

**STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS**

**Financial Statements**

**June 30, 2023**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

## **INTRODUCTORY SECTION**

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 COMMISSIONER OF PUBLIC LANDS  
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 YEAR ENDED JUNE 30, 2023**

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**STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS  
OFFICIAL ROSTER  
AS OF JUNE 30, 2023**

Name

Title

Stephanie Garcia Richard  
Sunalei Stewart  
Tarin Nix

Commissioner of Public Lands  
Deputy Commissioner of Operations  
Deputy Commissioner of Public Affairs

Assistant Commissioners

Selena Romero  
Steve Vierck  
Joey Keefe  
Rachael Lorenzo  
Ari Biernoff  
Greg Bloom  
Dana Strang

Administrative Services  
Commercial Resources  
Communications  
Cultural Resources  
General Counsel  
Mineral Resources  
Surface Resources

Division Directors

Antonio Medina  
James Bordegaray  
Bobby Gallegos  
April Elliott  
Shannell Townsend  
Allison Marks  
Lesley Schimoler  
Estevan Baca  
Tony Hoffman  
Craig Johnson  
Ethan Ortega

Accounting Division  
Commercial Leasing Division  
Facilities Management Division  
Surface Resources Division  
Human Resources Division  
Oil, Gas and Minerals Division  
Records Management Division  
Royalty Management Division  
Information Technology Division  
Office of Renewable Energy  
Cultural Resources Office



## Independent Auditor’s Report

To Joseph M. Maestas, P.E.  
New Mexico State Auditor

Ms. Stephanie Garcia Richard  
Commissioner of Public Lands  
Santa Fe, New Mexico

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and budgetary comparisons for the general fund of the New Mexico Commissioner of Public Lands (“State Land Office”), as of and for the year ended June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State Land Office, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State Land Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter

As discussed in Note 1, the State Land Office’s financial statements are intended to present the financial position and changes in financial position attributable to the State Land Office’s transactions. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

The State Land Office’s management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Land Office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State Land Office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Land Office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that *the management's discussion and analysis* on pages 6 – 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary 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 supporting schedules listed in the Table of Contents as required by 2.2.2 NMAC, are not a required part of the basic financial statements. The other supplementary schedules listed in the Table of Content as required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules listed in the Table of Contents as required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules listed in the Table of Contents as required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 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 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 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.

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
November 13, 2023

# **State of New Mexico Commissioner of Public Lands Management's Discussion and Analysis June 30, 2023**

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The New Mexico State Land Office (State Land Office) is administered by the Commissioner of Public Lands, who is charged with managing state trust lands granted by the federal government and held in trust for the benefit of public schools, universities, hospitals and other public institutions (beneficiaries). The Management's Discussion and Analysis (MD&A) provides a summary of the State Land Office's past and current financial position, and results of activities for the fiscal year ended June 30, 2023. 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, the reader should review it in conjunction with the agency's financial statements, including the notes and supplementary information, for a more complete picture of the agency's financial activities.

## **FINANCIAL STATEMENTS**

The State Land Office's basic financial statements are presented in four parts, in the following order:

1. Government-wide financial statements
2. Fund financial statements
3. Budgetary comparison statements
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 the financial activities and resources of the State Land Office as a whole. The State Land Office's operations are funded by Land Maintenance Fund (LMF) revenue, as appropriated by the Legislature as other state funds, which includes rental income, interest income, other state funds, and other income on the fund financial statements.

The government-wide statement of net position reports the assets of the State Land Office and the corresponding claims and liabilities against those assets as of June 30, 2023. The difference between the value of the assets and the liabilities is reflected as the value of the net position. Increases or decreases in net position measure whether the financial position of the State Land Office improved or deteriorated. Net position legally limited to a particular use are reported as restricted. Unrestricted net position represents balances 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 government-wide financial statements report on the financial position and changes in financial position of the individual funds used by the State Land Office.

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 governmental funds to account for its financial activities: the general fund and special revenue funds.

The general fund is used to account for the finances of the governmental activities reported in the



# State of New Mexico Commissioner of Public Lands Management's Discussion and Analysis June 30, 2023

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government-wide financial statements. The State Land Office uses a general fund to account for its general operating activities.

Special revenue funds are used to record inflows that must be used for a specified purpose. The State Land Office uses five special revenue funds as clearing accounts for payments. Please refer to Note 1 to the financial statements for an explanation of these funds.

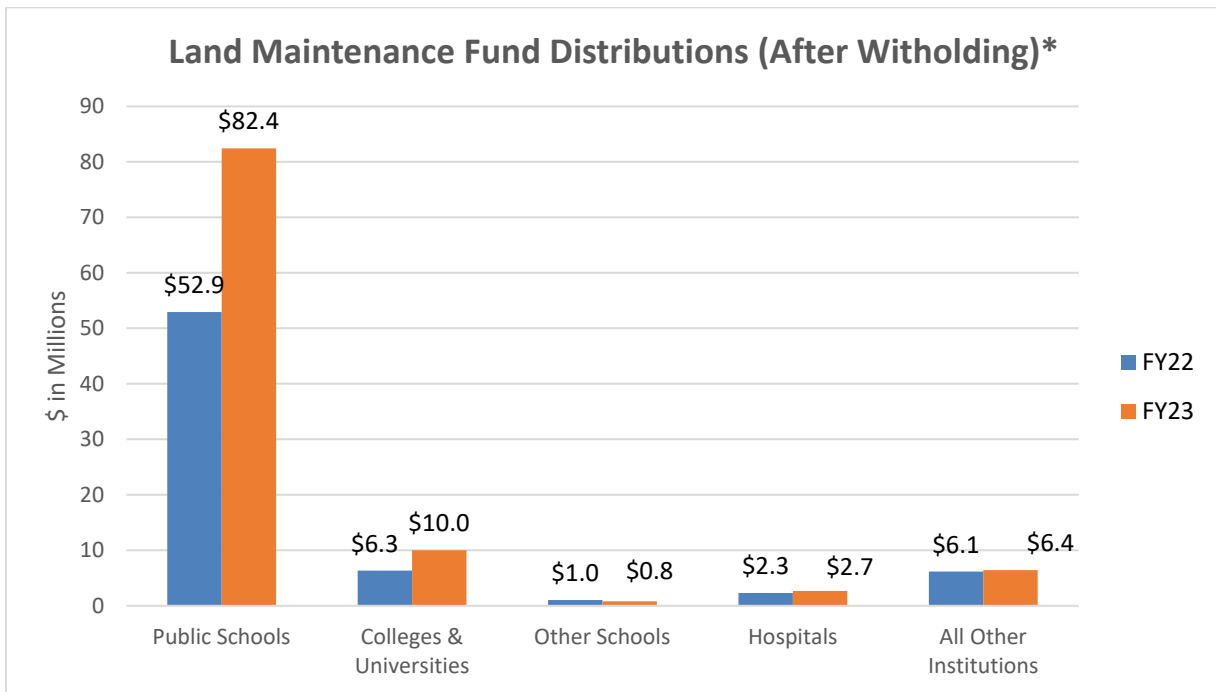
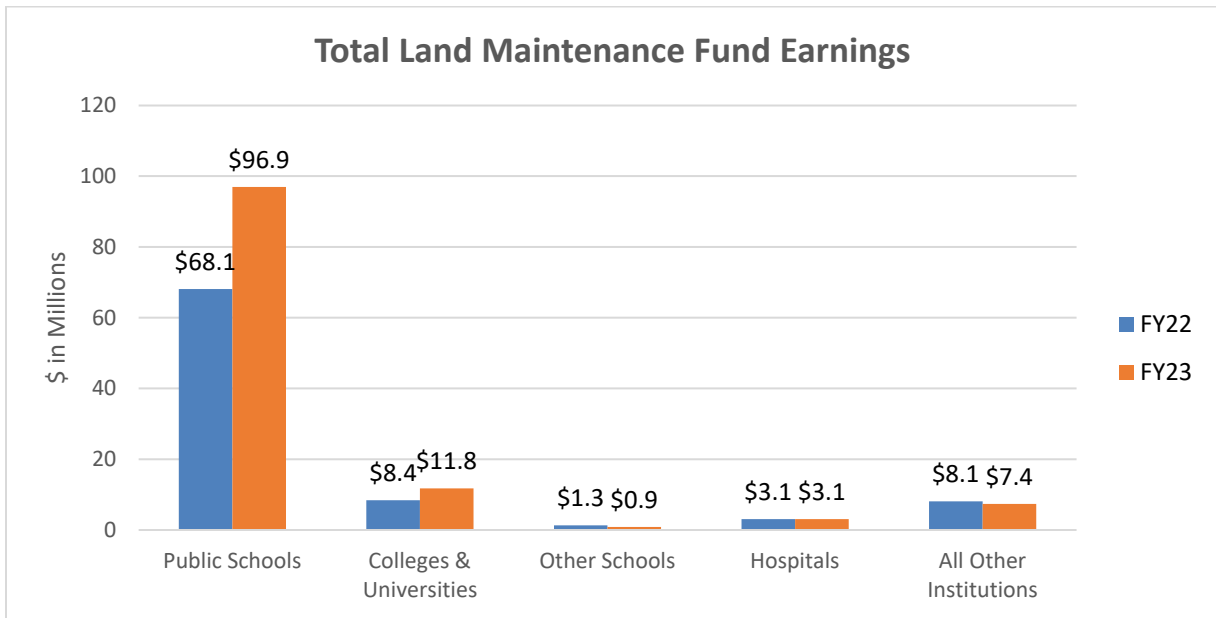
## **FINANCIAL HIGHLIGHTS**

The Commissioner of Public Lands is responsible for administering state trust lands to generate revenue for public institutions designated as trust beneficiaries, while also ensuring the long-term health and productivity of state trust lands for future generations of New Mexicans. The Commissioner of Public Lands is an independent elected official and serves as the chief executive of the State Land Office pursuant to the New Mexico Constitution. Fiscal year 2023 marked the highest annual revenue on record at \$2.750 billion, an increase from the \$2.413 billion generated in fiscal year 2022. This represents a revenue increase of 14% year-over-year and 145% over the last five years, compared to fiscal year 2019 when the agency first exceeded the \$1 billion threshold. State Land Office earnings support public schools, universities, hospitals, and other public purposes throughout the state while reducing the burden on taxpayers to fund these services.

The agency's operations are funded from a portion of the revenue it generates each year and do not rely on General Fund appropriations. The Land Maintenance Fund is the general operating fund of the State Land Office and 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 receipts (fees and interest on deposits) from the Land Suspense Fund. In addition to operations, LMF revenue funds capital outlay, special appropriations and the Restoration and Remediation Fund. Unused revenue sources are distributed directly to beneficiaries at the end of each month.

State trust land parcels are assigned to specific beneficiaries, and any revenue generated from the assigned lands is credited toward the designated beneficiary. Revenue earned from renewable (rentals) and non-renewable sources (royalties and land sales) are tied to a lease and each lease identifies the beneficiary(s) share of the lease earnings based on how the land being leased was assigned. **Land Maintenance Fund** revenue is derived from renewable sources (which do not involve the permanent depletion of a resource), such as agricultural leasing, solar and wind projects, monthly oil and gas lease sale bonuses, and other rentals and miscellaneous income. LMF revenue in FY23 increased to approximately \$138 million, representing an increase of about \$45 million from FY22. This increase was primarily attributed to higher revenue from bonus income from monthly oil and gas lease sales, and interest generated on cash deposits.

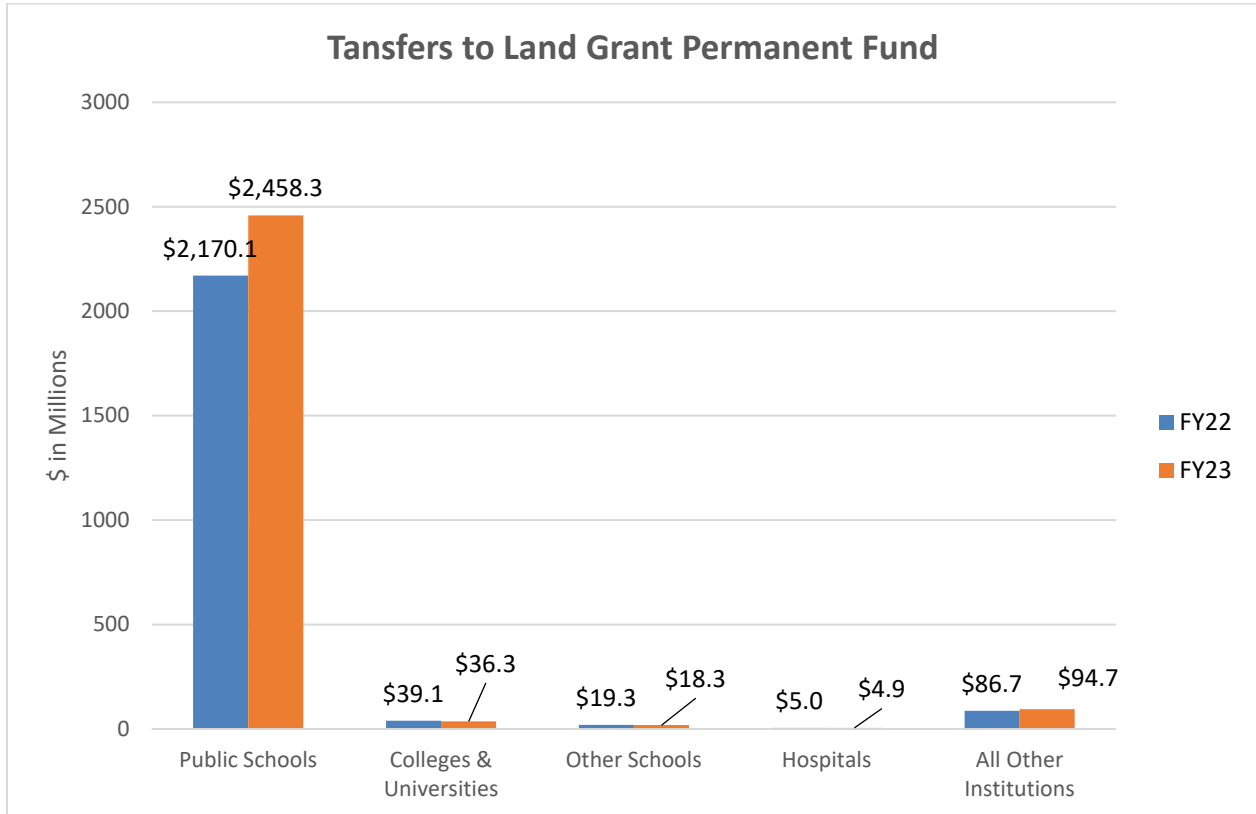
# State of New Mexico Commissioner of Public Lands Management's Discussion and Analysis June 30, 2023



*\*Amounts shown above indicate total transfers after withholding for budgetary expenses and the Restoration and Remediation Fund.*

# State of New Mexico Commissioner of Public Lands Management's Discussion and Analysis June 30, 2023

**Land Grant Permanent Fund (LGPF)** revenue is from non-renewable sources (which permanently deplete a resource), such as oil and gas royalties and land sales. LGPF revenue increased by \$292 million from FY22 for a record \$2.612 billion. The LGPF revenue is transferred to the Land Grant Permanent Fund at the State Investment Council and invested on behalf of the beneficiaries. The State Investment Council distributes LGPF earnings to beneficiaries based on the formula set in the Constitution.



**State of New Mexico Commissioner of Public Lands  
Management's Discussion and Analysis  
June 30, 2023**

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**Net Position and Changes in Net Position**

The following table summarizes the net position of the agency as of June 30, 2023, with comparative balances as of June 30, 2022.

	2023	2022	Amount Change	Total % Change
<b>Assets</b>				
Current and other assets	\$ 1,073,887,888	\$ 1,032,057,957	\$ 41,829,931	4%
Capital assets less accumulated depreciation	64,466,489	64,994,696	(528,207)	-1%
<b>Total assets</b>	<u>\$ 1,138,354,377</u>	<u>\$ 1,097,052,653</u>	<u>\$ 41,301,724</u>	4%
<b>Liabilities</b>				
Current liabilities	\$ 815,000,223	\$ 861,750,899	\$ (46,750,676)	-5%
Deferred Inflows of Resources Related to lease receivable	\$ 238,626,641	\$ 162,979,746	\$ 75,646,895	46%
<b>Net position</b>				
Net investment in capital assets	64,466,489	64,994,696	(528,207)	-1%
Restricted	21,437,478	8,275,302	13,162,176	159%
Unrestricted	(1,176,454)	(947,990)	(228,464)	24%
<b>Total net position</b>	<u>84,727,513</u>	<u>72,322,008</u>	<u>12,405,505</u>	17%
<b>Total liabilities and net position</b>	<u>\$ 1,138,354,377</u>	<u>\$ 1,097,052,653</u>	<u>\$ (34,345,171)</u>	-3%

Net position increased by 17% at June 30, 2023 compared to June 30, 2022. Deferred Inflows of Resources increased due to the addition of long-term leases under GASB 87.

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  
June 30, 2023**

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The following table presents the statement of activities for the agency for year ended June 30, 2023, with comparative balances for the year ended June 30, 2022.

	2023	2022	Amount Change	Total % Change
Expenses				
General government	\$ (24,421,702)	\$ (21,159,867)	\$ (3,261,835)	15%
Program revenues				
Land royalties and rental income	2,735,579,888	2,411,455,912	324,123,976	13%
Lease revenue-right to Use	3,180,000	(208,983)	3,388,983	1622%
Interest revenue-right to Use	3,096,150	769,173	2,326,977	303%
Distributions to beneficiaries	(2,708,978,272)	(2,384,009,464)	(324,968,808)	14%
Reapportionable to other beneficiaries	(10,758,826)	(6,406,044)	(4,352,782)	68%
Net expenses	(2,302,762)	440,727	(2,743,489)	-622%
General revenues				
Other income	266,893	164,589	102,304	
Unrestricted investment earnings	14,445,208	1,007,787	13,437,421	
Gain on sale of capital assets	(3,834)	910,040	(913,874)	
Total general revenues	14,708,267	2,082,416	12,625,851	606%
Change in net position	12,405,505	2,523,143	9,882,362	392%
Net position, beginning of year	72,322,008	69,798,865	2,523,143	4%
Net position, end of year	<u>\$ 84,727,513</u>	<u>\$ 72,322,008</u>	<u>\$ 12,405,505</u>	17%

# **State of New Mexico Commissioner of Public Lands Management's Discussion and Analysis June 30, 2023**

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## **BUDGETARY COMPARISONS**

Governmental Accounting Standards Board Statement No. 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 New Mexico 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.

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 Section 19-1-13 NMSA 1978. The balance remaining in the general fund on June 30 of each year shall be apportioned back to the beneficiaries.

### **General Fund Budgetary Highlights**

The New Mexico State Legislature makes annual appropriations to the agency. The agency's general fund (LMF) is the revenue source for its budget. All adjustments to the budget require approval by the State Budget Division of the New Mexico 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.

**State of New Mexico Commissioner of Public Lands  
Management's Discussion and Analysis  
June 30, 2023**

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**CAPITAL ASSETS**

The State Land Office's investment in capital assets as of June 30, 2023, amounted to \$64,466,489, net of accumulated depreciation. This investment in capital assets includes lands, buildings, automobiles, furniture, equipment and machinery, and data processing equipment and software. The total decrease in the agency's investment in capital assets for the current period was \$528,207 or 1%. The following table illustrates the change from June 30, 2022 to June 30, 2023.

	2023	2022	Amount Change	Total % Change
Capital assets				
Land	\$ 51,018,268	\$ 51,018,268	\$ -	0%
Construction in progress	974,160	-	974,160	N/A
Buildings and library	6,962,324	6,962,327	(3)	0%
Furniture, fixtures, and equipment	642,660	686,458	(43,798)	-6%
Data processing	15,186,302	15,081,579	104,723	1%
Automobiles	1,336,153	1,080,927	255,226	24%
Total capital assets	76,119,867	74,829,559	1,290,308	2%
Accumulated depreciation	(11,653,378)	(9,834,863)	(1,818,515)	18%
Capital assets, net	\$ 64,466,489	\$ 64,994,696	\$ (528,207)	-1%

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS OF FUTURE SIGNIFICANCE**

Fiscal year 2023 marked the highest annual revenue generated in the history of the State Land Office. The State Land Office generated \$2.750 billion, which represented an increase of 14% compared with the previous fiscal year. Fiscal year 2023 also marked a record for oil and gas royalties: \$2.612 billion, a 13% increase over fiscal year 2022. State trust land oil and gas production and prices have remained strong. However, oil and gas world markets continue to face considerable uncertainty in light of the domestic and international market instability. Fiscal year 2023 oil and gas royalties, which are deposited into the LGPF, are expected to maintain at steady levels but significant uncertainty in market conditions remains.

Land Maintenance Fund income may be negatively impacted by the overall reduction in the number of, premium oil and gas tracts being available for leasing. Oil and gas leases are held by production and most of the best producing areas are already leased. However, the agency is also seeking to get back low-producing or non-compliant leases into its inventory to be able to put them out to bid again (which generated additional bonus income in fiscal year 2023). Fiscal year 2023 LMF income was \$138 million, up 48% from fiscal year 2022's \$93 million. With the State Land Office's new emphasis on wind and solar projects, renewable energy, as well as other economic diversification efforts, is likely to be an area of income growth for the LMF in future years.

**State of New Mexico Commissioner of Public Lands  
Management's Discussion and Analysis  
June 30, 2023**

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**FINANCIAL CONTACT**

The agency's financial statements are designed to present users with the general overview of the finances and to demonstrate the administrative 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) 827-5790 or the agency's Chief Financial Officer at (505) 827-5785. You can also reach them by mail at 310 Old Santa Fe Trail, PO Box 1148, Santa Fe, New Mexico 87501-1148.



## **FINANCIAL SECTION**

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash	\$ 400
Interest in State General Fund Investment Pool	437,983,575
Receivables	
Royalties	362,042,170
Lease Receivable-right to use	382,338
Interest assessments, net	5,222,221
Other receivables	-
Investments	<u>23,571,048</u>
<i>Total current assets</i>	<u>829,201,752</u>
<i>Noncurrent assets:</i>	
Lease receivable-right to use	243,081,278
Accrued interest receivable	1,999,367
Capital assets, net accumulated depreciation	<u>64,466,490</u>
<i>Total noncurrent assets</i>	<u>309,547,135</u>
 <i>Total assets</i>	 \$ <u><u>1,138,748,887</u></u>

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ 2,066,116
Accrued payroll and payroll liabilities	339,920
Compensated absences payable	1,203,479
Due to other agencies	362,042,170
Due to Higher Ed	671,946
Undistributed receipts	449,071,099
<i>Total current liabilities</i>	815,394,730
<i>Total liabilities</i>	815,394,730
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to lease receivable	238,626,641
<b>NET POSITION</b>	
Net investment in capital assets	64,466,490
Restricted for capital projects and special appropriations	21,437,478
Unrestricted	(1,176,452)
<i>Total net position</i>	84,727,516
<i>Total liabilities and net position</i>	\$ 1,138,748,887

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
General government	\$ <u>24,421,703</u>
<b>PROGRAM REVENUES</b>	
Charges for Services	2,735,579,889
Less: reapportionment to beneficiaries	(10,758,826)
Lease revenue-right to use	3,180,001
Interest revenue-right to use	<u>3,096,150</u>
<i>Charges for services, net</i>	<u>2,731,097,214</u>
<b>NET PROGRAM REVENUES</b>	2,706,675,511
<b>GENERAL REVENUES AND TRANSFERS</b>	
Interest income	14,445,208
Other income	266,894
Loss on sale of disposal of assets	(3,833)
Distribution to beneficiaries	<u>(2,708,978,272)</u>
Total general revenues and transfers	<u>(2,694,270,003)</u>
<b>CHANGE IN NET POSITION</b>	12,405,508
<b>NET POSITION</b>	
Net Position - Beginning of Year	<u>72,322,008</u>
Net Position - End of Year	\$ <u><u>84,727,516</u></u>

**STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund 09800	Oil and Gas Royalty Fund 26400	Land Suspense Fund 77700	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
<i>Current:</i>					
Cash	\$ 400	-	-	-	400
Interest in State General Fund Investment Pool	23,972,935	384,948,660	23,956,171	5,105,809	437,983,575
Due from other funds	-	9,050,000	-	-	9,050,000
Receivables					
Royalties	-	362,042,170	-	-	362,042,170
Lease receivable-right to use	-	-	243,463,616	-	243,463,616
Accrued interest receivable	-	-	1,999,367	-	1,999,367
Interest assessments, net	-	-	5,222,221	-	5,222,221
Other	-	-	-	-	-
Investments	-	-	-	23,571,048	23,571,048
Inventory	-	-	-	-	-
<i>Total current assets</i>	<u>\$ 23,973,335</u>	<u>756,040,830</u>	<u>274,641,375</u>	<u>28,676,857</u>	<u>1,083,332,397</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Current liabilities:</i>					
Accounts payable	\$ 1,963,134	-	-	102,982	2,066,116
Accrued payroll	339,920	-	-	-	339,920
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	9,050,000	9,050,000
Due to other agencies	-	362,042,170	-	-	362,042,170
Due to Higher Ed	-	-	640,850	31,096	671,946
Undistributed receipts	10,758,826	393,998,660	28,537,540	15,776,073	449,071,099
<i>Total current liabilities</i>	<u>13,061,880</u>	<u>756,040,830</u>	<u>29,178,390</u>	<u>24,960,151</u>	<u>823,241,251</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to lease receivable	-	-	238,626,641	-	238,626,641
<b>FUND BALANCE</b>					
Nonspendable	400	-	-	-	400
Restricted for special and capital appropriations	10,888,043	-	6,836,343	3,690,081	21,414,467
Committed for projects	23,012	-	-	-	23,012
Unassigned	-	-	1	26,625	26,626
<i>Total fund balance (deficit)</i>	<u>10,911,455</u>	<u>-</u>	<u>6,836,344</u>	<u>3,716,706</u>	<u>21,464,505</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 23,973,335</u>	<u>756,040,830</u>	<u>274,641,375</u>	<u>28,676,857</u>	<u>1,083,332,397</u>

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	21,464,505
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		64,466,490
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term and other liabilities at year-end consist of:		
Compensated absences		<u>(1,203,479)</u>
Net Position of Governmental Activities (Statement of Net Position)	\$	<u><u>84,727,516</u></u>

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund 09800	Oil and Gas Royalty Fund 26400	Land Suspense Fund 77700	Nonmajor Funds	Total Governmental Funds
<i>Revenues:</i>					
Land royalties	\$ -	2,602,679,657	9,795,934	-	2,612,475,591
Rental income	22,720,912	-	95,906,338	1,200,207	119,827,457
Less: reapportionment to beneficiaries	(10,758,826)	-	-	-	(10,758,826)
Lease revenue-right to use assets	-	-	3,180,001	-	3,180,001
Interest revenue-right to use assets	-	-	3,096,150	-	3,096,150
Other filing fees	3,276,841	-	-	-	3,276,841
Interest income	14,445,208	-	-	-	14,445,208
Other income	179,690	-	-	87,204	266,894
<b>Total revenues</b>	<b>29,863,825</b>	<b>2,602,679,657</b>	<b>111,978,423</b>	<b>1,287,411</b>	<b>2,745,809,316</b>
<i>Expenditures:</i>					
<i>Current</i>					
Personal services	12,255,178	-	-	-	12,255,178
Employee benefits	4,574,124	-	-	-	4,574,124
In-state travel	175,804	-	-	-	175,804
Maintenance and repairs	1,271,598	-	-	-	1,271,598
Supplies	224,626	-	-	-	224,626
Contractual services	2,090,830	-	-	855,215	2,946,045
Operating costs	750,982	-	-	-	750,982
Out-of-state travel	58,017	-	-	-	58,017
Capital outlay	1,411,431	-	-	-	1,411,431
<b>Total expenditures</b>	<b>22,812,590</b>	<b>-</b>	<b>-</b>	<b>855,215</b>	<b>23,667,805</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>7,051,235</u>	<u>2,602,679,657</u>	<u>111,978,423</u>	<u>432,196</u>	<u>2,722,141,511</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
Less: reapportionment to beneficiaries	596,344	-	-	-	596,344
Distribution to beneficiaries	-	2,602,679,657	105,702,271	-	2,708,381,928
<b>Total other financing sources (uses)</b>	<b>596,344</b>	<b>2,602,679,657</b>	<b>105,702,271</b>	<b>-</b>	<b>2,708,978,272</b>
<b>Net change in fund balances</b>	<b>6,454,891</b>	<b>-</b>	<b>6,276,152</b>	<b>432,196</b>	<b>13,163,239</b>
<b>Fund balance - beginning of year</b>	<b>4,456,564</b>	<b>-</b>	<b>560,192</b>	<b>3,284,510</b>	<b>8,301,266</b>
<b>Fund balance - end of year</b>	<b>\$ 10,911,455</b>	<b>-</b>	<b>6,836,344</b>	<b>3,716,706</b>	<b>21,464,505</b>

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	13,163,239
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year.

In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amount actually paid).

The net decrease in the liabilities for the year was:		(229,525)
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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 expenditures		1,411,431
Disposition of assets		(3,833)
Depreciation expense		<u>(1,935,804)</u>
Change in net position	\$	<u>12,405,508</u>



**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 GENERAL FUND - INCLUDING MULTI-YEAR APPROPRIATIONS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Rental income	18,577,900	18,577,900	22,720,912	4,143,012
Less: reapportionment to beneficiaries	-	-	(596,344)	(596,344)
Less: distribution to beneficiaries	-	-	(10,758,826)	(10,758,826)
Rental income, net	18,577,900	18,577,900	11,365,742	(7,212,158)
Other services - interagency	2,317,400	2,317,400	3,276,841	959,441
Special appropriations & capital outlay	-	-	-	-
Other gifts/grants	-	50,000	100,000	50,000
Interest income	950,000	950,000	14,445,208	13,495,208
Other income	20,900	245,900	79,689	(166,211)
<i>Total revenues</i>	<u>21,866,200</u>	<u>22,141,200</u>	<u>29,267,480</u>	<u>(7,212,158)</u>
<b>Other Financing Sources</b>				
Fund Balance - Restricted	-	2,639,544	4,456,564	1,817,020
<i>Total revenues</i>	<u>-</u>	<u>2,639,544</u>	<u>4,456,564</u>	
<b>Expenditures</b>				
Personnel Services and employee benefits	16,755,500	16,870,500	16,829,302	41,198
Contractual services	2,739,500	4,913,476	3,064,489	1,848,987
Other costs	2,371,200	3,082,056	2,918,798	163,258
<i>Total expenditures</i>	<u>21,866,200</u>	<u>24,866,032</u>	<u>22,812,589</u>	<u>2,053,443</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(85,288)</u>	<u>10,911,455</u>	<u>10,996,743</u>
<b>Net changes in fund balances</b>	<u>\$ -</u>	<u>(85,288)</u>	<u>10,911,455</u>	<u>10,996,743</u>
<i>Reconciliation to GAAP basis:</i>				
Fund Balance (budgeted)			(4,456,564)	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 6,454,891</u>	

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The state of New Mexico Commissioner of Public Lands (the 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 (the Commissioner) 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 as the trustee. As a result, the State Land Office controls approximately 9 million acres of surface rights and approximately 13 million acres of mineral rights in the State of New Mexico. Trust assets are sold, leased, controlled, and managed by the Commissioner and staff plan and preserve the assets and resources of the trust. Cash is collected for the beneficiaries of the trust by leasing lands for grazing, agricultural, commercial use, renewable energy, oil and gas drilling, mining, and other surface and subsurface activities. In addition to money collected from rental of State Trust Lands, the State Land Office receives royalties from the extraction and sale of minerals, as well as principle and interest from land sales. Proceeds from land sales and royalties are deposited into the Land Grant Permanent Fund of the State of New Mexico (also known as the Permanent School Fund). The majority 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 of New Mexico. 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 entities.

**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 funds (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.

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 land royalties, lease and rental income from lands held by the State Land Office and the distributions to beneficiaries.

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.

**COMMISSIONER OF PUBLIC LANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 government- 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 (SHARE Fund 09800) – 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 State Land Office in carrying out its specific functions. Sources of revenue are provided by other state funds, interest income, other income, and lease and rental income, as forecasted to meet the budgetary needs. The fund does not revert to the State general fund per NMSA 1978 §19-1-1 but any additional funds are reapportioned to the beneficiaries at the end of the year.

**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. The special revenue funds of the State Land Office are:

*Oil and Gas Royalty Fund (SHARE Fund 26400)* – The Oil and Gas Royalty Fund is a collection and clearing account for royalties. Distributable royalties are recognized in the fund as land royalties' revenue each month and are transferred to the Land Grant Permanent Fund.

The royalties presented as undistributed receipts in the fund balance sheet represent royalty payments received in advance and amounts held in suspense but not yet allowed to be distributed and recognized as revenue.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Land Suspense Fund (SHARE Fund 77700)* – The Land Suspense Fund 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 collected in this fund and recognized as revenue when they are distributable and either transferred to the general fund for State Land Office operations or distributed to the beneficiaries.

The revenue is made available for the State Land Office budgeted operating expenses. The excess of revenue over operating expenses is then transferred to the beneficiaries at the end of the fiscal year. 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 and amounts held in suspense. Any distribution would be made after all operating costs are defrayed and a determination of payment is made.

*Royalty Advance Payment Fund (SHARE Fund 51400)* – The Royalty Advance Payment Fund 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.

*Sales Expense Fund (SHARE Fund 77600)* – The Sales Expense Fund is an imprest clearing account for the purpose of paying, as required by state law, expenses of land sales. When a sale is completed, reimbursement of 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 (SHARE Fund 68210)* – The Restoration and Remediation Fund 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 60 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 New Mexico Department of Finance and Administration (DFA) 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

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

New Mexico Department 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 GASBS 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.

**Budgetary Data**

The State Legislature approves the State Land Office's annual budget. 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 category 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 1978 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 or 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 an appropriation request paid from other state funds to the Department of Finance and Administration and the Legislative Finance Committee by September 1 of each year. The request 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. 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, 2023.

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

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 (NMSIC) equity pools (Large Cap Active and Large Cap Index pools) and fixed income investments pool (Core Bonds pool). Investments in these external investment pools are carried at market value in accordance with GASBS No. 72, *Fair Value Measurement and Application*.

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 GASBS No. 40, *Deposit and Investment Risk Disclosures*. Per GASBS No. 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."

**Land Royalties and Royalties and Interest Assessments Receivables**

Land royalties are recognized when the oil and gas are extracted from the Trust Land and available for distribution. Interest assessments are recorded when royalty payments made are past their due date. Interest assessments are presented net of the allowance. An allowance is established for 50% of all assessments that are over 5 years past due.

**Rental Income and Other State Funds**

Rental income and other state funds are recognized when earned and available for distribution to beneficiaries or for use by the general fund.

**Revenue Recognition**

Land royalties and rental income are recognized when earned and available for distribution. During fiscal 2021, the State Land Office changed its accounting for these revenues and began recognizing the income for all revenue sources, which in previous years, was recognized by the NMSIC for royalties. This provided more clarity with regard to the presentation of all revenue earned by the State Land Office.

**Lease Receivable**

The State Land Office is a lessor for noncancellable leases of certain land and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the State Land Office initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The State Land Office monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Adoption of GASBS 87, Leases**

During fiscal year 2022, the State Land Office adopted GASBS 87, Leases. Under the standard, lessees will now be required to recognize substantially all long-term leases on the statement of net position as both a right-to-use asset and a lease liability. In addition, lessors will be required to recognize a lease receivable and a deferred inflow of resources. The new standard also requires leases to be evaluated for the identification of lease and non-lease components in a contract. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. The adoption of this standard had no impact on net position. There are various leases that are explicitly excluded from GASBS 87, such as mineral and grazing leases. In implementing the standard, NMSLO developed a policy and threshold to apply to the leases applicable to GASBS 87.

**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.

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

**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. Annual leave up to the maximum of 240 hours is payable upon separation from service at the employee’s current hourly rate. Sick leave in excess of 640 hours 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.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

At June 30, 2023, 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 Note 12 on contingencies.

**Fund Balance and Net Position**

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 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, 2023, follows:

Nonspendable – Petty Cash. This reserve was created for imprest petty cash funds.

Spendable – Restricted for Refunds. This reserve was created for refunds, per New Mexico Statute 1978 Chapter 19 Public Lands, Section 19-7-62. The amount restricted for refunds is \$500,000.



**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Spendable – Restricted for ONGARD Replacement. This reserve was created to continue the replacement of the oil and natural gas administration and revenue database system per Laws of 2020, Chapter 83, Section 7, Item 20.

Spendable – Restricted to continue the modernization of software and for additional renewable energy project financial management and support capabilities per Laws of 2022. Chapter 54, Section 7, Item 18.

Spendable – Restricted for Capital Projects. This reserve was created to plan, design, and install sprinklers and replace the ceiling tiles at the State Land Office Building per Laws of 2014, Chapter 66, Section 48, Items 2. Reauthorized per Laws of 2019, Chapter 280, Section 97 for parking lot, sidewalks and grounds. Reauthorized per Laws of 2021, Chapter 139, Section 77.

Spendable – Restricted for Landscape Planning. This reserve was created from a private grant awarded by the Hewlett Foundation to develop, employ, and institutionalize landscape-scale planning to achieve better long-term conservation outcomes for state trust land.

Spendable – Restricted for LIMS upgrade. This reserve for improving user experience and data quality was requested with the FY25 budget request.

Spendable – Restricted for RAPS upgrade. This reserve for upgrading technical components and improving user experience and data quality was requested with the FY25 budget request.

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.

Spendable – Committed for STL Restoration & Remediation Fund. This reserve was created for restoration and remediation of state trust lands per Laws of 2017, Chapter 24.

**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.

**NOTE 2 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL**

As provide for in Chapter 8-6 of the New Mexico Statues Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer’s Office (STO) acts as the State’s bank when agency cash receipts are deposited and later pooled into a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when cash amounts are greater than immediate needs, the amounts are placed into short-term investments. When agencies make payments to vendors and employees, they are made from this pool and their claims on the pool are reduced.

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 2 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer’s Office has been completed for fiscal year 2023. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico’s Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with reconciliation requirements. The purpose of this memo is to provide the following assertions:

- As of June 30, 2023, resources held in the pool were equivalent to the corresponding business unit claims on those resources
- All Claims as recorded in Share shall be honored at face value.

As of June 30, 2023, the State Land Office had the following cash and investment in the State General Fund Investment Pool:

Account Name/Type	Account Number	Balance Per Financial Statements
<b>GOVERNMENTAL FUNDS</b>		
General fund		
On deposit with the State Treasurer		
General fund	539-09800	\$ 23,972,935
Petty cash	N/A	<u>400</u>
Total – general fund		<u>23,973,335</u>
Special revenue funds		
On deposit with the State Treasurer		
Land suspense fund	539-77700	23,956,171
Oil and gas royalty fund	539-26400	384,948,660
Royalty advance payment fund	539-51400	1,286,121
Sales expense fund	539-77600	35,326
STL remediation and restoration fund	539-68210	<u>3,784,362</u>
Total – special revenue funds		<u>414,010,640</u>
Total cash and cash equivalents		<u>\$ 437,983,975</u>

There were no differences between STO and reconciled cash balances for the State Land Office as of June 30, 2023.

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

**Credit Risk** – The STO’s 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 STO, which are pooled and invested by STO or deposited by the State Land Office with local banks as cash deposits to the credit of the STO.

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 2 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

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 STO 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, 2023, 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 STO.

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, 2023, the State Land Office's cash balances have been reconciled to the State Land Office's portion of the SGFIP.

For additional disclosure information regarding cash held by the STO, the reader should see the separate audit report for the STO for the fiscal year ended June 30, 2023.

**NOTE 3 – INVESTMENTS**

Investments in the Royalty Advance Payment Fund are held in the equity and fixed income pools managed by the NMSIC. The market value of the units held in the pools is \$23,571,048. This represents the Royalty Advance Payment Fund's proportionate share of the quoted market prices of the securities held in the pools. The pools 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 NMSIC for the State Land Office are uninsured and unregistered and there is no regulatory oversight on the pools.

The State Land Office accounts for its investments in accordance with GASBS No. 72, *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are measured at fair value on a recurring basis which is based upon the State Land Office's share of NMSIC's pooled investments. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State Land Office has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 3 – INVESTMENTS (CONTINUED)**

**Level 2** – Inputs to the valuation methodology include:

- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2023.

The State Land Office invests in three investment pools offered by the NMSIC. Each pool is comprised of units of participation of unlimited quantity. The pools are held in NMSIC’s name. No unit in the pool has priority or preference over any other unit and represents an equal beneficial interest in the pool. The valuation the State Land Office’s units in the investment pool is provided by the NMSIC on a monthly basis and represents the fair market value as of that date. Therefore, management has determined that all the investments are measured at net asset value as a practical expedient (NAV practical expedient).

The table below summarizes the investments valued at NAV practical expedient and other pertinent liquidity information:

<u>Investments Measured at NAV Practical Expedient</u>	<u>Fair Value June 30, 2023</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Large Cap Active Pool	\$ 9,871,832	Monthly	5 business days
Large Cap Index Pool	9,524,231	Monthly	5 business days
Core Plus Bonds Pool	<u>4,174,985</u>	Monthly	5 business days
	<u>\$ 23,571,048</u>		

**Interest Rate Risk** – 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 NMSIC.

**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.

**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. A copy of the separately issued financial statements can be obtained from the NMSIC.

**COMMISSIONER OF PUBLIC LANDS  
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JUNE 30, 2023**

**NOTE 4 – RECEIVABLES**

Interest assessment receivable in the Land Suspense Fund totaling \$7,752,197 represent \$5,752,830 in uncollected amounts that have been billed by the State Land Office for late payment of royalties due and \$1,999,367 in accrued interest receivable related to leases.

Management has recorded an allowance of \$530,609 at June 30, 2023, 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 Land Office for purposes of editing, reconciliation, and distribution to beneficiaries; or (2) remitters using electronic reporting send the information directly to the State Land Office via tape or electronic data interchange (EDI) for ONGARD/RAPS processing purposes, with cash payments going directly to the State Land Office royalty account.

**Note 5 – CAPITAL ASSETS**

	Balance June 30 2022	Additions	Deletions	Adjustments	Balance June 30 2023
Capital assets not being depreciated					
Land	\$ 252,152	-	-	-	252,152
Trust land	50,766,116	-	-	-	50,766,116
Construction in progress	-	974,160	-	-	974,160
Total	51,018,268	974,160	-	-	51,992,428
Capital assets being depreciated					
Buildings and library	6,962,327	-	-	(3)	6,962,324
Furniture, fixtures, and equipment	686,458	-	(41,500)	(2,298)	642,660
Data processing	15,081,579	115,267	(20,612)	10,068	15,186,302
Automobiles	1,080,927	322,004	(66,778)	-	1,336,153
Total	23,811,291	437,271	(128,890)	7,767	24,127,439
Total capital assets	74,829,559	1,411,431	(128,890)	7,767	76,119,867
Less accumulated depreciation					
Buildings and library	5,050,080	282,831	-	(2)	5,332,909
Furniture, fixtures, and equipment	442,551	33,692	(38,819)	7,914	445,338
Data processing	3,432,736	1,514,683	(20,612)	1,005	4,927,812
Automobiles	909,496	104,598	(66,778)	2	947,318
Total	9,834,863	1,935,804	126,209	8,919	11,653,377
Net capital assets	\$ 64,994,696	(524,373)	(2,681)	(1,152)	64,466,490

The State Land Office does not have any debt related to capital assets as of June 30, 2023.

Land, trust land, and construction in progress are not subject to depreciation. Depreciation expense for the agency amounted to \$1,935,804 and is considered a general governmental expense.

The State Land Office had an adjustment of \$1,152 to fixed assets.

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 6 – COMPENSATED ABSENCES**

The following represents changes in compensated absences for the year ended June 30, 2023:

	Balance June 30, 2022	Net Change	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 973,954	229,525	1,203,479	1,203,479
Total	\$ 973,954	229,525	1,203,479	1,203,479

**NOTE 7 – DUE FROM AND DUE TO OTHER FUNDS**

Due from and due to other funds at June 30, 2023, consisted of:

Fund	Fund Name	Due From Other Funds	Due to Other Funds
26400	Oil and Royal Fund	\$ 9,050,000	-
51400	Royalty Advance Payment Fund	-	9,050,000
Total		\$ 9,050,000	9,050,000

This \$9,050,000 represents the cash balance for the Royalty Advance held by the NMSIC 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 General Fund and used to support the agency.

**NOTE 8 – DUE FROM AND TO OTHER AGENCIES**

Due to other state agencies at June 30, 2023, consisted of \$362,042,170 owed to NMSIC (Fund 60100) for May and June 2023 oil and gas royalty sales and distribution (State Land Office Fund 26400) and \$671,946 Due to higher education from Funds 51400 and 77700. These amounts were settled in July, August and September 2023.

**NOTE 9 – PENSION PLAN – NEW MEXICO 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](http://www.pera.state.nm.us).

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 9 – PENSION PLAN – NEW MEXICO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PLAN (CONTINUED)**

**Funding Policy**

Plan members are required to contribute 10.92% of their gross salary. The State Land Office is required to contribute 19.24% 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 year ending June 30, 2023, was \$2,249,739, which equals the amount of the required contributions for the fiscal year.

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 PERA. Overall, total pension liability exceeds PERA's net position resulting in a net pension liability.

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 Annual Financial Report 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 Annual Financial Report 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 10 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

Fund and the Annual Financial Report 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.

**Plan Description**

The State Land Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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.

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 10 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

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 Annual Financial Report for the year ended June 30, 2023 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.

**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](http://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.

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, 2023, 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, 2023, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary.

The State Land Office's contributions to the RHCA for the year ended June 30, 2023 was \$240,011, which equals the required contributions for the fiscal year.



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**NOTE 11 – LEASES RECEIVABLE**

The State Land Office has entered into various commercial agreements to lease state trust land that are subject to GASBS 87 and meet the threshold requirement in policy. The short-term five-year agreements to lease state trust land are commercial leases for uses such as recycle facilities, storage sites, electric sub stations, compressor sites and well pad sites. The longer-term leases of 20-25 years are also commercial leases for uses such as retail, planning and development, recreational open space, and government care facilities. The 30-40 year commercial leases are for uses such as manufacturing and production, recreational open space, ranch-related, wind and solar renewable energy, and retail and industrial. The 40-55 year commercial leases are for uses such as recreational open spaces, office buildings, electrical power related and wind and solar renewable energy. The 60-75 year commercial leases are for uses such as office buildings, retail, residential and wind renewable energy. The 100-year commercial leases are for residential and government use.

Agreements were in effect on July 1, 2021, to lease state trust land through October 31, 2101, requiring annual payments. The leases' liability is measured at the applicable Incremental Borrowing Rate (IBR) at the time the lease commences. The IBR is an estimation based on current borrowing rates. As a result of the leases the State Land Office recognized \$3,180,001 in lease revenue and \$3,096,150 in interest revenue during the current fiscal year related to these leases. The State Land Office also recognized \$1,999,364 in accrued interest receivable. As of June 30, 2023, the State Land Office's receivable for lease payments was \$243,463,617. Also, the State Land Office has a deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of inflow of resources was \$238,626,641.

The following is a schedule by year of the future minimum payments under the leases as of June 30, 2023:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 382,338	3,186,152	3,568,490
2025	409,029	3,204,118	3,613,147
2026	286,829	3,222,342	3,509,171
2027	695,705	3,239,840	3,935,545
2028	4,282,036	3,187,771	7,469,807
2029 – 2033	23,074,229	14,995,282	38,069,511
2034 – 2038	25,977,115	13,281,088	39,258,203
2039 – 2043	25,076,850	11,454,049	36,530,899
2044 – 2048	27,250,589	9,529,689	36,780,278
2049 – 2053	29,631,790	7,410,990	37,042,780
2054 – 2058	30,702,158	5,133,885	35,836,043
2059 – 2063	19,391,734	3,355,587	22,747,321
2064 – 2068	18,003,564	245,626	18,249,190
2069 – 2073	20,538,896	1,514,024	22,052,920
2074 – 2078	13,351,497	842,261	14,193,758
2079 – 2083	900,558	686,846	1,587,404
2084 – 2088	819,395	144,794	964,189
2089 – 2093	979,901	104,801	1,084,702
2094 – 2098	1,162,469	58,050	1,220,519
2099 – 2102	546,934	12,714	559,651
	<u>\$ 243,463,616</u>	<u>84,809,909</u>	<u>328,273,525</u>

The Land Office recognized rental/lease revenue of \$95,906,338 for the year ended June 30, 2023, in the Land Suspense Fund, unrelated to GASBS 87.

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Lease Receivable	\$ 163,145,429	83,026,623	2,708,435	243,463,616	382,338

**COMMISSIONER OF PUBLIC LANDS  
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**NOTE 12 – CONTINGENCIES**

The State of New Mexico owns, and the State Land Office manages, millions of acres of land held in trust for specific public beneficiaries.

It is possible that the State Land Office could face a legal claim or demand from another state agency or from the United States for the cleanup of contaminated sites on state trust lands or for the reimbursement to federal or state environmental agencies for the cost of such cleanup. No such claims against the State Land Office are pending or were filed by any federal or state environmental agency in the fiscal year ending June 30, 2023. If such a claim were filed, the State Land Office could seek indemnity or contribution from lessees, operators, or other potentially responsible parties at the site. In addition, the State Land Office might be able to reach a settlement agreement with the environmental agency and allow the State Land Office to pursue its claims against other potentially responsible parties. As holder of the legal title to the state lands, the State of New Mexico potentially could be found liable for the costs of cleanup in the absence of any other potentially responsible party. However, there is no existing case law to determine if this liability would specifically be assessed against the assets of the trust whose beneficiaries hold equitable title to the state lands (i.e., State Land Office), as opposed to the State of New Mexico generally.

During the course of normal business operations, the State Land Office maintains various claims and participates in various legal proceedings. Although the outcome of those proceedings cannot be forecasted with certainty, it is the opinion of general counsel and agency management that the likelihood of any potential liabilities to be material to the financial statements as of June 30, 2023, is remote.

**NOTE 13 – JOINT POWERS AGREEMENTS 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 entered into the "Agreement" pursuant to the New Mexico Joint Powers Agreement Act, Section 11-1-1 et seq 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§11-1-1; the Forest Conservation Act, NMSA§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 the administrative efficiency so that several projects can be carried out through a single program; whereas, EMNRD and the State Land Office are public agencies 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.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 13 – JOINT POWERS AGREEMENTS MANAGEMENT OF THE WIPP WITHDRAWAL AREA  
(CONTINUED)**

**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 § 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 NMSA1978.

**NOTE 14 – SPECIAL APPROPRIATIONS**

Laws of 2020, Chapter 83, Section 7, Item 18, the State Land Office was appropriated \$1,450,000 to purchase and install hardware and software for satellite imagery analytics. Per Laws of 2022, Chapter 54, Section 7, Item 19, the appropriation was reauthorized through fiscal year 2023. The remaining balance on this appropriation was \$0 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2023 shall revert to the beneficiaries.

Laws of 2021, Chapter 137, Section 7, Item 10 the State Land Office was appropriated \$548,000 to develop an automated billing process for lessees. The period of time for the appropriation is through fiscal year 2023. The remaining balance on this appropriation was \$52,324 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2023 shall revert to the beneficiaries.

Laws of 2022, Chapter 54, Section 7, Item 18, the State Land Office was appropriated \$2,000,000 to continue the modernization of software for the addition of renewable energy project financial management and support capabilities. The period of time for expending the appropriation is through fiscal year 2024. The remaining balance on this appropriation was \$1,950,002 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2024 shall revert to the beneficiaries.

**NOTE 15 – CAPITAL PROJECTS**

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. Per Laws of 2019, Chapter 280, Section 97, the appropriation was reauthorized through fiscal year 2021. Per Laws of 2021, Chapter 296, Section 77 was reauthorized through fiscal year 2023. The remaining balance on this appropriation was \$1,551 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2023 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. Per Laws of 2019, Chapter 280, Section 96 was reauthorized through fiscal year 2021. Per Laws of 2021, Chapter 139, Section 76 was reauthorized through fiscal year 2023. The remaining balance on this appropriation was \$8,564 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2023 shall revert to the beneficiaries.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 15 – CAPITAL PROJECTS (CONTINUED)**

Laws of 2019, Chapter 277, Section 56, the State Land Office was appropriated \$390,000 to replace the electrical system at the State Land Office Building. The period of time for expending the appropriation is through fiscal year 2023. The remaining balance on this appropriation was \$72,362 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2023 shall revert to the beneficiaries.

Laws of 2020, Chapter 81, Section 86, the State Land Office was appropriated \$650,000 to plan, design and install energy efficient lighting and for ceiling replacement at the State Land Office Building. The period of time for expending the appropriation is through fiscal year 2024. The remaining balance on this appropriation was \$650,000 at June 30, 2023. All unexpended or unencumbered balance remaining at the end of fiscal year 2024 shall revert to the beneficiaries.

**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.

The negative fund balance in Fund 77600 is due to timing differences between advertising expenses and their related reimbursements.

A summary of the nature and purposes of these reserves by fund type at June 30, 2023 follows:

Account Name/Type	Nonspendable	Restricted and Committed Purposes
General Fund		
Petty Cash	\$ 400	-
Restricted – Refunds – NMSA 1978 Section 19-7-62		500,000
Restricted – RAPS/LIMS Modernization – L22, C54, S007, I018		1,950,002
Restricted – Satellite Imagery, L20, C83, S007, I018		-
Restricted – Capital Projects Replace Ceiling Tiles		650,000
Restricted – AR System L21, C137, S007, I010		-
Restricted – Capital Projects Parking Lot		-
Restricted – Capital Projects Electrical System		-
Restricted – Landscape Planning-Hewlett Grant		88,041
Restricted – C2 LIMS Improvement		1,700,000
Restricted – RAPS Improvement		6,000,000
Restricted – Capital Assets Electrical System		-
Committed – Nutt Grassland – Other Gifts/Grants		23,012
STL Restoration and Remediation Special Revenue Fund		
Restricted – Land Restoration & Remediation Projects		3,690,081
Land Expense Fund		
Restricted – Revenues Related to Right of Use Assets		6,836,342
	\$ 400	21,437,478

**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.

**COMMISSIONER OF PUBLIC LANDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 18 – ADOPTION OF NEW ACCOUNTING STANDARD**

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to be implemented for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in exchange or exchange-like transactions. The implementation of this Statement had no effect on the State Land Office's financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. GASB No. 96 defines a SBITA (subscription-based information technology arrangements); establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides that capitalization criteria for outlays other than subscription payment including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The implementation of this Statement had no effect on the State Land Office's financial statements.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022, with multiple effective dates as follows; (1) extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 24, as amended, and terminology updates related to Statement 53 and 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement had no effect on the State Land Office's financial statements.

**NOTE 19 – NEW ACCOUNTING STANDARD**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2023.

*GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*

*GASB Statement No. 101, Compensated Absences*

The State Land Office will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The State Land Office believes that the above listed new GASB pronouncements will not have a significant financial impact to the State Land Office or in issuing its financial statements.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 COMBINING BALANCE SHEET - GOVERNMENTAL NONMAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023**

	Royalty Advance Payment Fund 51400	STL Restoration and Remediation Fund 68210	Sales Expense Fund 77600	Total Governmental Funds
<b>ASSETS</b>				
<i>Current:</i>				
Cash	-	-	-	
Interest in State General Fund Investment Pool	\$ 1,286,121	3,784,362	35,326	5,105,809
Due from other funds	-	-	-	-
Receivables				
Royalties	-	-	-	-
Lease receivable-right to use	-	-	-	-
Accrued interest receivable	-	-	-	-
Interest assessments, net	-	-	-	-
Other	-	-	-	-
Investments	23,571,048	-	-	23,571,048
Inventory	-	-	-	-
<i>Total current assets</i>	<u>\$ 24,857,169</u>	<u>3,784,362</u>	<u>35,326</u>	<u>28,676,857</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	94,281	8,701	102,982
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	9,050,000	-	-	9,050,000
Due to other agencies	-	-	-	-
Due to Higher Ed	31,096	-	-	31,096
Undistributed receipts	15,776,073	-	-	15,776,073
<i>Total current liabilities</i>	<u>24,857,169</u>	<u>94,281</u>	<u>8,701</u>	<u>24,960,151</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to lease receivable	-	-	-	-
<b>FUND BALANCE</b>				
Nonspendable				-
Restricted for special and capital appropriations	-	3,690,081	-	3,690,081
Committed for projects				-
Unassigned			26,625	26,625
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>3,690,081</u>	<u>26,625</u>	<u>3,716,706</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 24,857,169</u>	<u>3,784,362</u>	<u>35,326</u>	<u>28,676,857</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO  
 COMMISSIONER OF PUBLIC LANDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUNDE BALANCE - GOVERNMENTAL NONMAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023**

	Royalty Advance Payment Fund 51400	STL Restoration and Remediation Fund 68210	Sales Expense Fund 77600	Total Governmental Funds
<i>Revenues:</i>				
Land royalties	\$ -	-	-	-
Rental income	-	1,200,207	-	1,200,207
Less: reapportionment to	-	-	-	-
Lease revenue-right to use assets	-	-	-	-
Interest revenue-right to use assets	-	-	-	-
Other filing fees	-	-	-	-
Interest income	-	-	-	-
Other income	-	-	87,204	87,204
<b>Total revenues</b>	<b>-</b>	<b>1,200,207</b>	<b>87,204</b>	<b>1,287,411</b>
<i>Expenditures:</i>				
Personal services	-	-	-	-
Employee benefits	-	-	-	-
In-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	-	855,215	-	855,215
Operating costs	-	-	-	-
Out-of-state travel	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>855,215</b>	<b>-</b>	<b>855,215</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>-</b>	<b>344,992</b>	<b>87,204</b>	<b>432,196</b>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
Less: reapportionment to beneficiaries	-	-	-	-
Distribution to beneficiaries	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>344,992</b>	<b>87,204</b>	<b>432,196</b>
<b>Fund balance - beginning of year</b>	<b>-</b>	<b>3,345,089</b>	<b>(60,579)</b>	<b>3,284,510</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>3,690,081</b>	<b>26,625</b>	<b>3,716,706</b>

See Notes to Financial Statements.



## **COMPLIANCE SECTION**

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

To Joseph M. Maestas, P.E.  
New Mexico State Auditor

Ms. Stephanie Garcia Richard  
Commissioner of Public Lands  
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 financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the New Mexico Commissioner of Public Lands ("State Land Office") as of and for the year ended June 30, 2023, 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 November 13, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the State Land Offices internal control over financial reporting (internal control) as a basis for designing 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**OFFICE LOCATIONS**

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
November 13, 2023

**STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2023**

**SUMMARY OF AUDIT RESULTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	
that are not considered to be material weaknesses?	No
Noncompliance material to financial statements notes?	No

**A. FINANCIAL STATEMENT FINDINGS**

None.

**B. OTHER FINDINGS AS REQUIRED BY NM STATE STATUTE SECTION 12-6-5 NMSA 1978**

None.

**STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2023**

**STATUS OF PRIOR YEAR FINDINGS**

2022-001	Capitalization of Asset and Incomplete Inventory Listing (Other Noncompliance)	Resolved
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**COMMISSIONER OF PUBLIC LANDS  
EXIT CONFERENCE  
JUNE 30, 2023**

The contents of this report were discussed in the exit conference held on November 13, 2023, with the following in attendance:

**State of New Mexico Commissioner of Public Lands (State Land Office):**

Stephanie Garcia Richard	Commissioner of Public Lands
Sunalei Stewart	Deputy Commissioner of Public Lands
Antonio Medina	Director of Accounting
Selena Romero	Assistant Commissioner of Public Lands
Jeremy Carrillo	Deputy Director of Accounting

**Representing Pattillo, Brown & Hill, L.L.P.:**

Chris Garner, CPA	Partner
Fernando Medina	Senior

The State Land Office is responsible for the contents of the financial statements. Pattillo, Brown & Hill, L.L.P. assisted with the preparation of the financial statements.