



Report of Independent Auditors and Financial
Statements with Supplementary Information for

Metro Narcotics Agency

June 30, 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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Metro Narcotics Agency

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Metro Narcotics Agency
June 30, 2013

OFFICIAL ROSTER

The Board of Directors, none of whom are employed by Metro Narcotics Agency, for the year ended June 30, 2013, are:

Todd Garrison	Chairman
Richard Williams	Vice Chairman
Ken Miyagishima	Board Member
Robert Garza	Board Member
Sue Padilla	Board Member
Dr. David Garcia	Board Member
Tommy Mora	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 and each major fund, including the budgetary comparisons, of the Metro Narcotics Agency (Metro) as of and for the year ended June 30, 2013, 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 opinion.

Opinion

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, 2013, 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 31 and 32 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 13, 2013 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.

Mess Adams LLP

Albuquerque, New Mexico
November 13, 2013

Metro Narcotics Agency
Management’s Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. 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, 2013

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 2013, assets decreased to \$947,339 from \$1,089,232 in 2012. Actual expenses exceeded actual revenues resulting in a net position decrease of \$141,893.

Metro Narcotics Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 1 summarizes the net position of its governmental activities.

Table 1
Net Position
As of June 30,

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 912,119	\$ 1,067,518
Capital assets, net	73,144	71,938
Total assets	<u>\$ 985,263</u>	<u>\$ 1,139,456</u>
Liabilities		
Current and other liabilities	<u>37,924</u>	<u>50,224</u>
Total liabilities	<u>37,924</u>	<u>50,224</u>
Net Position		
Net investment in capital assets	\$ 73,144	\$ 71,938
Restricted for seized assets	697,109	822,884
Unrestricted	<u>177,086</u>	<u>194,410</u>
Total net position	<u>947,339</u>	<u>1,089,232</u>
Total liabilities and net position	<u>\$ 985,263</u>	<u>\$ 1,139,456</u>

Metro Narcotics Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Changes in Net Position—Total revenues for the year ended June 30, 2013, were \$1,384,894 compared with expenses of \$1,526,787. Total revenues for the year ended June 30, 2012, were \$1,326,543 compared with expenses of \$1,573,008. Table 2 summarizes the changes in net position for the year.

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

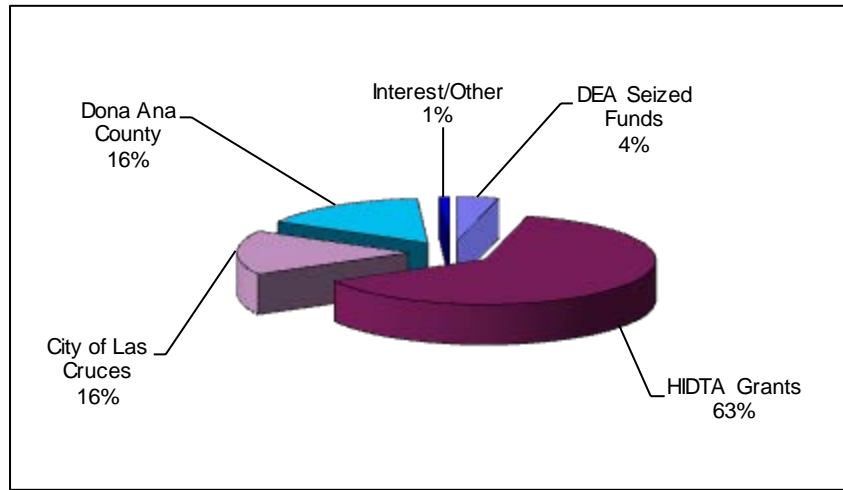
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Operating grants	\$ 892,584	\$ 833,090
Charges for services	451,086	451,086
General revenue		
Investment income (loss)	(35,071)	32,258
Other revenues	76,295	10,109
Total revenue	<u>1,384,894</u>	<u>1,326,543</u>
Expenses – law enforcement	<u>1,526,787</u>	<u>1,573,008</u>
Change in net position	(141,893)	(246,465)
Net position, beginning of year	1,089,232	1,335,697
Net position, end of year	<u><u>\$ 947,339</u></u>	<u><u>\$ 1,089,232</u></u>

Grant Activities—Fiscal year 2013 grants included an \$820,750 grant for facility rental and other operating costs. A balance of \$37,275 will be available for use in fiscal year 2014 from the current year grant. A balance from a fiscal year 2012 grant of \$71,660 was expended in fiscal year 2013.

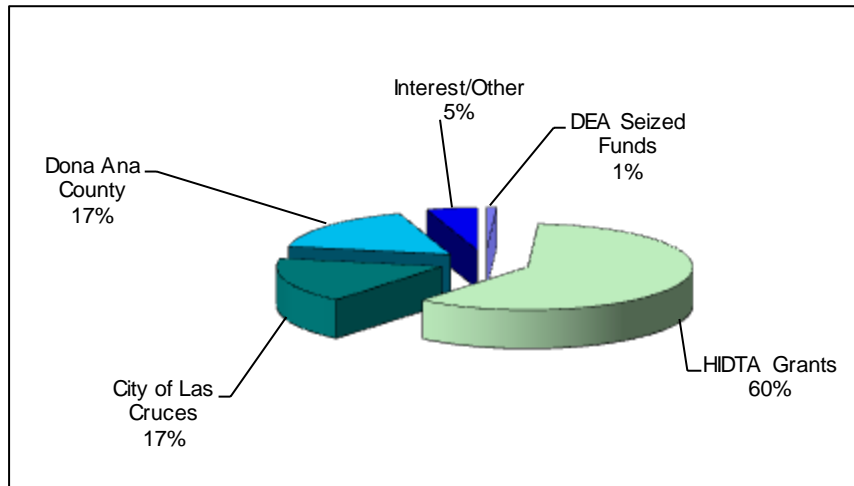
Metro Narcotics Agency Management's Discussion and Analysis For the Year Ended June 30, 2013

Charts 1 and 2 shows the revenues by source for fiscal years 2013 and 2012, respectively.

**Chart 1
2013 Revenues by Source**



**Chart 2
2012 Revenues by Source**



Metro Narcotics Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013.

Table 3
Budgetary Comparison – Aggregate of All Funds
For the Year Ended June 30, 2013

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Operating grants	\$ 890,661	\$ 930,727	\$ 892,584	\$ (38,143)	-4%
Charges for services	451,086	451,086	451,086	-	0%
Investment income (loss)	-	-	(35,071)	(35,071)	100%
Other	-	-	76,295	76,295	100%
Total revenue	1,341,747	1,381,813	1,384,894	3,081	0%
Expenditures					
Law enforcement	1,355,446	1,541,165	1,468,355	72,810	5%
Capital outlay	-	60,000	59,638	362	1%
Total expenditures	1,355,446	1,601,165	1,527,993	73,172	5%
Revenues (under) over expenditures	\$ (13,699)	\$ (219,352)	\$ (143,099)	\$ 76,253	35%

In fiscal year 2013, the increase from the original revenue budget to the final revenue budget of \$40,066 is a result of increased grant funding during the fiscal year. The differences between the final budget and the actual results are related to a decrease in the actual grant funding at the end of the fiscal year. Interest income actuals were lower than budget due to the loss on fair market value 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 increased by less than 1% over the final budget in the amount of \$3,081.

The increase from the original expenditure budget and the final expenditure budget in fiscal year 2013 is a result of increased seized asset spending during the fiscal year. The differences between the final budget and the actual results are due to a decrease in certain operations by Metro. Approximately \$37,275 was budgeted for building rentals in the seized asset fund but not spent in fiscal year 2013. These items contributed to total expenditures at 5% less than budget and a cost savings of \$73,172.

**Metro Narcotics Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Capital Assets

As of June 30, 2013, the organization's capital assets totaled \$73,144 net of accumulated depreciation of \$1,072,060. As of June 30, 2012, the organization's capital assets totaled \$71,938 net of accumulated depreciation of \$1,099,362.

Table 4 provides details of the net capital assets.

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

	<u>2013</u>	<u>2012</u>
Metro equipment	\$ 201,763	\$ 226,584
Seized equipment	445,105	415,310
HIDTA equipment	498,336	529,406
Total equipment	<u>1,145,204</u>	<u>1,171,300</u>
Accumulated depreciation	(1,072,060)	(1,099,362)
	<u>\$ 73,144</u>	<u>\$ 71,938</u>

During fiscal year 2013, Metro purchased two vehicles that totaled \$59,638. Also, asset retirements totaled \$85,734 resulting in a decrease in total equipment of \$26,096.

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of Metro Narcotics. The regional area continues to experience the same muted pace of recovery from the "Great Recession". Additionally, the local economy must also deal with the impacts of federal sequestration. The economic outlook calls for slow growth in most indicators. New residential construction, which has advanced nationally, has yet to filter into the region. Total construction valuation is anticipated to show a drop because of two large multifamily projects permitted in FY2013.

A key to achieving the rate of employment forecast for the region is the relationship between private and government sectors. The recovery to date has been concentrated in private jobs with public jobs actually declining in recent years. The outlook anticipates all new jobs being created in the private sector while the public sector slowly returns to a level close to zero growth.

Metro Narcotics Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Population migration continues to be hampered by the national housing market. The inability of people to sell homes in other parts of the country and relocate or retire to Las Cruces has yet to abate. Residential units being built have become smaller which reflects the residential market adjusting to homes that are affordable based on local labor market conditions.

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, 2013

	General Fund	Seized Assets Fund	Grant Fund	Total	Adjustments (Note 10)	Statement of Net Position
Assets						
Current assets						
Cash and cash equivalents	\$ 109,589	\$ -	\$ -	\$ 109,589	\$ -	\$ 109,589
Restricted cash and cash equivalents	-	719,686	-	719,686	-	719,686
Receivables	2,581	-	-	2,581	-	2,581
Due from grant fund	50,526	-	-	50,526	(50,526)	-
Due from other governments	18,795	-	61,468	80,263	-	80,263
Total current assets	<u>181,491</u>	<u>719,686</u>	<u>61,468</u>	<u>962,645</u>	<u>(50,526)</u>	<u>912,119</u>
Capital assets - equipment, net	-	-	-	-	73,144	73,144
Total assets	<u>\$ 181,491</u>	<u>\$ 719,686</u>	<u>\$ 61,468</u>	<u>\$ 962,645</u>	<u>\$ 22,618</u>	<u>\$ 985,263</u>
Liabilities						
Current liabilities						
Due to Metro general fund	\$ -	\$ -	\$ 50,526	\$ 50,526	\$ (50,526)	\$ -
Accounts payable	1,307	16,918	7,855	26,080	-	26,080
Accrued payroll liabilities	3,098	5,659	3,087	11,844	-	11,844
Total current liabilities	<u>4,405</u>	<u>22,577</u>	<u>61,468</u>	<u>88,450</u>	<u>(50,526)</u>	<u>37,924</u>
Fund Balance/Net Position						
Restricted for seized assets	-	697,109	-	697,109	(697,109)	-
Unassigned	177,086	-	-	177,086	(177,086)	-
Total fund balance	<u>177,086</u>	<u>697,109</u>	<u>-</u>	<u>874,195</u>	<u>(874,195)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 181,491</u>	<u>\$ 719,686</u>	<u>\$ 61,468</u>	<u>\$ 962,645</u>		
Net position						
Net investment in capital assets					73,144	73,144
Restricted for seized assets					697,109	697,109
Unrestricted					177,086	177,086
Total net position					<u>73,144</u>	<u>947,339</u>
Total liabilities and net position					<u>\$ 22,618</u>	<u>\$ 985,263</u>

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, 2013

	General Fund	Seized Assets Fund	Grant Fund	Total	Adjustments (Note 10)	Statement of Net Activities
Revenues						
Program						
Operating grants	\$ 18,811	\$ -	\$ 873,773	\$ 892,584	\$ -	\$ 892,584
Charges for services	451,086	-	-	451,086	-	451,086
General						
Investment income (loss)	(35,071)	-	-	(35,071)	-	(35,071)
Other revenues	8,237	68,058	-	76,295	-	76,295
Total revenues	<u>443,063</u>	<u>68,058</u>	<u>873,773</u>	<u>1,384,894</u>	<u>-</u>	<u>1,384,894</u>
Expenditures/Expenses						
Current - law enforcement activities						
Personnel	164,832	43,888	167,013	375,733	-	375,733
Repairs and maintenance	66,024	14,442	-	80,466	-	80,466
Building rental	-	-	621,759	621,759	-	621,759
Services	102,837	-	54,821	157,658	-	157,658
Supplies	16,186	69,258	20,889	106,333	-	106,333
Insurance	103,605	-	-	103,605	-	103,605
Other	6,903	6,607	9,291	22,801	3,694	26,495
Depreciation	-	-	-	-	54,738	54,738
Capital outlay	-	59,638	-	59,638	(59,638)	-
Total expenditures/expenses	<u>460,387</u>	<u>193,833</u>	<u>873,773</u>	<u>1,527,993</u>	<u>(1,206)</u>	<u>1,526,787</u>
Revenues (under) over expenditures/ expenses	(17,324)	(125,775)	-	(143,099)	1,206	(141,893)
Fund balances/net position, beginning of year	<u>194,410</u>	<u>822,884</u>	<u>-</u>	<u>1,017,294</u>	<u>71,938</u>	<u>1,089,232</u>
Fund balances/net position, end of year	<u>\$ 177,086</u>	<u>\$ 697,109</u>	<u>\$ -</u>	<u>\$ 874,195</u>	<u>\$ 73,144</u>	<u>\$ 947,339</u>

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

Metro Narcotics Agency
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 451,086	\$ 451,086	\$ 451,086	\$ -
Operating grants	-	25,021	18,811	(6,210)
Other revenue	-	-	8,237	8,237
Investment loss	-	-	(35,071)	(35,071)
Total revenues	<u>451,086</u>	<u>476,107</u>	<u>443,063</u>	<u>(33,044)</u>
Expenditures				
Current - law enforcement activities				
Personnel	150,760	182,113	164,832	17,281
Repairs and maintenance	66,550	66,100	66,024	76
Services	106,911	104,786	102,837	1,949
Supplies	16,000	16,558	16,186	372
Insurance	103,114	103,605	103,605	-
Other	7,750	6,923	6,903	20
Total expenditures	<u>451,085</u>	<u>480,085</u>	<u>460,387</u>	<u>19,698</u>
Change in fund balance	1	(3,978)	(17,324)	(13,346)
Fund balance, beginning of year	<u>194,410</u>	<u>194,410</u>	<u>194,410</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 194,411</u></u>	<u><u>\$ 190,432</u></u>	<u><u>\$ 177,086</u></u>	<u><u>\$ (13,346)</u></u>

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

Metro Narcotics Agency
Seized Assets Fund Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	68,058	68,058
Total revenues	<u>-</u>	<u>-</u>	<u>68,058</u>	<u>68,058</u>
Expenditures				
Current - law enforcement activities				
Personnel	-	50,800	43,888	6,912
Repairs and maintenance	-	20,000	14,442	5,558
Services	-	-	-	-
Supplies	13,700	77,249	69,258	7,991
Insurance	-	-	-	-
Other	-	7,325	6,607	718
Capital outlay	-	60,000	59,638	362
Total expenditures	<u>13,700</u>	<u>215,374</u>	<u>193,833</u>	<u>21,541</u>
Change in fund balance	(13,700)	(215,374)	(125,775)	89,599
Fund balance, beginning of year	<u>822,884</u>	<u>822,884</u>	<u>822,884</u>	<u>-</u>
Fund balance, end of year	<u>\$ 809,184</u>	<u>\$ 607,510</u>	<u>\$ 697,109</u>	<u>\$ 89,599</u>

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

Metro Narcotics Agency
Grant Fund Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Operating grants	\$ 890,661	\$ 905,706	\$ 873,773	\$ (31,933)
Total revenues	<u>890,661</u>	<u>905,706</u>	<u>873,773</u>	<u>(31,933)</u>
Expenditures				
Current - law enforcement activities				
Personnel	152,156	164,167	167,013	(2,846)
Repairs and maintenance	1,260	-	-	-
Building rental	601,339	659,033	621,759	37,274
Services	50,956	53,575	54,821	(1,246)
Supplies	72,236	20,890	20,889	1
Other	12,714	8,041	9,291	(1,250)
Total expenditures	<u>890,661</u>	<u>905,706</u>	<u>873,773</u>	<u>31,933</u>
Change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<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, 2013

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, 2013

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”).
- ◆ *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, 2013

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 2013 were \$480,085 and 1/12 of this amount is \$40,007. Metro's fund balance at June 30, 2013 is \$177,086.

Metro Narcotics Agency
Notes to Financial Statements
June 30, 2013

1) Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements

In FY13, Metro adopted GASB Statement No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements had minimal impact to the Governmental Department's financial statements or related accounting and financial reporting. The primary effects of implementing these statements was to change all previous references from "net assets" to "net position" and remove footnote disclosure in the Summary of Significant Accounting Policies referencing private sector standards issued subsequent to November 30, 1989. There were no other changes to the Governmental Department's financial statements as a result of implementing these standards.

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. 65: *Items Previously Reported as Assets and Liabilities*.
- ◆ Statement No. 66: *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*.
- ◆ 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*.

Metro Narcotics Agency
Notes to Financial Statements
June 30, 2013

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, 2013:

Equity in City of Las Cruces cash and investment pool	\$ 733,642
Metro Narcotics Agency money market account and petty cash	95,633
Total cash and investments	\$ 829,275

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

Cash and cash equivalents	\$ 109,589
Restricted cash and investments	719,686
Total	\$ 829,275

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

Carrying amount of bank deposits	\$ 16,787,789
Investments at fair value	116,049,059
Accrued interest	594,292
Total cash and investment pool	\$ 133,431,140

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, 2013, the City's deposits, totaling \$31,318,315 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, 2013

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, 2013, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (Yrs)</u>
U.S. agency coupon bonds	\$ 116,049,059	11.97
Total Pooled Investments	<u>\$ 116,049,059</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 \$116,049,059, issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City changed its method this year to duration. In prior years the City used first call date because the experience of the City was step-up coupon bonds were called at the first call date. During the current year the step-up coupon bonds were not being called. As a result the method for calculating interest rate risk was changed to reflect current experience.

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, 2013, 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, 2013

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, 2013, 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, 2013, 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, 2013, the amount receivable from this funding agency was \$61,468.

4) Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balances June 30, 2012	Additions	Retirements	Balances June 30, 2013
Equipment	\$ 1,171,300	\$ 59,638	\$ (85,734)	\$ 1,145,204
Less accumulated depreciation	(1,099,362)	(54,738)	82,040	(1,072,060)
Capital assets, net	<u>\$ 71,938</u>	<u>\$ 4,900</u>	<u>\$ (3,694)</u>	<u>\$ 73,144</u>

Depreciation expense for the year ended June 30, 2013, of \$54,738 was charged to the law enforcement activities function.

During the year Metro spent \$59,638 on the purchase of two vehicles from the Seized Assets Fund. These two vehicles are for the Metro Narcotics Agency for law enforcement use only.

Assets retired totaled \$85,734, resulting in a loss on disposition of assets of \$3,694.

Metro Narcotics Agency
Notes to Financial Statements
June 30, 2013

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, 2013

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.

Funding Policy

Plan members are required to contribute as follows police 16.30% and all other employees 7.15% 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, 2013, 2012 and 2011 were \$7,493, \$6,323, and \$10,442, 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, 2013

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.

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, 2013, the statute required each participating employer to contribute as follows:

Metro Narcotics Agency
Notes to Financial Statements
June 30, 2013

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 will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

(2) For employees who are member of an enhanced retirement plan, during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	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, 2013, 2012 and 2011 were \$1,029, \$719, and \$1,147, respectively, which equal the required contributions for each year.

Metro Narcotics Agency
Notes to Financial Statements
June 30, 2013

8) Commitments

Metro leases facilities under an operating lease, which includes substantially all utilities and maintenance costs. The lease expires in 2015; however, Metro has the option to renew this lease for a period of up to two additional ten-year periods with the annual rent payment adjusted for changes in the consumer price index.

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

Year ended June 30,	
2014	\$ 636,096
2015	654,733
	<u>\$ 1,290,829</u>

9) Interfund Balances

At June 30, 2013, the grant fund owed \$50,526 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, 2013

10) Adjustments

Fund balances of Metro's governmental funds of \$874,195 differ from total net position of \$947,339 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	\$	874,195
Capital assets are not financial resources and, therefore, are not reported in the funds		73,144
Net position	\$	947,339
Net change in fund balances	\$	(143,099)
Capital outlay		59,638
Depreciation expense		(54,738)
Loss on disposition of capital assets		(3,694)
Net change in net position	\$	(141,893)

11) Related Party Transactions

Metro receives funding from members of the joint powers agreement. During the year ended June 30, 2013, 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, 2013

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
Wells Fargo Bank, NA			BNY Mellon	
FMAC FGPC 3.000% 09/01/26	3128PWM54	09/01/26		\$ 10,196,931
FNMA FNMS 4.000% 12/01/40	3138A2BQ1	12/01/40		94,206
FNMA FNMS 4.500% 12/01/40	3138A2BX6	12/01/40		308,561
FNMA FNMS 3.000% 12/01/25	3138A2CB3	12/01/25		326,696
FNMA FNMS 4.000% 01/01/41	3138A4XY6	01/01/41		622,014
FNMA FNMS 4.500% 03/01/41	3138A74F2	03/01/41		158,106
FNMA FNMS 4.500% 02/01/41	3138A8XX9	02/01/21		116,863
FNMA FNMS 4.000% 09/01/41	3138ASWB4	09/01/41		574,566
FNMA FNMS 3.000% 12/01/26	3138AV6U4	12/01/26		657,727
FNMA FNMS 3.000% 11/01/26	3138ZVF83	11/01/26		492,840
FNMA FNMS 3.000% 11/01/26	3138AXCP4	11/01/26		392,470
FNMA FNMS 3.000% 11/01/26	3138AXSK8	11/01/26		92,489
FNMA FNMS 3.000% 08/01/26	3138EGU69	08/01/26		505,340
FNMA FNMS 3.500% 11/01/41	3138EHB50	11/01/41		272,420
FNMA FNMS 3.000% 01/01/43	3138MRF30	01/01/43		1,051,074
FNMA FNMS 3.000% 02/01/43	3138MSC56	02/01/43		110,838
FNMA FNMS 3.000% 12/01/42	3138NWR43	12/01/42		124,290
FNMA FNMS 3.000% 01/01/43	3138NXKJ5	01/01/43		696,617
FNMA FNMS 3.000% 03/01/43	3138W7GG3	03/01/43		552,666
FNMA FNMS 3.000% 03/01/43	3138W7GH1	03/01/43		4,692,163
FNMA FNMS 3.000% 05/01/43	3138WQA28	05/01/43		146,486
FNMA FNMS 3.000% 05/01/43	3138WQAY8	05/01/43		141,541
FNMA FNMS 3.000% 01/01/43	31417EKT7	01/01/43		822,022
FNMA FNMS 3.000% 11/01/26	31418ABC1	11/01/26		9,240,049
FNMA FNMS 3.500% 03/01/42	31418AD96	03/01/42		341,603
FNMA FNMS 4.000% 05/01/25	31418UC28	05/01/25		182,252
				<u>\$ 32,912,830</u>

Summary of Collateralization

Wells Fargo Bank	
Ending bank balance	\$ 31,318,315
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 31,068,315</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 32,912,830
100% collateral requirement	<u>31,068,315</u>
Pledged collateral in excess of requirement	<u>\$ 1,844,515</u>
Uninsured and uncollateralized	<u>\$ -</u>

Metro Narcotics Agency

Schedule of Deposit Accounts and Investments

June 30, 2013

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 6/30/2013
DEPOSIT ACCOUNTS					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 39,806
Community Development Home Rehab	Checking	-	-	-	27,345
Community Development Home Program	Checking	-	-	-	1,438
Community Development MONAS Loan	Checking	-	-	-	11
Community Development NSP Program	Checking	-	-	-	35,870
Metro Narcotics Agency	Savings	-	95,533	95,533	95,533
2006 Water Projects	Savings	-	-	-	1,402,117
Fiscal Account SCSWA	Savings	-	-	-	901,246
Revenue Bonds Proceeds	Savings	-	-	-	11,031,115
Treasury Fund - Operating	Checking	17,691,754	-	17,691,754	17,746,127
Payroll Direct Deposit Account	Checking	(28,359)	-	(28,359)	-
Accounts Payable	Checking	(1,162,982)	-	(1,162,982)	-
On Demand	Checking	22,428	-	22,428	37,707
Depository	Checking	367,136	-	367,136	-
Credit Card	Checking	5,862	-	5,862	-
Electronic	Checking	(108,050)	-	(108,050)	-
Total deposit accounts		<u>\$ 16,787,789</u>	<u>\$ 95,533</u>	<u>\$ 16,883,322</u>	<u>\$ 31,318,315</u>

Account	Type of Account	Pooled Investments	Metro Narcotics Accounts	Total Reconciled Balance
INVESTMENTS				
<i>Wells Fargo Brokerage Services, LLC</i>				
FHLB Step 1/24/2028-13	Investment	\$ 2,789,427	\$ -	\$ 2,789,427
FNMA Step 12/20/2027-13	Investment	2,788,422	-	2,788,422
<i>First Tennessee</i>				
FHLB Step 10/15/2027-13	Investment	8,420,850	-	8,420,850
FHLB Step 10/18/2027-13	Investment	11,131,320	-	11,131,320
FHLB Step 11/9/2027-13	Investment	7,608,320	-	7,608,320
FHLB Step 11/8/2027-13	Investment	5,576,340	-	5,576,340
FHLB Step 5/16/2028-14	Investment	6,514,900	-	6,514,900
FNMA 1.03 1/30/2018-14	Investment	977	-	977
FNMA 1 11/29/2017-13	Investment	9,511	-	9,511
FNMA Step 12/13/2027-13	Investment	7,956,595	-	7,956,595
FNMA Step 9/20/2027-13	Investment	4,666,600	-	4,666,600
FNMA Step 9/27/2027-13	Investment	9,435,600	-	9,435,600
FNMA Step 10/4/2027-13	Investment	2,829,720	-	2,829,720
FNMA Step 7/23/2027-13	Investment	2,806,830	-	2,806,830
FNMA Step 8/16/2027-13	Investment	7,509,120	-	7,509,120
FNMA Step 8/27/2027-13	Investment	6,579,300	-	6,579,300
FNMA Step 8/23/2027-13	Investment	3,775,360	-	3,775,360
FNMA Step 8/23/2027-13	Investment	4,701,550	-	4,701,550
FNMA Step 8/27/2027-13	Investment	6,610,450	-	6,610,450
FNMA Step 12/21/2027-13	Investment	7,395,760	-	7,395,760
FNMA Step 1/28/2028-15	Investment	5,059,835	-	5,059,835
FNMA 1.05 3/27/2018-13	Investment	1,952	-	1,952
<i>Stiffel Nicolaus</i>				
FHLB Step 4/26/2028-13	Investment	1,880,320	-	1,880,320
Total investments		<u>116,049,059</u>	<u>-</u>	<u>116,049,059</u>
Total deposits and investments		<u>132,836,848</u>	<u>95,533</u>	<u>132,932,381</u>
<i>Other Cash</i>				
Petty Cash & Change Funds	Cash	-	100	100
<i>Accrued Interest Receivable</i>				
Accrued Interest - Pooled Investments	Accrued Int	594,292	-	594,292
Total cash and investments		<u>133,431,141</u>	<u>95,633</u>	<u>133,526,774</u>
Less balances in City of Las Cruces funds		<u>132,697,499</u>	<u>-</u>	<u>132,697,499</u>
Metro cash and investment balance		<u>\$ 733,642</u>	<u>\$ 95,633</u>	<u>\$ 829,275</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 and each major fund, including the budgetary comparisons of the Metro Narcotics Agency (Metro), Las Cruces, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 13, 2013.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 13, 2013

Metro Narcotics Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2013

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

Metro Narcotics Agency
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2013

There were no audit findings for the fiscal year ended June 30, 2012.

Metro Narcotics Agency
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2013

Exit Conference

An exit conference was conducted on November 13, 2013, 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
Lupita Martinez	Senior Manager
Monica Guerrero	Manager

Metro

Lieutenant Bobby Holden	Director, Metro Narcotics Agency
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Financial Statement Preparation

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