

DRAFT

Report of Independent Auditors and Financial  
Statements with Supplementary Information for

Metro Narcotics Agency

June 30, 2014

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

# Metro Narcotics Agency

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**Metro Narcotics Agency**  
**June 30, 2014**

OFFICIAL ROSTER

The Board of Directors, none of whom are employed by Metro Narcotics Agency, for the year ended June 30, 2014, are:

|                  |               |
|------------------|---------------|
| Jaime Montoya    | Chairman      |
| Todd Garrison    | Vice Chairman |
| Ken Miyagishima  | Board Member  |
| Robert Garza     | Board Member  |
| Julia Brown      | Board Member  |
| Dr. David Garcia | Board Member  |
| Randy Larcher    | Board Member  |
| Mark D'Antonio   | Board Member  |

## REPORT OF INDEPENDENT AUDITORS

Mr. Hector Balderas, State Auditor of New Mexico and  
The Board of Directors of the Metro Narcotics Agency

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons, of the Metro Narcotics Agency (Metro) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metro's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Metro as of June 30, 2014, and the respective changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on **pages 5 through 12** be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro's basic financial statements. The accompanying supplementary information such as the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on **pages 34 and 35** are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments, schedules required by 2.2.2. *NMAC*, are the responsibility of management and were derived from and relates 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 Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments, schedules 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 14, 2014 on our consideration of Metro'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 Metro's internal control over financial reporting and compliance.

Albuquerque, New Mexico  
November 14, 2014

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

This management discussion and analysis for the Metro Narcotics Agency (“Metro” or “Metro Narcotics”) presents an overview of the financial performance during the year ended June 30, 2014. It is intended to be read in conjunction with the financial statements, which follow this section.

Metro Narcotics operates under a joint powers agreement between city, county, state, and university law enforcement agencies to provide intervention and prosecution of drug and drug related activities. It is the mission of the organization to improve the quality of life for the citizens of the City of Las Cruces and Dona Ana County, New Mexico by working to rid the community of illegal drugs and to bring to prosecution those responsible for the distribution and trafficking of illegal drugs and contraband.

The board of directors and its management value fiscal and programmatic accountability. Metro is the steward for contributions from participating governments and grant dollars, and operates as a governmental fund.

**Overview of Financial Statements**

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Supplementary information.

The basic financial statements combine the fund and organization-wide financial statements.

The statement of net position and the statement of activities are organization-wide, providing information about Metro's overall financial status. The organization-wide financial statements are designed to provide readers with a broad overview of Metro's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Metro's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The statement of activities presents information showing how Metro's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued leave).

The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance are fund financial statements that provide detailed information about the individual funds—not Metro Narcotics as a whole. Fund financial statements also present budgetary comparisons. These funds focus on how cash and other financial assets flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Metro's programs.

The financial statements also include notes that explain some of the information in the basic financial statements and provide more detail. The statements are followed by a section of supplementary information.

**Fiscal Agent**

The City of Las Cruces is the fiscal agent for Metro Narcotics. As fiscal agent, the City establishes funds to account for money allocated to a particular purpose, and to demonstrate compliance with requirements of certain grants.

**Financial Analysis of Metro Narcotics as a Whole**

*Net Position*—In 2014, assets decreased to \$921,465 from \$947,339 in 2013. Actual expenses exceeded actual revenues resulting in a net position decrease of \$25,874.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

Table 1 summarizes the net position of its governmental activities.

**Table 1**  
**Net Position**  
**As of June 30,**

|                                    | <u>2014</u>       | <u>2013</u>       |
|------------------------------------|-------------------|-------------------|
| <b>Assets</b>                      |                   |                   |
| Current assets                     | \$ 918,399        | \$ 912,119        |
| Capital assets, net                | 63,497            | 73,144            |
| Total assets                       | <u>\$ 981,896</u> | <u>\$ 985,263</u> |
| <b>Liabilities</b>                 |                   |                   |
| Current and other liabilities      | \$ 60,431         | \$ 37,924         |
| Total liabilities                  | <u>60,431</u>     | <u>37,924</u>     |
| <b>Net Position</b>                |                   |                   |
| Net investment in capital assets   | 63,497            | 73,144            |
| Restricted for seized assets       | 649,733           | 697,109           |
| Unrestricted                       | 208,235           | 177,086           |
| Total net position                 | <u>921,465</u>    | <u>947,339</u>    |
| Total liabilities and net position | <u>\$ 981,896</u> | <u>\$ 985,263</u> |

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

*Changes in Net Position*—Total revenues for the year ended June 30, 2014, were \$1,423,956 compared with expenses of \$1,466,619. Total revenues for the year ended June 30, 2013, were \$1,384,894 compared with expenses of \$1,526,787. Table 2 summarizes the changes in net position for the year.

**Table 2**  
**Changes in Net Position**  
**For the Years Ended June 30,**

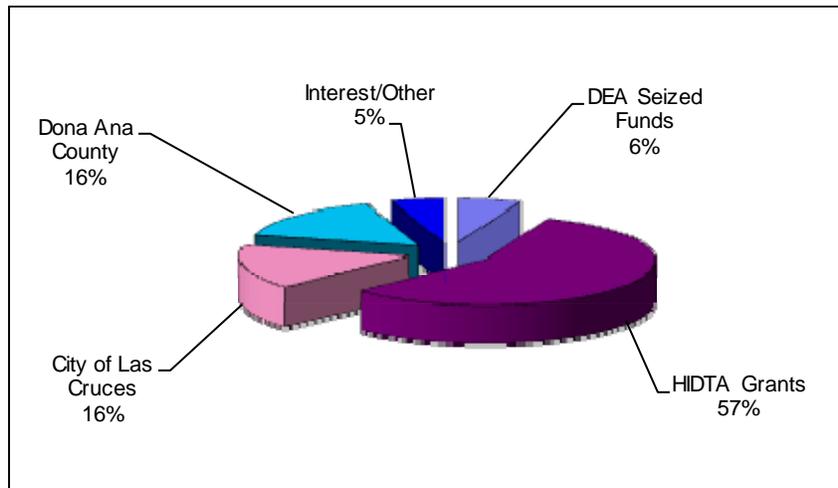
|                                   | 2014       | 2013       |
|-----------------------------------|------------|------------|
| <b>Revenues</b>                   |            |            |
| Program revenues                  |            |            |
| Operating grants                  | \$ 813,567 | \$ 892,584 |
| Charges for services              | 451,086    | 451,086    |
| General revenue                   |            |            |
| Investment income (loss)          | 26,609     | (35,071)   |
| Other revenues                    | 132,694    | 76,295     |
| Total revenue                     | 1,423,956  | 1,384,894  |
| <b>Expenses – law enforcement</b> | 1,466,619  | 1,526,787  |
| Change in net position            | (42,663)   | (141,893)  |
| Net position, beginning of year   | 947,339    | 1,089,232  |
| Net position, end of year         | \$ 904,676 | \$ 947,339 |

*Grant Activities*—For the period ended June 30, 2014, operating grants included a \$37,275 grant balance from fiscal year 2013 and \$776,292 from fiscal year 2014 grant for a total of \$813,567. A balance of \$39,931 will be available for use in fiscal year 2015 from the current year grant.

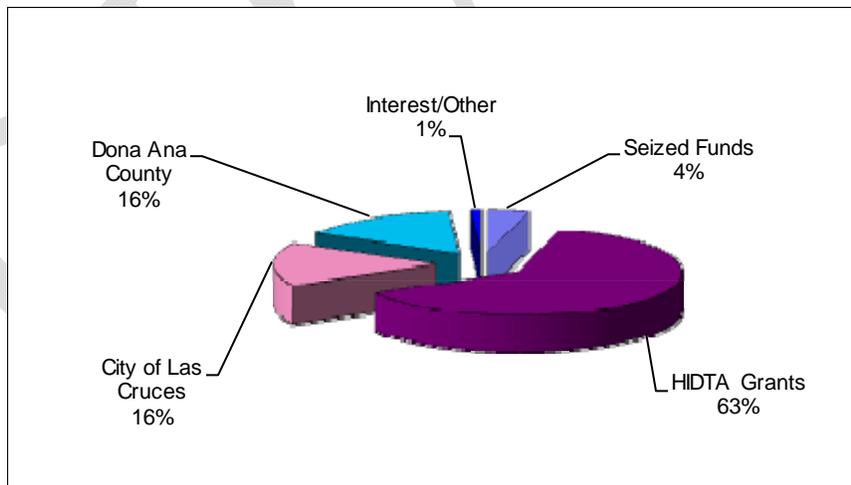
**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

Charts 1 and 2 shows the revenues by source for fiscal years 2014 and 2013, respectively.

**Chart 1  
2014 Revenues by Source**



**Chart 2  
2013 Revenues by Source**



**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

*Budgetary Information*—The board of directors approves the annual budget and, when necessary, revisions to the existing budget. Metro makes every effort to ensure operational and grant expenditures do not exceed funds available. Table 3 summarizes the variance between the budgeted and actual expenditures for the year ended June 30, 2014.

**Table 3**  
**Budgetary Comparison – Aggregate of All Funds**  
**For the Year Ended June 30, 2014**

|                                    | Budget             |                     | Actual             | Variance          | Percent<br>Variance |
|------------------------------------|--------------------|---------------------|--------------------|-------------------|---------------------|
|                                    | Original           | Final               |                    |                   |                     |
| <b>Revenues</b>                    |                    |                     |                    |                   |                     |
| Operating grants                   | \$ 821,284         | \$ 1,655,292        | \$ 813,567         | \$ (841,725)      | -51%                |
| Charges for services               | 451,086            | 451,086             | 451,086            | -                 | 0%                  |
| Investment income                  | -                  | -                   | 26,609             | 26,609            | 100%                |
| Other revenues                     | -                  | -                   | 132,694            | 132,694           | 100%                |
| Total revenue                      | <u>1,272,370</u>   | <u>2,106,378</u>    | <u>1,423,956</u>   | <u>(682,422)</u>  | -32%                |
| <b>Expenditures</b>                |                    |                     |                    |                   |                     |
| Law enforcement                    | 1,338,569          | 2,424,205           | 1,434,472          | 989,733           | 41%                 |
| Capital outlay                     | -                  | 5,712               | 5,711              | 1                 | 0%                  |
| Total expenditures                 | <u>1,338,569</u>   | <u>2,429,917</u>    | <u>1,440,183</u>   | <u>989,734</u>    | 41%                 |
| Revenues (under) over expenditures | <u>\$ (66,199)</u> | <u>\$ (323,539)</u> | <u>\$ (16,227)</u> | <u>\$ 307,312</u> | 95%                 |

In fiscal year 2014, the increase from the original revenue budget to the final revenue budget is due to the budget for the grant for fiscal year 2015 being added to the fiscal year 2014 budget. The differences between the final budget and the actual results are related to the fiscal year grant 2015 that will be received in fiscal year 2015 and not 2014. Interest income actuals were higher than budget due to interest earned and the fair value adjustment earned by investments that participate in the cash pool. Other revenue actuals were higher than budget due to the increase in seizure activities. The total of all revenues decreased by less than 32% over the final budget in the amount of \$682,422.

The increase from the original expenditure budget and the final expenditure budget in fiscal year 2014 is a result of expenditures for fiscal year 2015 grant that were included in fiscal 2014 budget. The differences between the final budget and the actual results are also related to the fiscal year 2015 grant. In addition, law enforcement protective gear was budgeted in fiscal year 2014 and were not received by June 30, 2014. These items contributed to total expenditures at 95% less than budget.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Capital Assets**

As of June 30, 2014, the organization's capital assets totaled \$63,497 net of accumulated depreciation of \$894,568. As of June 30, 2013, the organization's capital assets totaled \$73,144 net of accumulated depreciation of \$1,072,060.

Table 4 provides details of the net capital assets.

**Table 4**  
**Capital Assets and**  
**Accumulated Depreciation**  
**For the Year Ended June 30,**

|                          | <b>2014</b>      | <b>2013</b>      |
|--------------------------|------------------|------------------|
| Metro equipment          | \$ 201,763       | \$ 201,763       |
| Seized equipment         | 381,972          | 445,105          |
| HIDTA equipment          | 374,330          | 498,336          |
| Total equipment          | 958,065          | 1,145,204        |
| Accumulated depreciation | (894,568)        | (1,072,060)      |
|                          | <u>\$ 63,497</u> | <u>\$ 73,144</u> |

During the year Metro spent \$5,711 to receive a seized vehicle with a book value of \$22,500. In addition, asset retirements totaled \$209,639 resulting in a decrease in total equipment of \$187,139.

**Economic Outlook**

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of MVRDA. The local economy is expected to follow the US economy in a slow and uneven recovery. Health Care, Service and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5% growth in FY15.

The public sector is anticipated to be flat in the coming year as state education funding for local schools and NMSU begins to turn around. A return to modest revenue growth, both locally and at the state level, will generate a stable employment picture. Federal government, especially in Postal Services, is expected to shed jobs through FY 2015.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

Population growth which slowed along with the national economy is expected to show a very modest gain in FY15. While the region is expected to add approximately 1,000 net new residents in FY15, the rate of growth will be under 2% for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the US, to Las Cruces should see a pick-up in people moving into the area.

**Contacting the Financial Management**

The financial report is designed to provide the community and others with a general overview of Metro Narcotics' finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the Chair of the Metro Narcotics Board at:

Metro Narcotics Board of Directors  
217 E. Picacho  
Las Cruces, NM  
(575) 528-4200

Financial Statements

**Metro Narcotics Agency**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2014**

|                                      | General Fund | Seized Assets-DOJ Fund | Seized Assets-Treasury Fund | Seized Assets-State Fund | Grant Fund | Total      | Adjustments (Note 10) | Statement of Net Position |
|--------------------------------------|--------------|------------------------|-----------------------------|--------------------------|------------|------------|-----------------------|---------------------------|
| <b>Assets</b>                        |              |                        |                             |                          |            |            |                       |                           |
| Current assets                       |              |                        |                             |                          |            |            |                       |                           |
| Cash and cash equivalents            | \$ 179,529   | \$ -                   | \$ -                        | \$ -                     | \$ -       | \$ 179,529 | \$ -                  | \$ 179,529                |
| Restricted cash and cash equivalents | -            | 635,798                | 45,056                      | 8,054                    | -          | 688,908    | -                     | 688,908                   |
| Receivables                          | 20,000       | -                      | -                           | -                        | -          | 20,000     | -                     | 20,000                    |
| Due from grant fund                  | 26,082       | -                      | -                           | -                        | -          | 26,082     | (26,082)              | -                         |
| Due from other governments           | -            | -                      | -                           | -                        | 29,962     | 29,962     | -                     | 29,962                    |
| Total current assets                 | 225,611      | 635,798                | 45,056                      | 8,054                    | 29,962     | 944,481    | (26,082)              | 918,399                   |
| Capital assets - equipment, net      | -            | -                      | -                           | -                        | -          | -          | 63,497                | 63,497                    |
| Total assets                         | \$ 225,611   | \$ 635,798             | \$ 45,056                   | \$ 8,054                 | \$ 29,962  | \$ 944,481 | \$ 37,415             | \$ 981,896                |
| <b>Liabilities</b>                   |              |                        |                             |                          |            |            |                       |                           |
| Current liabilities                  |              |                        |                             |                          |            |            |                       |                           |
| Due to Metro general fund            | \$ -         | \$ -                   | \$ -                        | \$ -                     | \$ 26,082  | \$ 26,082  | \$ (26,082)           | \$ -                      |
| Accounts payable                     | 9,063        | 39,175                 | -                           | -                        | 834        | 49,072     | -                     | 49,072                    |
| Accrued payroll liabilities          | 8,313        | -                      | -                           | -                        | 3,046      | 11,359     | -                     | 11,359                    |
| Total current liabilities            | 17,376       | 39,175                 | -                           | -                        | 29,962     | 86,513     | (26,082)              | 60,431                    |
| <b>Fund Balance/Net Position</b>     |              |                        |                             |                          |            |            |                       |                           |
| Restricted for seized assets         | -            | 596,623                | 45,056                      | 8,054                    | -          | 649,733    | (649,733)             | -                         |
| Unassigned                           | 208,235      | -                      | -                           | -                        | -          | 208,235    | (208,235)             | -                         |
| Total fund balance                   | 208,235      | 596,623                | 45,056                      | 8,054                    | -          | 857,968    | (857,968)             | -                         |
| Total liabilities and fund balance   | \$ 225,611   | \$ 635,798             | \$ 45,056                   | \$ 8,054                 | \$ 29,962  | \$ 944,481 |                       |                           |
| Net position                         |              |                        |                             |                          |            |            |                       |                           |
| Net investment in capital assets     |              |                        |                             |                          |            |            | 63,497                | 63,497                    |
| Restricted for seized assets         |              |                        |                             |                          |            |            | 649,733               | 649,733                   |
| Unrestricted                         |              |                        |                             |                          |            |            | 208,235               | 208,235                   |
| Total net position                   |              |                        |                             |                          |            |            | 63,497                | 921,465                   |
| Total liabilities and net position   |              |                        |                             |                          |            |            | \$ 37,415             | \$ 981,896                |

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

**Metro Narcotics Agency**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

|   | General<br>Fund   | Seized<br>Assets- DOJ<br>Fund | Seized<br>Assets-Treasury<br>Fund | Seized<br>Assets-State<br>Fund | Grant<br>Fund  | Total             | Adjustments<br>(Note 10) | Statement<br>of<br>Net Activities |
|---|-------------------|-------------------------------|-----------------------------------|--------------------------------|----------------|-------------------|--------------------------|-----------------------------------|
| <b>Revenues</b>   |                   |                               |                                   |                                |                |                   |                          |                                   |
| Program   |                   |                               |                                   |                                |                |                   |                          |                                   |
| Operating grants  | \$ -              | \$ -                          | \$ -                              | \$ -                           | \$ 813,567     | \$ 813,567        | \$ -                     | \$ 813,567                        |
| Charges for services                                    | 451,086           | -                             | -                                 | -                              | -              | 451,086           | -                        | 451,086                           |
| General   |                   |                               |                                   |                                |                |                   |                          |                                   |
| Investment income                                       | 8,937             | 16,783                        | 754                               | 135                            | -              | 26,609            | -                        | 26,609                            |
| Other revenues  | 8,194             | 72,279                        | 44,302                            | 7,919                          | -              | 132,694           | -                        | 132,694                           |
| Total revenues  | <u>468,217</u>    | <u>89,062</u>                 | <u>45,056</u>                     | <u>8,054</u>                   | <u>813,567</u> | <u>1,423,956</u>  | <u>-</u>                 | <u>1,423,956</u>                  |
| <b>Expenditures/Expenses</b>                            |                   |                               |                                   |                                |                |                   |                          |                                   |
| Current - law enforcement activities                    |                   |                               |                                   |                                |                |                   |                          |                                   |
| Personnel   | 142,502           | 45,671                        | -                                 | -                              | 129,341        | 317,514           | -                        | 317,514                           |
| Repairs and maintenance                                 | 67,594            | 7,107                         | -                                 | -                              | 3,040          | 77,741            | -                        | 77,741                            |
| Building rental   | -                 | -                             | -                                 | -                              | 640,396        | 640,396           | -                        | 640,396                           |
| Services  | 105,023           | 62,619                        | -                                 | -                              | 32,064         | 199,706           | -                        | 199,706                           |
| Supplies  | 13,858            | 67,888                        | -                                 | -                              | 5,001          | 86,747            | -                        | 86,747                            |
| Insurance   | 102,601           | -                             | -                                 | -                              | -              | 102,601           | -                        | 102,601                           |
| Other   | 5,490             | 552                           | -                                 | -                              | 3,725          | 9,767             | -                        | 9,767                             |
| Depreciation  | -                 | -                             | -                                 | -                              | -              | -                 | 32,147                   | 32,147                            |
| Capital outlay  | -                 | 5,711                         | -                                 | -                              | -              | 5,711             | (5,711)                  | -                                 |
| Total expenditures/expenses                             | <u>437,068</u>    | <u>189,548</u>                | <u>-</u>                          | <u>-</u>                       | <u>813,567</u> | <u>1,440,183</u>  | <u>26,436</u>            | <u>1,466,619</u>                  |
| Revenues (under) over expenditures/<br>expenses         | <u>31,149</u>     | <u>(100,486)</u>              | <u>45,056</u>                     | <u>8,054</u>                   | <u>-</u>       | <u>(16,227)</u>   | <u>(26,436)</u>          | <u>(42,663)</u>                   |
| <b>Other Financing Sources (Uses)</b>                   |                   |                               |                                   |                                |                |                   |                          |                                   |
| Donated capital assets                                  | -                 | -                             | -                                 | -                              | -              | -                 | 16,789                   | 16,789                            |
| Total other financing sources (uses)                    | <u>-</u>          | <u>-</u>                      | <u>-</u>                          | <u>-</u>                       | <u>-</u>       | <u>-</u>          | <u>16,789</u>            | <u>16,789</u>                     |
| Net change in fund balances                             | 31,149            | (100,486)                     | 45,056                            | 8,054                          | -              | (16,227)          | (9,647)                  | (25,874)                          |
| <b>Fund balances/net position,</b><br>beginning of year | <u>177,086</u>    | <u>697,109</u>                | <u>-</u>                          | <u>-</u>                       | <u>-</u>       | <u>874,195</u>    | <u>73,144</u>            | <u>947,339</u>                    |
| <b>Fund balances/net position,</b><br>end of year       | <u>\$ 208,235</u> | <u>\$ 596,623</u>             | <u>\$ 45,056</u>                  | <u>\$ 8,054</u>                | <u>\$ -</u>    | <u>\$ 857,968</u> | <u>\$ 63,497</u>         | <u>\$ 921,465</u>                 |

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance- Budget and Actual**  
*General Fund*  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>Revenues</b>                        |                   |                   |                   |   |
| Charges for services                   | \$ 451,086        | \$ 451,086        | \$ 451,086        | \$ -  |
| Investment income                      | -                 | -                 | 8,937             | 8,937   |
| Other revenue                          | -                 | -                 | 8,194             | 8,194   |
| Total revenues                         | <u>451,086</u>    | <u>451,086</u>    | <u>468,217</u>    | <u>17,131</u>   |
| <b>Expenditures</b>                    |                   |                   |                   |   |
| Current - law enforcement activities   |                   |                   |                   |   |
| Personnel                              | 150,760           | 153,825           | 142,502           | 11,323  |
| Repairs and maintenance                | 66,341            | 67,741            | 67,594            | 147   |
| Services                               | 107,386           | 107,226           | 105,023           | 2,203   |
| Supplies                               | 15,101            | 14,199            | 13,858            | 341   |
| Insurance                              | 104,222           | 102,602           | 102,601           | 1   |
| Other                                  | 7,275             | 5,492             | 5,490             | 2   |
| Total expenditures                     | <u>451,085</u>    | <u>451,085</u>    | <u>437,068</u>    | <u>14,017</u>   |
| Change in fund balance                 | 1                 | 1                 | 31,149            | 31,148  |
| <b>Fund balance, beginning of year</b> | 177,086           | 177,086           | 177,086           | -   |
| <b>Fund balance, end of year</b>       | <u>\$ 177,087</u> | <u>\$ 177,087</u> | <u>\$ 208,235</u> | <u>\$ 31,148</u>  |

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance- Budget and Actual**  
*Seized Asset Fund-DOJ*  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>Revenues</b>                        |                   |                   |                   |   |
| Investment income                      | \$ -              | \$ -              | \$ 16,783         | \$ 16,783   |
| Other revenues                         | -                 | -                 | 72,279            | 72,279  |
| Total revenues                         | -                 | -                 | <b>89,062</b>     | 89,062  |
| <b>Expenditures</b>                    |                   |                   |                   |   |
| Current - law enforcement activities   |                   |                   |                   |   |
| Personnel                              | -                 | 56,912            | 45,671            | 11,241  |
| Repairs and maintenance                | 8,800             | 9,358             | 7,107             | 2,251   |
| Services                               | -                 | 85,250            | 62,619            | 22,631  |
| Supplies                               | 66,200            | 160,590           | 67,888            | 92,702  |
| Insurance                              | -                 | -                 | -                 | -   |
| Other                                  | 5,000             | 5,718             | 552               | 5,166   |
| Capital outlay                         | -                 | 5,712             | 5,711             | 1   |
| Total expenditures                     | 80,000            | 323,540           | 189,548           | 133,992   |
| Change in fund balance                 | (80,000)          | (323,540)         | (100,486)         | 223,054   |
| <b>Fund balance, beginning of year</b> | 697,109           | 697,109           | 697,109           | -   |
| <b>Fund balance, end of year</b>       | <b>\$ 617,109</b> | <b>\$ 373,569</b> | <b>\$ 596,623</b> | <b>\$ 223,054</b>   |

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance- Budget and Actual**  
*Seized Asset Fund-Treasury*  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts |             | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|-------------|------------------|---|
|  | Original         | Final       |                  |   |
| <b>Revenues</b>                        |                  |             |                  |   |
| Investment income                      | \$ -             | \$ -        | \$ 754           | \$ 754  |
| Other revenues                         | -                | -           | <b>44,302</b>    | 44,302  |
| Total revenues                         | -                | -           | <b>45,056</b>    | 45,056  |
| <b>Expenditures</b>                    |                  |             |                  |   |
| Current - law enforcement activities   |                  |             |                  |   |
| Personnel                              | -                | -           | -                | -   |
| Repairs and maintenance                | -                | -           | -                | -   |
| Services                               | -                | -           | -                | -   |
| Supplies                               | -                | -           | -                | -   |
| Insurance                              | -                | -           | -                | -   |
| Other                                  | -                | -           | -                | -   |
| Capital outlay                         | -                | -           | -                | -   |
| Total expenditures                     | -                | -           | -                | -   |
| Change in fund balance                 | -                | -           | <b>45,056</b>    | 45,056  |
| <b>Fund balance, beginning of year</b> | -                | -           | -                | -   |
| <b>Fund balance, end of year</b>       | <b>\$ -</b>      | <b>\$ -</b> | <b>\$ 45,056</b> | <b>\$ 45,056</b>  |

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance- Budget and Actual**  
*Seized Asset Fund-State*  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts |             | Actual          | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|-------------|-----------------|---|
|  | Original         | Final       |                 |   |
| <b>Revenues</b>                        |                  |             |                 |   |
| Investment income                      | \$ -             | \$ -        | \$ 135          | \$ 135  |
| Other revenues                         | -                | -           | 7,919           | 7,919   |
| Total revenues                         | -                | -           | <b>8,054</b>    | 8,054   |
| <b>Expenditures</b>                    |                  |             |                 |   |
| Current - law enforcement activities   |                  |             |                 |   |
| Personnel                              | -                | -           | -               | -   |
| Repairs and maintenance                | -                | -           | -               | -   |
| Services                               | -                | -           | -               | -   |
| Supplies                               | -                | -           | -               | -   |
| Insurance                              | -                | -           | -               | -   |
| Other                                  | -                | -           | -               | -   |
| Capital outlay                         | -                | -           | -               | -   |
| Total expenditures                     | -                | -           | -               | -   |
| Change in fund balance                 | -                | -           | <b>8,054</b>    | 8,054   |
| <b>Fund balance, beginning of year</b> | -                | -           | -               | -   |
| <b>Fund balance, end of year</b>       | <b>\$ -</b>      | <b>\$ -</b> | <b>\$ 8,054</b> | <b>\$ 8,054</b>   |

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance-Budget and Actual**  
**Grants Fund**  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts |                  | Actual                | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|------------------|-----------------------|---|
|  | Original         | Final            |                       |   |
| <b>Revenues</b>                        |                  |                  |                       |   |
| Operating grants                       | \$ 821,284       | \$ 1,655,292     | \$ <b>813,567</b>     | \$ (841,725)  |
| Total revenues                         | <u>821,284</u>   | <u>1,655,292</u> | <u><b>813,567</b></u> | <u>(841,725)</u>  |
| <b>Expenditures</b>                    |                  |                  |                       |   |
| Current - law enforcement activities   |                  |                  |                       |   |
| Personnel                              | 143,967          | 254,622          | <b>129,341</b>        | 125,281   |
| Repairs and maintenance                | 1,260            | 3,040            | <b>3,040</b>          | -   |
| Building rental                        | 601,339          | 1,305,276        | <b>640,396</b>        | 664,880   |
| Services                               | 50,956           | 69,891           | <b>32,064</b>         | 37,827  |
| Supplies                               | 12,762           | 13,753           | <b>5,001</b>          | 8,752   |
| Other                                  | 11,000           | 8,710            | <b>3,725</b>          | 4,985   |
| Total expenditures                     | <u>821,284</u>   | <u>1,655,292</u> | <u><b>813,567</b></u> | <u>841,725</u>  |
| Change in fund balance                 | -                | -                | -                     | -   |
| <b>Fund balance, beginning of year</b> | <u>-</u>         | <u>-</u>         | <u>-</u>              | <u>-</u>  |
| <b>Fund balance, end of year</b>       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>           | <u>\$ -</u>   |

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

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Summary of Significant Accounting Policies**

**Reporting Entity**

Metro Narcotics Agency (Metro) is an organization formed by a joint powers agreement between the City of Las Cruces, the County of Dona Ana, the Regents of New Mexico State University, and the New Mexico State Police Department. The Agency is governed by an eight-member board comprised of members from the City of Las Cruces, Dona Ana County, the District Attorney's Office, New Mexico State University Police, and the New Mexico State Police. The responsibility for the financial statements rests with the Metro Board. Metro does not have any component units. The City of Las Cruces is the fiscal agent for Metro and accounts for its resources as agency funds.

**Basis of Presentation, Measurement Focus and Basis of Accounting**

*Organization-Wide Financial Statements*—The organization-wide financial statements consist of the statement of net position and statement of activities. These financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

*Governmental Fund Financial Statements*—Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Metro considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Metro reports the following major governmental funds:

- ◆ *General Fund*—The general fund accounts for all financial resources except those required to be accounted for in another fund.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Summary of Significant Accounting Policies (continued)**

- ◆ *Special Revenue Fund (Seized Assets Fund)*—The seized assets fund accounts for the proceeds of seized assets received from other law enforcement agencies. In accordance with terms of the Metro joint powers agreement, proceeds received from the sale of seized property are restricted for uses allowed under the Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies (the “Guide”). In fiscal year 2014, the seized assets fund was separated into three separate seized asset funds to avert commingling of funds. The three funds are 1) Department of Justice (DOJ), 2) Department of Treasury, and 3) State of New Mexico.
- ◆ *Grant Fund*—The grant fund accounts for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Federal and state grants and contracts are accounted for in this fund.

Cash and Cash Equivalents

Metro participates in a pool of cash and investments with the Treasurer of the City of Las Cruces. All pooled cash and investments are fully insured or collateralized. Amounts are immediately available to Metro and are therefore considered cash equivalents.

Capital Assets

Capital assets are recorded at cost or, in the case of donated assets, at fair value at the date of receipt, and are depreciated over their estimated useful lives. The initial purchase of software meeting Metro’s capital asset definition is capitalized; however, periodic costs for software upgrades are not capitalized due to the rapid change in technology. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. Metro capitalizes items purchased with grants funded by the High Intensity Drug Trafficking Act that have a unit cost of \$500 or more and an estimated useful life of greater than one year. However, items purchased with other than grant money are only capitalized when they have a cost of more than \$5,000 and an estimated useful life of greater than one year.

Seized Assets

Seized assets are recorded at the estimated fair market value upon receipt.

Nonexchange Transactions

Nonexchange transactions, in which Metro gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

Metro's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenditures. The annual budget is prepared for the general fund, the seized assets fund, and the grant fund. Accordingly, separate budgetary statements for individual funds are presented. New Mexico State law prohibits expenses in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by Metro's board of directors; however, State of New Mexico, Department of Finance and Administration approval must be obtained for budget increases and budget transfers between funds.

Fund Balance Policy

Prior to fiscal year 2012, Metro reported the governmental fund balances as Reserved and Unreserved. Metro reports the governmental fund balances in two categories, which include:

1. Restricted fund balance—includes amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.
2. Unassigned fund balance—is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Unassigned Fund Balance is only reported in the General Fund.

On May 18, 2011, the Metro board adopted a fund balance policy to establish a minimum fund balance reserve of 1/12 of budgeted expenditures effective fiscal year 2012. Metro's budgeted expenditures for fiscal year 2014 were \$451,085 and 1/12 of this amount is \$37,590. Metro's fund balance at June 30, 2014 is \$208,235.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Summary of Significant Accounting Policies (continued)**

Adoption of New Accounting Pronouncements

In FY14, MVRDA adopted GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*, and Statement No.66, *Technical Corrections-2012*- an amendment of GASB Statements No. 10 and No. 62. These statements had minimal impact to the Governmental Department's financial statements or related accounting and financial reporting. There were no other changes to the Governmental Department's financial statements as a result of implementing these standards.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This Statement establishes standards for measuring and recognizing liabilities deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers where employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. This Statement is effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by Metro. Management anticipates that, upon adoption by Metro, none of these statements will have a significant impact on the Agency's financial position or results of operations. Pronouncements that are not applicable to Metro have been omitted.

- ◆ Statement No. 67: *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25.
- ◆ Statement No. 68: *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27.
- ◆ Statement No. 69: *Government Combinations and Disposals of Government Operations*.
- ◆ Statement No. 70: *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.
- ◆ Statement No. 71: *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**2) Cash and Cash Equivalents**

Metro participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value. Metro's share of the City of Las Cruces cash and investment pool is immediately available for spending and is therefore considered a cash equivalent.

Cash and cash equivalents consist of the following at June 30, 2014:

|  |            |
|--|------------|
| Equity in City of Las Cruces cash and investment pool      | \$ 792,776 |
| Metro Narcotics Agency money market account and petty cash | 75,661     |
| Total cash and investments                                 | \$ 868,437 |

Cash and investments are reported on the statement of net position as follows:

|                                 |            |
|---------------------------------|------------|
| Cash and cash equivalents       | \$ 75,661  |
| Restricted cash and investments | 792,776    |
| Total                           | \$ 868,437 |

The City of Las Cruces cash and investment pool consists of the following:

|                                  |                |
|----------------------------------|----------------|
| Carrying amount of bank deposits | \$ 16,469,316  |
| Investments at fair value        | 120,992,095    |
| Accrued interest                 | 594,304        |
| Total cash and investment pool   | \$ 138,055,715 |

Bank Balance of Deposits

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2014, the City's deposits, totaling \$29,186,423 was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**2) Cash and Cash Equivalents (continued)**

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

As of June 30, 2014, the City's investment pool had the following investments:

| <u>Investment Type</u>         | <u>Fair Value</u>     | <u>Weighted Avg<br/>Maturity (Yrs)</u> |
|--------------------------------|-----------------------|--|
| Overnight repurchase agreement | \$ 4,344,002          |  |
| U.S. agency coupon bonds       | 116,648,093           | 11.22                                  |
| Total Pooled Investments       | <u>\$ 120,992,095</u> |  |

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$116,635,505 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses duration.

*Credit Risk.* The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2014, the City's investments in coupon bonds of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**2) Cash and Cash Equivalents (continued)**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2014, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

*Concentration of Credit Risk.* The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2014, 62% of the City's investment pool was in Fannie Mae (FNMA) and 38% in Federal Home Loan Bank (FHLB).

**3) Due From Other Governments**

Metro receives funding from the High Intensity Drug Trafficking Area (HIDTA) grant provided by the United States Office of National Drug Control Policy. As of June 30, 2014, the amount receivable from this funding agency was \$29,962.

**4) Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

|                               | Balances<br>June 30, 2013 | Additions         | Retirements  | Balances<br>June 30, 2014 |
|-------------------------------|---------------------------|-------------------|--------------|---------------------------|
| Equipment                     | \$ 1,145,204              | \$ 22,500         | \$ (209,639) | \$ 958,065                |
| Less accumulated depreciation | (1,072,060)               | (32,147)          | 209,639      | (894,568)                 |
| Capital assets, net           | <u>\$ 73,144</u>          | <u>\$ (9,647)</u> | <u>\$ -</u>  | <u>\$ 63,497</u>          |

Depreciation expense for the year ended June 30, 2014, was \$32,147.

During the year Metro spent \$5,711 to receive a seized vehicle with a book value of \$22,500. In addition, asset retirements totaled \$209,639 resulting in a decrease in total equipment of \$187,139.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**5) Risk Management**

Metro is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which Metro carries commercial insurance to cover these risks. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

**6) Joint Powers Agreement**

Metro is an organization formed by a joint powers agreement (JPA) between the City of Las Cruces, the County of Dona Ana, the regents of New Mexico State University and the New Mexico State Police Department, dated October 1, 2001, to perform the following:

- ◆ To perform and document through covert and overt investigations of violations of the New Mexico State Statutes and United States Code relating to narcotics and drug related offenses;
- ◆ To arrest, and to assist in the prosecution of, persons accused of drug and drug-related offenses, consistent with the United States Constitution, and other federal and state law;
- ◆ To develop and confidentially maintain intelligence data regarding criminal activity in Las Cruces-Dona Ana County area concerning drug and drug-related activities and offenses;
- ◆ To collect, maintain, and disseminate criminal intelligence including files regarding such criminal activity in accordance with 28 CFT 23;
- ◆ To account for the disposition of all seized property, including illegal narcotics, as well as to account for all federal or state reimbursements for services rendered, commonly referred to as “seized asset funds.”

The JPA continues on a yearly basis unless terminated by the parties.

The City and the County agree to fund Metro’s operating expenses proportionate to their respective share of the task force, which is the total number of law enforcement agencies assigned to Metro for each fiscal year. The number of participating agencies in the task force can vary from year to year.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**7) Pension Plan – Public Employees Retirement Association**

Plan Description

Substantially all of Metro'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 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).

Funding Policy

Plan members are required to contribute as follows police 17.80% and all other employees 8.65% of their gross salary. Metro is required to contribute as follows police 18.50% and all other employees 15.15% of the gross covered salary. The contribution requirements of plan members and Metro are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. Metro's contribution to PERA for the fiscal years ending June 30, 2014, 2013, and 2012 were \$8,036, \$7,552, and \$6,323, respectively, which equal the amount of the required contributions for each fiscal year.

**Post-Employee Benefits – State Retiree Health Care Plan**

Plan Description

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

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**7) Pension Plan – Public Employees Retirement Association (continued)**

**Post-Employee Benefits – State Retiree Health Care Plan (continued)**

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 serve at least four years.

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate scheduled 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 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. During the fiscal year ended June 30, 2014, the statute required each participating employer to contribute as follows:

|               | Contribution |          | Eligible Wages | Percentage Contributed |
|---------------|--------------|----------|----------------|------------------------|
|               | Participant  | Metro    |                |                        |
| June 30, 2014 | \$ 4,588     | \$ 8,036 | \$ 53,040      | 100%                   |
| June 30, 2013 | 5,480        | 7,552    | 51,451         | 100%                   |
| June 30, 2012 | 4,545        | 6,323    | 42,679         | 100%                   |

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**7) Pension Plan – Public Employees Retirement Association (continued)**

**Post-Employee Benefits – State Retiree Health Care Plan (continued)**

- (1) For employees who are not members of an enhanced retirement plan the contribution rates are:

| <u>Fiscal Year</u> | <u>Employer Contribution Rate</u> | <u>Employee Contribution Rate</u> |
|--------------------|-----------------------------------|-----------------------------------|
| FY14               | 2.000%                            | 1.000%                            |

- (2) For employees who are member of an enhanced retirement plan, during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute as follows:

| <u>Fiscal Year</u> | <u>Employer Contribution Rate</u> | <u>Employee Contribution Rate</u> |
|--------------------|-----------------------------------|-----------------------------------|
| FY14               | 2.500%                            | 1.250%                            |

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agree-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contribution can be changed by the New Mexico State Legislature.

Metro’s contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$1,061, \$1,037, and \$719, respectively, which equal the required contributions for each year.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**8) Commitments**

Metro leases facilities under an operating lease, which includes substantially all utilities and maintenance costs. The lease expires in 2020; however, Metro has the option to renew this lease for a period of up to four additional five-year periods beginning on August 1, 2020.

The following is a schedule of minimum annual rent payments under the operating lease agreement.

| Year ended June 30, |                     |
|---------------------|---------------------|
| 2015                | \$ 509,000          |
| 2016                | 425,000             |
| 2017                | 425,000             |
| 2018                | 425,000             |
| 2019                | 425,000             |
| 2020                | 425,000             |
|                     | <u>\$ 2,634,000</u> |

**9) Interfund Balances**

At June 30, 2014, the grant fund owed \$26,082 to the general fund to pay for certain operational costs of drug intervention activities. These amounts are expected to be repaid within a year.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2014**

**10) Adjustments**

Fund balances of Metro’s governmental funds of \$857,968 differ from total net position of \$921,465 reported on the statement of net position because capital assets are not reported in the funds. Additionally, the net change in fund balances of Metro’s governmental funds differ from the reduction in net position reported on the statement of activities because depreciation expense is reported on the statement of activities.

The following is a summary of the differences:

|  |                    |
|--|--------------------|
| Fund balance   | \$ 857,968         |
| Capital assets are not financial resources and, therefore, are not reported in the funds | <u>63,497</u>      |
| Net position   | <u>\$ 921,465</u>  |
| Net change in fund balances  | \$ (16,227)        |
| Capital outlay   | 5,711              |
| Depreciation expense   | (32,147)           |
| Donated capital assets   | <u>16,789</u>      |
| Net change in net position   | <u>\$ (25,874)</u> |

**11) Related Party Transactions**

Metro receives funding from members of the joint powers agreement. During the year ended June 30, 2014, Metro received \$225,543 from both the City of Las Cruces and Dona Ana County.

Supplementary Information

**Metro Narcotics Agency**  
**Schedule of Pledged Collateral**  
**June 30, 2014**

The City of Las Cruces is the fiscal agent of Metro. Therefore, Metro participates in the City's pooling of cash and investments. The schedule of pledged collateral below represents the amounts that pertain to the City of Las Cruces pooled deposits.

| Institution/Security   | CUSIP #   | Maturity Date | Safe Keeping Location | Market Value         |
|--|-----------|---------------|-----------------------|----------------------|
| <b>Wells Fargo Bank, NA</b>  |           |               | BNY Mellon            |                      |
| FNMA FNMS 3.500% 06/01/43  | 3138W6RL2 | 06/01/2043    |                       | \$ 429,387           |
| FNMA FNMS 3.000% 05/01/43  | 3138WQAY8 | 05/01/2043    |                       | 25,376,865           |
| FNMA FNMS 4.000% 09/01/43  | 3138X3XU1 | 09/01/2043    |                       | 4,338,949            |
|  |           |               |                       | <u>\$ 30,145,201</u> |
| <b>Summary of Collateralization</b>  |           |               |                       |                      |
| <b>Wells Fargo Bank</b>  |           |               |                       |                      |
| Ending bank balance  |           |               |                       | \$ 29,186,423        |
| Less: FDIC insurance   |           |               |                       | (250,000)            |
| Total uninsured public funds   |           |               |                       | <u>\$ 28,936,423</u> |
| Pledged collateral held by the pledging bank's trust department in the City's name |           |               |                       | \$ 30,145,201        |
| 100% collateral requirement  |           |               |                       | 28,936,423           |
| Pledged collateral in excess of requirement  |           |               |                       | <u>\$ 1,208,778</u>  |
| Uninsured and uncollateralized   |           |               |                       | <u>\$ -</u>          |

# Metro Narcotics Agency

## Schedule of Deposit Accounts and Investments

### June 30, 2014

The City of Las Cruces is the fiscal agent of Metro. Therefore, Metro participates in the City's pooling of cash and investments. Details of Metro's cash and cash equivalents are as follows:

| Account                                    | Type of Account | Pooled Cash & Investments | Metro Narcotics Accounts | Total Reconciled Balance | On Deposit 6/30/2014 |
|--|-----------------|---------------------------|--------------------------|--------------------------|----------------------|
| <b>DEPOSIT ACCOUNTS</b>                    |                 |                           |                          |                          |                      |
| <i>Wells Fargo Bank</i>                    |                 |                           |                          |                          |                      |
| Community Development                      | Checking        | \$ -                      | \$ -                     | \$ -                     | \$ 141,586           |
| Community Development Home Rehab           | Checking        | -                         | -                        | -                        | 16,110               |
| Community Development Home Program         | Checking        | -                         | -                        | -                        | 3,307                |
| Community Development MONAS Loan           | Checking        | -                         | -                        | -                        | 10                   |
| Community Development NSP Program          | Checking        | -                         | -                        | -                        | 139,621              |
| Metro Narcotics Agency                     | Savings         | -                         | 75,561                   | 75,561                   | 75,561               |
| 2006 Water Projects                        | Savings         | -                         | -                        | -                        | 1,405,151            |
| Fiscal Account SCSWA                       | Savings         | -                         | -                        | -                        | 600,761              |
| Revenue Bonds Proceeds                     | Savings         | -                         | -                        | -                        | 6,764,457            |
| Treasury Fund - Operating                  | Checking        | 20,010,497                | -                        | 20,010,497               | 20,009,398           |
| Payroll Direct Deposit Account             | Checking        | (36,725)                  | -                        | (36,725)                 | -                    |
| Accounts Payable                           | Checking        | (3,127,391)               | -                        | (3,127,391)              | -                    |
| On Demand                                  | Checking        | 19,270                    | -                        | 19,270                   | 30,461               |
| Depository                                 | Checking        | 246,415                   | -                        | 246,415                  | -                    |
| Credit Card                                | Checking        | 3,728                     | -                        | 3,728                    | -                    |
| Electronic                                 | Checking        | (646,478)                 | -                        | (646,478)                | -                    |
| Total deposit accounts                     |                 | <u>\$ 16,469,316</u>      | <u>\$ 75,561</u>         | <u>\$ 16,544,877</u>     | <u>\$ 29,186,423</u> |
| <b>INVESTMENTS</b>                         |                 |                           |                          |                          |                      |
| <i>Wells Fargo Bank</i>                    |                 |                           |                          |                          |                      |
| Stagecoach Sweep Repo                      | Sweep           | \$ 4,344,002              | \$ -                     | \$ 4,344,002             |                      |
| <i>Wells Fargo Brokerage Services, LLC</i> |                 |                           |                          |                          |                      |
| FHLB Step 1/24/2028-13                     | Investment      | 2,832,561                 | -                        | 2,832,561                |                      |
| FNMA Step 12/20/2027-13                    | Investment      | 2,804,649                 | -                        | 2,804,649                |                      |
| <i>First Tennessee</i>                     |                 |                           |                          |                          |                      |
| FHLB Step 10/15/2027-13                    | Investment      | 8,518,230                 | -                        | 8,518,230                |                      |
| FHLB Step 10/18/2027-13                    | Investment      | 11,076,120                | -                        | 11,076,120               |                      |
| FHLB Step 11/9/2027-13                     | Investment      | 7,689,680                 | -                        | 7,689,680                |                      |
| FHLB Step 11/8/2027-13                     | Investment      | 5,662,260                 | -                        | 5,662,260                |                      |
| FHLB Step 5/16/2028-14                     | Investment      | 6,650,350                 | -                        | 6,650,350                |                      |
| FNMA 1.03 1/30/2018-14                     | Investment      | 990                       | -                        | 990                      |                      |
| FNMA 1 11/29/2017-13                       | Investment      | 9,622                     | -                        | 9,622                    |                      |
| FNMA Step 12/13/2027-13                    | Investment      | 8,120,560                 | -                        | 8,120,560                |                      |
| FNMA Step 9/20/2027-13                     | Investment      | 4,756,550                 | -                        | 4,756,550                |                      |
| FNMA Step 9/27/2027-13                     | Investment      | 9,628,500                 | -                        | 9,628,500                |                      |
| FNMA Step 10/4/2027-13                     | Investment      | 2,883,360                 | -                        | 2,883,360                |                      |
| FNMA Step 7/23/2027-13                     | Investment      | 2,783,970                 | -                        | 2,783,970                |                      |
| FNMA Step 8/16/2027-13                     | Investment      | 7,519,600                 | -                        | 7,519,600                |                      |
| FNMA Step 8/27/2027-13                     | Investment      | 6,426,560                 | -                        | 6,426,560                |                      |
| FNMA Step 8/23/2027-13                     | Investment      | 3,693,840                 | -                        | 3,693,840                |                      |
| FNMA Step 8/23/2027-13                     | Investment      | 4,633,950                 | -                        | 4,633,950                |                      |
| FNMA Step 8/27/2027-13                     | Investment      | 6,595,120                 | -                        | 6,595,120                |                      |
| FNMA Step 12/21/2027-13                    | Investment      | 7,413,920                 | -                        | 7,413,920                |                      |
| FNMA Step 1/28/2028-15                     | Investment      | 5,066,545                 | -                        | 5,066,545                |                      |
| FNMA 1.05 3/27/2018-13                     | Investment      | 1,976                     | -                        | 1,976                    |                      |
| <i>Stiffel Nicolaus</i>                    |                 |                           |                          |                          |                      |
| FHLB Step 4/26/2028-13                     | Investment      | 1,879,180                 | -                        | 1,879,180                |                      |
| Total investments                          |                 | <u>120,992,095</u>        | <u>-</u>                 | <u>120,992,095</u>       |                      |
| Total deposits and investments             |                 | <u>137,461,411</u>        | <u>75,561</u>            | <u>137,536,972</u>       |                      |
| <i>Other Cash</i>                          |                 |                           |                          |                          |                      |
| Petty Cash & Change Funds                  | Cash            | -                         | 100                      | 100                      |                      |
| <i>Accrued Interest Receivable</i>         |                 |                           |                          |                          |                      |
| Accrued Interest - Pooled Investments      | Accrued Int     | 594,304                   | -                        | 594,304                  |                      |
| Total cash and investments                 |                 | <u>138,055,715</u>        | <u>75,661</u>            | <u>138,131,376</u>       |                      |
| Less balances in City of Las Cruces funds  |                 | <u>137,262,939</u>        | <u>-</u>                 | <u>137,262,939</u>       |                      |
| Metro cash and investment balance          |                 | <u>\$ 792,776</u>         | <u>\$ 75,661</u>         | <u>\$ 868,437</u>        |                      |

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

Mr. Hector Balderas, State Auditor of New Mexico and  
The Board of Directors of the Metro Narcotics Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the Metro Narcotics Agency (Metro), Las Cruces, New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 14, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Metro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Metro'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 Metro's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albuquerque, New Mexico  
November 14, 2014

**Metro Narcotics Agency**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2014**

There were no audit findings for the fiscal year ended June 30, 2014.

DRAFT

**Metro Narcotics Agency**  
**Schedule of Prior Year Findings and Responses**  
**For the Year Ended June 30, 2014**

There were no audit findings for the fiscal year ended June 30, 2013.

DRAFT

**Metro Narcotics Agency**  
**Exit Conference and Financial Statement Preparation**  
**For the Year Ended June 30, 2014**

**Exit Conference**

An exit conference was conducted on November 14, 2014, in a closed meeting of the Board of Directors pursuant to *Section 12-6-5 NMSA, 1978* with the following individuals in attendance:

**Metro Board of Directors**

|                       |              |
|-----------------------|--------------|
| Mayor Ken Miyagishima | Board Member |
| Robert Garza          | Board Member |

**City of Las Cruces (Fiscal Agent)**

|                   |   |
|-------------------|---|
| Mark Winson       | Assistant City Manager - Chief Administrative Officer |
| Victoria Fredrick | Director of Financial Services                        |
| Maria Villa       | Accounting Manager                                    |
| Josie Medina      | Accountant  |

**Moss Adams**

|                   |                |
|-------------------|----------------|
| Brandon Valentini | Partner        |
| Ryan Luetkemeyer  | Senior Manager |

**Metro**

|                         |                                  |
|-------------------------|----------------------------------|
| Lieutenant Bobby Holden | Director, Metro Narcotics Agency |
|-------------------------|----------------------------------|

**Financial Statement Preparation**

The City's Accounting Department prepared the accompanying financial statements; however, Metro is responsible for the financial statement content.