all total investments, including components unit investments, are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Currently, the State Land Office does not have a policy to limit its exposure to concentrated credit risk.

The State Land Office Royalty Advance Payment Fund's investments are held with the State Investment Council in the external investment pools of Large Capital Index, Large Capital Active and Core Bonds, thus there is no concentration of credit risk related to these investments.

A copy of the separately issued financial statements can be obtained from the State Investment Council.

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NOTE 3: INVESTMENTS (CONTINUED)

GASB 72 Fair Value Measurements and Disclosures provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Equity securities				
Large cap active pool	\$ 5,964,517	\$ 5,964,517	\$ -	\$ -
Large cap index pool	5,441,514	-	5,441,514	-
Total equity securities	11,406,031	5,964,517	5,441,514	-
Debt securities				
Core plus bonds pool	3,674,811	-	3,674,811	-
Total debt securities	3,674,811	-	3,674,811	-
Total investments	\$ 15,080,842	\$ 5,964,517	\$ 9,116,325	\$ -

NOTE 4: RECEIVABLES

Interest assessment receivables in the Land Suspense Fund of \$1,693,671 represent uncollected amounts that have been billed by the State Land Office for late payment of royalties due.

Management has recorded an allowance of \$121,826 at June 30, 2018 for interest assessment receivables. Some interest assessments may be abated.

The State of New Mexico collects a royalty based upon the value of oil and gas production on state lands. Remitters of oil and gas royalties to the state report the royalties due, plus property identification (lease numbers) and production volumes in one of two ways: (1) remitters using paper reports send those reports and royalty cash payments to the State of New Mexico Taxation and Revenue Department which encodes the information and then transfers the information and cash electronically via the ONGARD system to the SLO for purposes of editing, reconciliation and distribution to beneficiaries; or (2) remitters using electronic reporting send the information directly to the SLO via tape or electronic data interchange (EDI) for ONGARD processing purposes, with cash payments going directly to the SLO royalty account.

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NOTE 5: CAPITAL ASSETS

A summary of capital assets and changed occurring during the year ended June 30, 2018 follows. Land and trust land are not subject to depreciation.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 252,152	\$ -	\$ -	\$ 252,152
Trust Land	34,431,098	-	149	34,430,949
Total	34,683,250	-	149	34,683,101
Capital assets being depreciated:				
Buildings and Library	5,172,542	374,074	20,980	5,525,636
Furniture, fixtures, and equipment	738,442	-	253,630	484,812
Data processing	6,105,228	70,104	338,237	5,837,095
Automobiles	939,515	59,190	46,319	952,386
Total	12,955,727	503,368	659,166	12,799,929
Total capital assets	47,638,977	503,368	659,315	47,483,030
Less accumulated depreciation:				
Buildings and Library	4,170,514	143,773	20,980	4,293,307
Furniture, fixtures, and equipment	583,819	28,155	253,630	358,344
Data processing	1,946,997	533,757	338,237	2,142,517
Automobiles	596,861	110,288	46,319	660,830
Total	7,298,191	815,973	659,166	7,454,998
Net capital assets	\$ 40,340,786	\$ (312,605)	\$ 149	\$ 40,028,032

The State Land Office does not have any debt related to capital assets as of June 30, 2018.

Depreciation expense for the agency amounted to \$815,973 and is considered a general governmental expense.

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NOTE 6: COMPENSATED ABSENCES

The following represents changes in compensated absences for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 507,810	\$ 808,519	\$ 827,493	\$ 488,836	\$ 488,836

The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes. In the past, compensated absences have been paid out of the General Fund.

NOTE 7: DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds at June 30, 2018 consisted of:

Amount Due from Other Funds			Amount Due to Other Funds		
Fund	Fund #	Amount	Fund	Fund #	Amount
Oil and Gas			Royalty Advance		
Royalty Fund	26400	\$ 9,050,000	Payment Fund	51400	\$ 9,050,000
General Fund	09800	17,256	Sales Expense Fund	77600	17,256
Total		\$ 9,067,256	Total		\$ 9,067,256

This \$9,050,000 represents the cash balance for the Royalty Advance held by the State Investment Council for investment. Royalty Advance consists of funds submitted by oil and gas royalty remitters to be held on deposit. All royalties are paid when cleared from suspense and the principal investment will be paid to beneficiaries earning royalties upon liquidation. Investment earnings are credited to the Land Maintenance Fund and used to support the agency.

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NOTE 8: DUE FROM AND DUE TO OTHER STATE AGENCIES

Due from and due to other state agencies at June 30, 2018 consisted of:

Amount Due to Other Agencies			Other Agencies		
Fund	Fund #	Amount	Fund	Fund #	Amount
Oil and Gas			State Investment		
Royalty Fund	26400	\$ 143,237,414	Council	60100	\$ 143,237,414
Total		\$ 143,237,414	Total		\$ 143,237,414

The State Land Office owed the State Investment Council \$143,306,677 for May 2018 and June 2018 oil and gas royalty sales and distribution. The State Land Office had no amounts due from other state agencies.

NOTE 9: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the New Mexico State Land Office’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% (ranges from 6.28% to 18.15% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The State Land Office is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the State Land Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Land Office’s contributions to PERA for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,357,023, \$1,300,795, and \$1,276,984, and, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The New Mexico State Land Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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NOTE 10: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary.

In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The State Land Office’s contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$159,406, \$153,125, and \$150,322, respectively, which equal the required contributions for each year.

NOTE 11: LEASE COMMITMENTS

The State Land Office leases certain office space and equipment from various vendors under operating leases. The expenditures for leases during the year ended June 30, 2018 were \$138,754. Future minimum lease payments under these operating leases are as follows:

<u>Year ended,</u>	<u>Amounts</u>
2019	\$ 129,911
2020	57,252
2021	9,870
2022	6,270
<u>Total</u>	<u>\$ 203,303</u>

NOTE 12: CONTINGENCIES

The State of New Mexico is a titleholder in trust of millions of federally granted acres in New Mexico. As a result, it is possible that the State of New Mexico could become liable for the cleanup of contaminated sites on state lands or for the reimbursement to federal or state environmental agencies for the cost of cleanup. As of June 30, 2018, no such claims have been asserted by either federal or state environmental agencies. According to management of the State Land Office, if such a claim were filed, the State would have the right to seek contribution from operators, arrangers and transporters at the site. In addition, the State might be able to reach a settlement agreement with the environmental agency and allow the State to pursue its claims against the other potentially responsible parties. As holder of the legal title to the state lands, the State of New Mexico alone could be liable for the costs of clean-up in the absence of any other potentially responsible party. However, there is no existing case law to determine if this liability would be the responsibility of the State of New Mexico or the assets of the trust whose beneficiaries hold equitable title to the state lands (i.e., State Land Office).

During the course of normal operations, the State Land Office has various claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of interim general counsel and management that the likelihood of any potential liabilities to be material to the financial statements as of June 30, 2018 is remote.

NOTE 13: JOINT POWERS AGREEMENTS

STATE OF NEW MEXICO ONGARD SYSTEM

The Tri-Agencies – Energy Minerals & Natural Resources State Land Office (EMNRD), Taxation & Revenue State Department (TRD), and State Land Office entered into the “Agreement” pursuant to the New Mexico Joint Powers Agreement Act, NMSA 1978 ss 11-1-1 through 11-1-7 (1997 Repl) and the ONGARD System Development Act, NMSA 1978 ss 19-110B-1 through 19-10B-8 (1994 Repl) on January 14, 2004. The purpose of this agreement is to identify, define and articulate the methods by which the Tri-Agencies will carry out their shared responsibility for the ongoing management, operation, utilization and maintenance of the ONGARD System; define the process for determining the need for changes to the ONGARD System and for establishing priorities; and establish a mechanism to allocate the financial responsibility of each member of the TRI-Agencies with respect to costs incurred relating to the ONGARD System. The Tri-Agencies are responsible for the ONGARD Service Center approved budget as follows: SLO 33 and 1/3% and EMNRD and TRD 33 and 1/3% each. The agreement may be terminated by mutual consent of the Tri-Agencies. The audit responsibility is with the State of New Mexico Taxation & Revenue Department.

NOTE 13: JOINT POWERS AGREEMENTS (CONTINUED)

MANAGEMENT OF THE WIPP WITHDRAWAL AREA

U.S. Department of Energy (DOE), New Mexico Department of Game and Fish (DGF), the New Mexico Energy, Minerals and Natural Resources Department (EMNRD), the New Mexico Office of Cultural Affairs (OCA), and the State Land Office (SW) entered into the "Agreement" pursuant to the New Mexico Joint Powers Agreement Act, Section 11-1-1 et sea NMSA 1978, the Department of Energy Organization Act, P.L. 95-94, the Energy Reorganization Act of 1974, P.L. 93-438 and the Economy Act of 1932 as amended by P.L. 98-216 on June 26, 1997. The purpose of this agreement is to encourage direct communication among the parties and other appropriate federal and state agencies involved in managing the resources within, or activities impacting the areas adjacent to, the WIPP withdrawal area. It sets forth cooperative arrangements and procedures for addressing land management within and adjacent to the withdrawal area.

TO DISTRIBUTE FEDERAL GRANT FUNDS

The New Mexico Energy Minerals & Natural Resources Department (EMNRD) and State Land Office entered into the "Agreement" pursuant to the New Mexico Joint Powers Agreement Act, NMSA 1978 ss 11-1-1; the Forest Conservation Act, NMSA ss 68-2-1 through 68-2-33; and the Federal Cooperative Forestry Assistance Act of 1978, P.L. 95-313 on November 6, 2003. The purpose of this agreement is for administrative efficiency so that several projects can be carried out through a single program; whereas, EMNRD and the State Land Office are public agencies and are authorized by law to enter into this Joint Powers Agreement. EMNRD is authorized to enter into agreements to protect forests and provide forest management technical assistance including forest health and from time to time receives funds from the USDA, Forest Service (USDA) under the Wildland Urban Interface and Hazardous Fuel Reduction Grant Programs to mitigate the threat of wildland fires and improve forest health. EMNRD shall reimburse the State Land Office out of federal grant funds for all reimbursable costs incurred under this Agreement for materials and labor in amounts not to exceed the limit set in the Project Work Plan.

TO CONDUCT RESOURCE MANAGEMENT ACTIVITIES IN THE LUERA MOUNTAINS

The State Land Office and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) entered into the "Agreement" pursuant to the New Mexico Joint Powers Agreement Act, NMSA 1978 ss 11-1-1 to 11-1-7 NMSA 1978 on April 15, 1993. The purpose of this agreement is to provide to the Commissioner the resources and expertise of the EMNRD's State Forester for the purpose of protecting and conserving the forested areas of the said state trust lands as contemplated by Section 68-2-11 NMSA 1978.

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NOTE 14: SPECIAL APPROPRIATIONS

Laws of 2016, Chapter 11, Section 7, Item 5, the State Land Office thru NM Taxation and Revenue was appropriated \$5,000,000 to replace the oil and natural gas administration and revenue database system. The remaining balance on this appropriation was \$4,726,139 at June 30, 2018. Per Laws of 2017, Chapter 135, Section 7 the appropriation was re-appropriated to the Commissioner of Public Lands. The period of time for expending the appropriation was through fiscal year 2018. Per Laws of 2018, Chapter 73, Section 7, Item 18 the appropriation was reauthorized through fiscal year 2019. All unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the beneficiaries.

Laws of 2018, Chapter 73, Section 7, Item 19, the State Land Office was appropriated \$5,000,000 to continue the replacement of the oil and natural gas administration and revenue database system. The remaining balance on this appropriation was \$5,000,000 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2020 shall revert to the beneficiaries. This appropriation has not yet been budgeted by the State and Office.

Laws of 2017 Chapter 135, Section 5, Item 15, the State Land Office was appropriated \$550,000 to convert historical right of way parcel location information into a geographic information system framework. The period of time for expending the appropriation is through fiscal year 2018. The remaining balance on this appropriation was \$7,138 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the beneficiaries.

NOTE 15: CAPITAL PROJECTS

Laws of 2014, Chapter 66, Section 48, Item 1, the State Land Office was appropriated \$720,000 to continue to plan, design and renovate Morgan Hall. The period of time for expending the appropriation is through fiscal year 2018. The remaining balance on this appropriation was \$101,868 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the beneficiaries.

Laws of 2014, Chapter 66, Section 48, Item 2, the State Land Office was appropriated \$360,000 to replace the ceiling and install a sprinkler suppression system. The period of time for expending the appropriation is through fiscal year 2018. Per Laws of 2017, Chapter 133, Section 111, the appropriation was reauthorized for parking lot repairs. Per Laws of 2018, Chapter 68, Section 125, the appropriation was reauthorized through fiscal year 2019. The remaining balance on this appropriation was \$360,000 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the beneficiaries.

Laws of 2014, Chapter 66, Section 48, Item 3, the State Land Office was appropriated \$230,000 to upgrade wiring infrastructure. The period of time for expending the appropriation is through fiscal year 2018. The remaining balance on this appropriation was \$0 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the beneficiaries.

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NOTE 15: CAPITAL PROJECTS (CONTINUED)

Laws of 2015, Chapter 3, Section 81, Item 1, the State Land Office was appropriated \$135,000 to plan, design, purchase and install boilers. The period of time for expending the appropriation is through fiscal year 2019. The remaining balance on this appropriation was \$9,314 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the beneficiaries.

Laws of 2015, Chapter 3, Section 81, Item 2, the State Land Office was appropriated \$350,000 to replace the electrical distribution system. The period of time for expending the appropriation is through fiscal year 2019. The remaining balance on this appropriation was \$336,246 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the beneficiaries.

Laws of 2015, Chapter 3, Section 81, Item 3, the State Land Office was appropriated \$145,000 to plan and design improvements to the phone and network wiring infrastructure. The period of time for expending the appropriation is through fiscal year 2019. The remaining balance on this appropriation was \$144,259 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the beneficiaries.

Laws of 2016, Chapter 81, Section 41, Item 1, the State Land Office was appropriated \$150,000 to plan, design, purchase and install space saver storage systems at the state land office. The period of time for expending the appropriation is through fiscal year 2020. The remaining balance on this appropriation was \$1,409 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the beneficiaries.

Laws of 2018, Chapter 80, Section 47, Item 1, the State Land Office was appropriated \$180,000 to plan, design, upgrade, repair, and replace the heating ventilation and air conditioning system at the State Land Office Building. The period of time for expending the appropriation is through fiscal year 2022. The remaining balance on this appropriation was \$180,000 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2022 shall revert to the beneficiaries. This appropriation has not yet been budgeted by the State and Office.

Laws of 2018, Chapter 80, Section 47, Item 2, the State Land Office was appropriated \$40,000 to plan, design, upgrade, repair, and replace the parking lot and sidewalks at the State Land Office Building. The period of time for expending the appropriation is through fiscal year 2022. The remaining balance on this appropriation was \$40,000 at June 30, 2018. All unexpended or unencumbered balance remaining at the end of fiscal year 2022 shall revert to the beneficiaries. This appropriation has not yet been budgeted by the State and Office.

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NOTE 16: GOVERNMENTAL FUND BALANCES

The State Land Office's fund balances represent: Restricted purposes which include balances that are legally restricted for specific purposes and committed purposes which include balances that can only be used for specific purposes pursuant to constraints imposed by outside entities. A summary of the nature and purposes of these reserves by fund type at June 30, 2018 follows:

Description	Nonspendable	Restricted and Committed Purposes
General Fund		
Supplies-Inventory	\$ 7,004	\$ -
Restricted - Refunds - NMSA 1978 Section 19-7-62	-	500,000
Restricted - Ongard Replacement - L 16 C11 S007 I015	-	4,726,139
Restricted - Ongard Replacement - L 17 C73 S007 I019	-	5,000,000
Restricted - Capital Projects	-	1,060,505
Committed - Nutt Grassland - Other gifts/grants	-	23,012
STL Restoration and Remediation Special Revenue Fund		
Restricted - Land Restoration & Remediation Projects	-	722,063
Total	\$ 7,004	\$ 12,031,719

NOTE 17: CONFLICT OF INTEREST

The State Land Office maintains a Conflict of Interest Policy which applies to all the executive staff, management and staff employees. The Policy requires each person to whom the policy applies to complete a disclosure statement which identifies a business or financial interest of that person which is planning to engage in a business transaction with the State Land Office or has engaged in a business transaction with the State Land Office.

NOTE 18: RELATED PARTY TRANSACTIONS

The State Land Office has lease agreements with a current member of management. The subject leases were in existence for twenty or more years, prior to the hiring date of January 2015 of the member of management (executive staff). For the year ended June 30, 2018, the State Land Office received lease revenue of \$2,225 relating to these leases.

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NOTE 19: SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred Before The End of a Construction Period* was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*) was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The State Land Office is still evaluating how this pronouncement will affect the financial statements.

NOTE 20: GASB 68 FINANCIAL REPORTING AND DISCLOSURE FOR COST-SHARING PENSION PLANS BY EMPLOYERS (PERA)

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2018.

The State Land Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a net pension liability.

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NOTE 20: GASB 68 FINANCIAL REPORTING AND DISCLOSURE FOR COST-SHARING PENSION PLANS BY EMPLOYERS (PERA) (CONTINUED)

The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the new pension liability, pension expense and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 21: GASB 75 FINANCIAL REPORTING AND DISCLOSURE FOR COST-SHARING OTHER POST EMPLOYMENT BENEFIT PLANS (RHC)

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Agency, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 22: SUBSEQUENT EVENTS

The State Land Office has evaluated subsequent events through October 25, 2018, which is the date the financial statements have been issued and have determined no events require disclosure or adjustment to the financial statements.

Supporting Schedules

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State of New Mexico
Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018

	General Fund - Multi Year Budgets			
	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Rental income	\$ 14,552,500	\$ 15,252,500	\$ 21,141,017	\$ 5,888,517
Less: reappropriation to beneficiaries	-	-	(4,319,653)	(4,319,653)
Rental income, net	14,552,500	15,252,500	16,821,364	1,568,864
Other services - Interagency	\$ 1,100,000	1,100,000	2,412,963	(1,312,963)
Interest income	212,600	212,600	1,644,535	(1,431,935)
Other revenue	29,600	29,600	17,663	11,937
Total budgeted revenue	15,894,700	16,594,700	20,896,525	(1,164,097)
Expenditures				
Personal services	11,505,800	11,630,800	11,441,665	189,135
Contractual services	2,641,000	2,941,000	2,460,739	480,261
Other	1,747,900	2,022,900	1,905,950	116,950
Total budgeted expenditures	15,894,700	16,594,700	15,808,354	786,346
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 5,088,171	\$ 5,088,171

*P615 is the only appropriation level code for this fund.

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

State of New Mexico
Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund - Multi-Year Budgets for Special Appropriations
For the Year Ended June 30, 2018

General Fund - Multi Year Budgets

**ONGARD Replacement - Laws of 2016, Chapter 11,
Section 7, Item 5
(Appropriation Level Code ZA0705)**

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Special appropriations	\$ 5,000,000	\$ 5,000,000	\$ -
Total budgeted revenues	5,000,000	5,000,000	-
Expenditures			
Personal services	250,000	250,000	-
Contractual services	2,250,000	2,250,000	143,036
Other	2,500,000	2,500,000	-
Total budgeted expenditures	5,000,000	5,000,000	143,036
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (143,036)

**Right of Way Digitization Laws of 2017, Chapter
135, Section 5, Item 15
(Appropriation Level Code ZB0515)**

Revenues			
Special appropriations	\$ 550,000	\$ 550,000	\$ -
Total budgeted revenues	550,000	550,000	-
Expenditures			
Personal services	50,000	-	-
Contractual services	500,000	550,000	542,862
Total budgeted expenditures	550,000	550,000	542,862
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (542,862)

General Fund - Multi Year Budgets

**Capital Project - Morgan Hall Renovation Phase II -
Laws of 2013, Chapter 226, Section 55, Item 3
(Appropriation Level Code A142179)**

Revenues			
Special appropriations	\$ 720,000	\$ 720,000	\$ -
Total budgeted revenues	720,000	720,000	-
Expenditures			
Contractual services	720,000	-	-
Other	-	720,000	5,627
Total budgeted expenditures	720,000	720,000	5,627
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (5,627)

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

for Special Appropriations

Prior		Total	Variances
Year	Actual		Favorable (Unfavorable)
			Final to Actual
\$	5,000,000	\$ 5,000,000	\$ -
	5,000,000	5,000,000	-
	-	-	250,000
	130,825	273,861	1,976,139
	-	-	2,500,000
	130,825	273,861	4,726,139
\$	4,869,175	\$ 4,726,139	\$ 4,726,139

\$	550,000	\$ 550,000	\$ -
	550,000	550,000	-
	-	-	-
	-	542,862	7,138
	-	542,862	7,138
\$	550,000	\$ 7,138	\$ 7,138

for Capital Projects

\$	720,000	\$ 720,000	\$ -
	720,000	720,000	-
	-	-	-
	612,505	618,132	101,868
	612,505	618,132	101,868
\$	107,495	\$ 101,868	\$ 101,868

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

State of New Mexico
Commissioner of Public Lands

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund - Multi-Year Budgets for Special Appropriations
For the Year Ended June 30, 2018**

General Fund - Multi Year Budgets

Capital Project - Upgrade Wiring Infrastructure - Laws of 2014, Chapter 66, Section 48, Item 3 (Appropriation Level Code A142181)	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Special appropriations	\$ 230,000	\$ 230,000	\$ -
Total budgeted revenues	230,000	230,000	-
Expenditures			
Contractual services	-	-	-
Other	230,000	230,000	230,000
Total budgeted expenditures	230,000	230,000	230,000
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (230,000)
Capital Project - Boiler Replacement - Laws of 2015, Chapter 3, Section 81, Item 1 (Appropriation Level Code A151074)			
Revenues			
Special appropriations	\$ 135,000	\$ 135,000	\$ -
Total budgeted revenues	135,000	135,000	-
Expenditures			
Contractual services	15,000	15,000	-
Other	120,000	120,000	-
Total budgeted expenditures	135,000	135,000	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -
Capital Project - Electrical Distribution System - Laws of 2015, Chapter 3, Section 81, Item 2 (Appropriation Level Code A151075)			
Revenues			
Special appropriations	\$ 350,000	\$ 350,000	\$ -
Total budgeted revenues	350,000	350,000	-
Expenditures			
Contractual services	20,000	20,000	13,754
Other	330,000	330,000	-
Total budgeted expenditures	350,000	350,000	13,754
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (13,754)

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

for Capital Projects (Continued)

Prior Year Actual	Total	Variances Favorable (Unfavorable) Final to Actual
\$ 230,000	\$ 230,000	\$ -
230,000	230,000	-
-	-	-
-	230,000	-
-	230,000	-
\$ 230,000	\$ -	\$ -

\$ 135,000	\$ 135,000	\$ -
135,000	135,000	-
11,265	11,265	3,735
114,422	114,422	5,578
125,687	125,687	9,313
\$ 9,313	\$ 9,313	\$ 9,313

\$ 350,000	\$ 350,000	\$ -
350,000	350,000	-
-	13,754	6,246
-	-	330,000
-	13,754	336,246
\$ 350,000	\$ 336,246	\$ 336,246

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

State of New Mexico
Commissioner of Public Lands
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund - Multi-Year Budgets for Special Appropriations
For the Year Ended June 30, 2018

General Fund - Multi Year Budgets

Capital Project - Wiring Infrastructure Upgrade - Laws of 2015, Chapter 2, Section 81, Item 3 (Appropriation Level Code A15176)	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Special appropriations	\$ 145,000	\$ 145,000	\$ -
Total budgeted revenues	145,000	145,000	-
Expenditures			
Contractual services	-	-	-
Other	145,000	145,000	741
Total budgeted expenditures	145,000	145,000	741
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (741)
Capital Project - Storage System - Laws of 2016, Chapter 81, Section 41, Item 1 (Appropriation Level Code A16A2637)			
Revenues			
Special appropriations	\$ 150,000	\$ 150,000	\$ -
Total budgeted revenues	150,000	150,000	-
Expenditures			
Other	150,000	150,000	148,591
Total budgeted expenditures	150,000	150,000	148,591
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (148,591)
Capital Project - Plan, Design, Excavate, Replace Parking Lot - Laws of 2018, Chapter 68, Section 125 (Appropriation Level Code A142180)			
Revenues			
Special appropriations	\$ 360,000	\$ 360,000	\$ -
Total budgeted revenues	360,000	360,000	-
Expenditures			
Contractual services	43,000	43,000	-
Other	317,000	317,000	-
Total budgeted expenditures	360,000	360,000	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -

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

for Capital Projects (Continued)

Prior		Total	Variences
Year Actual			Favorable (Unfavorable) Final to Actual
\$ 145,000	\$ 145,000	\$	-
145,000	145,000		-
-	-		-
-	741		144,259
-	741		144,259
\$ 145,000	\$ 144,259	\$	144,259
\$ 150,000	\$ 150,000	\$	-
150,000	150,000		-
-	148,591		1,409
-	148,591		1,409
\$ 150,000	\$ 1,409	\$	1,409
\$ 360,000	\$ 360,000	\$	-
360,000	360,000		-
-	-		43,000
-	-		317,000
-	-		360,000
\$ 360,000	\$ 360,000	\$	360,000

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

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Compliance Section

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Mr. Aubrey Dunn
State of New Mexico
Commissioner of Public Lands
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, 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, the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue fund with a legally adopted budget of the New Mexico Commissioner of Public Lands (the "State Land Office") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State Land Office's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State Land 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 State Land Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Land 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 State Land Office'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Land 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State Land Office'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 State Land Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 25, 2018

**State of New Mexico
Commissioner of Public Lands
Schedule of Findings and Responses
June 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal Control over financial Reporting | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

SECTION II – FINANCIAL STATEMENT FINDINGS

None Noted

SECTION III – PRIOR YEAR FINDINGS

None Noted

State of New Mexico
Commissioner of Public Lands
Other Disclosures
June 30, 2018

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 30, 2018. The following individuals were in attendance:

Representing Commissioner of Public Lands:

Aubrey Dunn	Commissioner of Public Lands
Sandra Lopez	Assistant Commissioner of Administrative Services
Margaret Sena	Division Director of Administrative Services

Representing Carr, Riggs & Ingram, LLC:

Danny Martinez, CPA, CGFM, CGMA	Audit Partner
Benjamin A. Martinez, CPA	Audit Manager

Auditor Prepared Financial Statements

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the Commissioner of Public Lands from the original books and records provided to them by the management of the Agency. The responsibility for the financial statements remains with the Agency.