

# Metro Narcotics Agency

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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## **Introductory Section**

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**Metro Narcotics Agency**  
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**June 30, 2018**

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**Metro Narcotics Agency  
Official Roster  
June 30, 2018**

The Board of Directors, none of whom are employed by Metro Narcotics Agency, for the year ended June 30, 2018, are:

Name	Title
William Weisler	Chairman
Patrick Gallagher	Vice Chairman
Ken Miyagishima	Board Member
Stuart C. Ed	Board Member
Fernando Macias	Board Member
Ramon Gonzales	Board Member
Enrique Vigil	Board Member
Mark D’Antonio	Board Member

# Report

## **INDEPENDENT AUDITORS' REPORT**

Wayne Johnson  
New Mexico State Auditor  
To the Board of Directors  
Metro Narcotics Agency  
Las Cruces, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison schedule for the General Fund and major special revenue funds of the Metro Narcotics Agency ("Metro") as of and for the year ended June 30, 2018, 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.

### **Auditors' Responsibility**

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the budgetary comparison for the General Fund and major special revenue funds of Metro as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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 introductory section, the Schedule of Collateral Pledged by Depository for Public Funds, the Schedule of Deposit Accounts and Investments; and the Schedule of Joint Powers Agreements within the Supplementary Information section required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Pledged Collateral, the Schedule of Deposit Accounts and Investments, and the Schedule of Joint Powers Agreements within the Supplementary Information section in the table of contents are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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, the Schedule of Deposit Accounts and Investments, and the Schedule of Joint Powers Agreements within the Supplementary Information section are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Metro's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metro's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC  
Albuquerque, NM  
December 3, 2018



## **Metro Narcotics Agency Management's Discussion and Analysis For the Year Ended June 30, 2018**

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, 2018. 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, and state 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 Doña 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, deferred outflows, 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, 2018

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 2018, net position decreased to \$490,276 from \$692,457 in 2017. Actual expenditures exceeded actual revenue resulting in a net position decrease of \$202,181.

The decrease in net position is primarily due to a decrease in revenue caused by receiving only one grant in fiscal year 2018 as opposed to two grants in fiscal year 2017. Also there were no additional transfers of funds as there had been in fiscal year 2017. There were also slight increases in supply expenditure which also contributed to the decrease in net position. However, in spite of the decrease, there remains sufficient funds in net position that are available for future use.

**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

Table 1 summarizes the net position of its governmental activities.

**Table 1  
Net Position  
As of June 30, 2018**

	2018	2017
<b>Assets</b>		
Current assets	\$ 270,029	\$ 675,213
Capital assets- equipment, net	227,852	177,262
<b>Total assets</b>	<b>\$ 497,881</b>	<b>\$ 852,475</b>
<b>Liabilities</b>		
Current liabilities	\$ 7,605	\$ 160,018
<b>Total liabilities</b>	<b>7,605</b>	<b>160,018</b>
<b>Net Position</b>		
Net investment in capital assets	227,852	177,262
Restricted for seized assets	1,466	243,900
Unrestricted	260,958	271,295
<b>Total net position</b>	<b>490,276</b>	<b>692,457</b>
<b>Total liabilities and net position</b>	<b>\$ 497,881</b>	<b>\$ 852,475</b>

**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

*Changes in Net Position*—Total revenues for the year ended June 30, 2018, were \$476,272 compared with expenses of \$678,453. Total revenues for the year ended June 30, 2017, were \$511,813 compared with expenses of \$647,870. Table 2 summarizes the changes in net position for the year.

**Table 2  
Changes in Net Position  
For the Years Ended June 30, 2018**

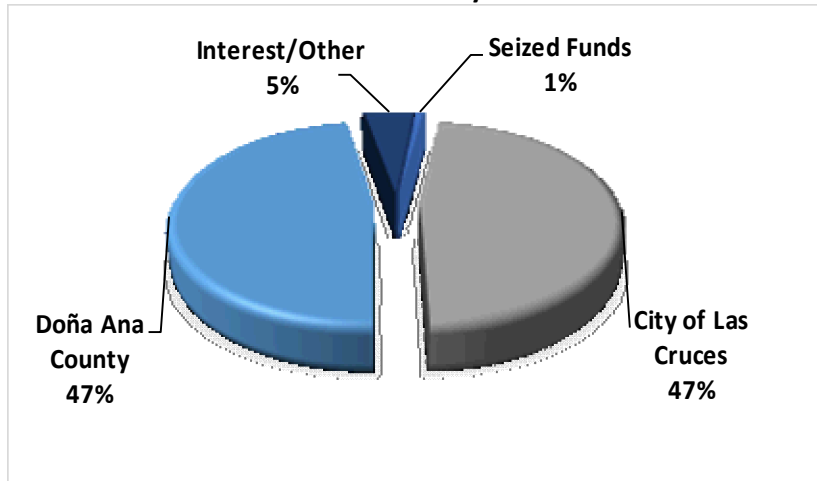
	2018	2017
<b>Revenues</b>		
Program revenues		
Operating grants	\$ 16,693	\$ 42,192
Charges for services	451,086	451,086
General revenue		
Investment income (loss)	(1,241)	(1,126)
Other revenues	9,734	19,661
<b>Total revenue</b>	<b>476,272</b>	<b>511,813</b>
<b>Expenses – law enforcement</b>	<b>678,453</b>	<b>647,870</b>
Transfers in	-	70,685
Change in net position	(202,181)	(65,372)
Net position, beginning of year	692,457	757,829
<b>Net position, end of year</b>	<b>\$ 490,276</b>	<b>\$ 692,457</b>

*Grant Activities*—For the period ended June 30, 2018, operating grants included a \$16,693 Federal Bureau of Investigation grant.

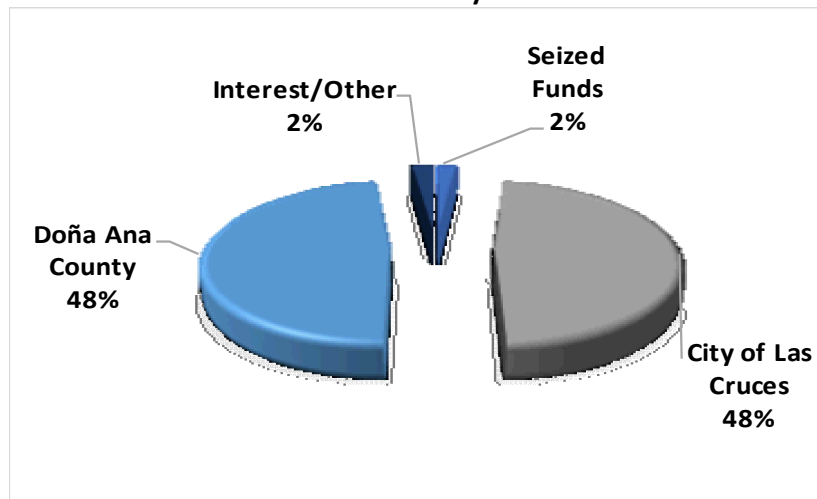
# Metro Narcotics Agency Management's Discussion and Analysis For the Year Ended June 30, 2018

Charts 1 and 2 show the revenues by source for fiscal years 2018 and 2017, respectively.

**Chart 1  
2018 Revenues by Source**



**Chart 2  
2017 Revenues by Source**



**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

*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, 2018.

**Table 3  
Budgetary Comparison – Aggregate of All Funds  
For the Year Ended June 30, 2018**

	Budget		Actual	Variance	Percent Variance
	Original	Final			
<b>Revenues</b>					
Operating grants	\$ -	\$ 40,000	\$ 16,693	\$ (23,307)	-58%
Charges for services	451,086	451,086	451,086	-	0%
Investment income (loss)	1,060	1,060	(1,241)	(2,301)	-217%
Other revenues	41,316	41,316	9,734	(31,582)	-76%
Total revenue	493,462	533,462	476,272	(57,190)	-11%
<b>Expenditures</b>					
Law enforcement	541,449	693,758	618,637	75,121	11%
Capital outlay	-	110,996	110,406	590	1%
Total expenditures	541,449	804,754	729,043	75,711	9%
Revenues (under) over expenditures	\$ (47,987)	\$ (271,292)	\$ (252,771)	\$ 18,521	7%

In fiscal year 2018, the increase from the original revenue budget to the final revenue budget is due to the acceptance of a Federal Bureau of Investigations grant during mid-year. The differences between the final budget and the actual results are related to grant activity which crossed fiscal year so that the expense and revenue were less than the budget, an unexpected decline in investment income, and less seizure activity than had been anticipated. The total of all revenues decreased by 11% over the final budget in the amount of \$57,190.

The increase from the original expenditure budget and the final expenditure budget in fiscal year 2018 is due to the allocation of a new grant received mid-year, an increase to the seized asset expenditures to spend out remaining fund balances, and an increase for capital outlay. This caused a slight variance between the final budget and the actual resulting in total expenditures to be at 7% less than budget in the amount of \$18,521.



**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Capital Assets**

As of June 30, 2018, the organization's capital assets totaled \$227,852 net of accumulated depreciation of \$889,811. As of June 30, 2017, the organization's capital assets totaled \$177,262 net of accumulated depreciation of \$837,495.

Table 4 provides details of the net capital assets.

**Table 4  
Capital Assets and  
Accumulated Depreciation  
For the Year Ended June 30, 2018**

	<b>2018</b>	<b>2017</b>
Metro equipment	\$ 24,147	\$ 23,557
Seized equipment	741,560	639,244
HIDTA equipment	351,956	351,956
Total equipment	1,117,663	1,014,757
Accumulated depreciation	(889,811)	(837,495)
Capital Assets, net	\$ 227,852	\$ 177,262

During the fiscal year 2018 asset additions totaled \$110,406 and retirements totaled \$7,500, resulting in an increase in total equipment of \$102,906. No commitments have been made for future capital expenditures.

**Economic Outlook**

The 2018 economic outlook of the City of Las Cruces shows mild economic improvements with low, steady growth anticipated in the near future.

*Goods & Services Production*

The Bureau of Economic Analysis (BEA) reports that Gross Metropolitan Product (GMP), which is the value of all goods and services produced within Las Cruces metropolitan statistical area (MSA) grew by only 0.07 percent from 2015 to 2016. This has been the trend in recent years and is expected to continue in the next fiscal year.

*Labor Market*

The seasonally-adjusted preliminary unemployment rate figures for the City of Las Cruces in February 2018 was 4.9%, which is below the State of New Mexico with a rate of 5.8%, but above the nation at 4.1%. The annual change in the unemployment rate indicates that although the City was not as affected as the State by the Great Recession (December 2007 – June 2009), it is still behind the unemployment rate levels it had prior to the Great Recession. Las Cruces has a large portion of the labor force employed by education, government, and healthcare which creates a certain amount of stability in the unemployment rate.

## Metro Narcotics Agency Management's Discussion and Analysis For the Year Ended June 30, 2018

Enrollment at New Mexico State University is on the decline, but the number of degrees awarded has increased, including the Science, Technology, Engineering, Mathematics, and Health (STEMH) disciplines which comprise about 38% of the Bachelor's Degrees in 2016.

### *Income*

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2016 at \$41,215. In comparison, the state of New Mexico has a household income of \$45,674 for 2016. A difference of \$4,459 between the State and the City's median household income. However, even though the City has a smaller median household income than the State, the trend has been positive overall. In 2010 the median household income in the City was \$38,391, which means that median household income has increased \$2,824 in 6 years.

For the City of Las Cruces, about 33% of households earn less than \$24,999 annually. This represents 1 out of every 3 households in the City earn below \$24,999. In comparison to the State, with 29% of households earning below \$24,999, the City has a larger proportion of households earning less annual income. Las Cruces has instituted their own minimum wage above the Federal and State levels that appears to have aided the median wage, but many households remain within \$3.00 per hour of the current minimum wage of \$9.30 per hour. The minimum wage level is anticipated to increase in January of 2019 for Las Cruces pending City Council confirmation in 2018.

### *Housing Market*

Median listing home prices as reported by Trulia.com and Realtor.com in the City of Las Cruces were \$188,928 and \$186,550 respectively for February 2018. This represents a change from January 2018 of \$1,851 for Trulia.com and -\$950 for Realtor.com, which are mixed signals in the housing market. The Federal Housing Financing Agency (FHFA) report the All-Transactions House Price Indexes, which is an index on the purchase-only data by adding prices from appraisal and sales of homes in a geographic area. Las Cruces faces a lower index than compared to the state of New Mexico as a whole.

### *Local Business*

There were 53 new business and 268 businesses renewed permits in February 2018, which are both below their averages for that month from previous years. This continues the recent trend of declining numbers of businesses. As GMP increased slightly, this suggests fewer small businesses (fewer than 20 employees) and that larger businesses (20 or more employees) are capturing more of the market than in prior years.

### *Technology & Innovation*

The number of utility patents assigned by inventors from City of Las Cruces in February 2018 was 4. Once adjusted for population, the City of Las Cruces produces more patents per person than El Paso, but is still behind Albuquerque or Santa Fe. The annual technology production as a percentage of 2016 GMP for Las Cruces MSA is close to 1% of the total GMP. In comparison El Paso, MSA has 4.2% of its GMP from technology, whereas New Mexico has about 5% of its gross product coming from industries in technology.

## Metro Narcotics Agency Management's Discussion and Analysis For the Year Ended June 30, 2018

### *Tourism*

The Average Daily Rate (ADR) is a measure of the room income per month divided by the room nights rented per month. The annual average for 2017 of the ADR is \$82.67 (excluding December). Since January 2016, the average daily rate per room has been increasing. Occupancy rates have remained relatively steady overall at just below 50% for most months, but the most recent months with data (September, October, and November 2017) have occupancy rates higher than the average for Las Cruces from 2011-2017 for those months.

### *Concluding Thoughts*

Since the Great Recession, the United States has undergone a long, slow growth. This has been true for Las Cruces as well, although the growth is lower than the US as a whole or even the state of NM. The stability of the Las Cruces economy reduces the impact of economic downturns and allows for a mildly positive expectation of the future, but does not portend any high growth spurts without significant changes to the structure of the Las Cruces economy.

### AUTHORS:

FRANCISCO PALLARES, ECONOMIST

CHRIS KIOLBASA, INTERIM SR. BUDGET ANALYST

Source: United States Patent and Trademark Office

Source: City of Las Cruces and Jobs EQ

Source: City of Las Cruces Economic Development Department

Source: US Bureau of Economic Analysis

Source: US Bureau of Labor Statistics

Source: US Census Bureau ACS 5 Year Estimates

Source: NMSU Office of Institutional Analysis

Source: US Federal Housing Finance Authority

Source: Zillow.com, Trulia.com, Realtor.com

Source: City of Las Cruces Community Development Department

### **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

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## **Financial Statements**

**Metro Narcotics Agency**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2018**

	General Fund	Seized Assets-DOJ Fund	Seized Assets-Treasury Fund
<b>Assets</b>			
Current assets			
Pooled cash and investments	\$ 247,501	\$ -	\$ -
Restricted pooled cash and investments	-	-	1,306
Due from other funds	23,491	-	-
Due from other governments	21,062	-	-
Total current assets	292,054	-	1,306
Capital assets - equipment, net	-	-	-
Total assets	\$ 292,054	\$ -	\$ 1,306
<b>Liabilities</b>			
Current liabilities			
Due to Metro general fund	\$ -	\$ 23,491	\$ -
Accounts payable	3,705	-	-
Accrued payroll liabilities	3,900	-	-
Total current liabilities	7,605	23,491	-
<b>Fund Balance/Net Position</b>			
Restricted for seized assets	-	-	1,306
Committed	40,924	-	-
Unassigned	243,525	(23,491)	-
Total fund balance	284,449	(23,491)	1,306
Total liabilities and fund balance	\$ 292,054	\$ -	\$ 1,306
Net position			
Net investment in capital assets			
Restricted for seized assets			
Unrestricted			
Total net position			
Total liabilities and net position			

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

Seized Assets-State Fund	Total	Adjustments (Note 9)	Statement of Net Position
\$ -	\$ 247,501	\$ -	\$ 247,501
160	1,466	-	1,466
-	-	(23,491)	-
-	21,062	-	21,062
160	293,520	(23,491)	270,029
-	-	227,852	227,852
<u>\$ 160</u>	<u>\$ 293,520</u>	<u>\$ 204,361</u>	<u>\$ 497,881</u>
\$ -	\$ 23,491	\$ (23,491)	\$ -
-	3,705	-	3,705
-	3,900	-	3,900
-	31,096	(23,491)	7,605
160	1,466	(1,466)	-
-	40,924	(40,924)	-
-	220,034	(220,034)	-
160	262,424	(262,424)	-
<u>\$ 160</u>	<u>\$ 293,520</u>	<u>\$ (285,915)</u>	<u>7,605</u>
		227,852	227,852
		1,466	1,466
		260,958	260,958
		490,276	490,276
		<u>\$ 204,361</u>	<u>\$ 497,881</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, 2018**

	General Fund	Seized Assets-DOJ Fund	Seized Assets-Treasury Fund
<b>Revenues</b>			
Program			
Operating grants	\$ 16,693	\$ -	\$ -
Charges for services	451,086	-	-
General			
Investment income (loss)	(4,523)	1,948	716
Other	6,813	1,952	-
<b>Total revenues</b>	<b>470,069</b>	<b>3,900</b>	<b>716</b>
<b>Expenditures/Expenses</b>			
Current - law enforcement activities			
Personnel	189,241	37,603	-
Repairs and maintenance	48,456	1,302	-
Services	105,894	-	-
Supplies	8,090	93,654	-
Insurance	98,217	-	-
Other	6,427	8,642	-
Depreciation	-	-	-
Capital outlay	590	27,144	57,775
<b>Total expenditures/expenses</b>	<b>456,915</b>	<b>168,345</b>	<b>57,775</b>
Revenues (under) over expenditures/ expenses	13,154	(164,445)	(57,059)
 Net change in fund balances	 13,154	 (164,445)	 (57,059)
<b>Fund balances/net position, beginning of year</b>	<b>271,295</b>	<b>140,954</b>	<b>58,365</b>
 <b>Fund balances/net position, end of year</b>	 <b>\$ 284,449</b>	 <b>\$ (23,491)</b>	 <b>\$ 1,306</b>

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



Seized Assets-State Fund	Total	Adjustments (Note 9)	Statement of Activities
\$ -	\$ 16,693	\$ -	\$ 16,693
-	451,086	-	451,086
618	(1,241)	-	(1,241)
969	9,734	-	9,734
<u>1,587</u>	<u>476,272</u>	<u>-</u>	<u>476,272</u>
-	226,844	-	226,844
-	49,758	-	49,758
-	105,894	-	105,894
20,796	122,540	-	122,540
-	98,217	-	98,217
315	15,384	-	15,384
-	-	59,816	59,816
24,897	110,406	(110,406)	-
<u>46,008</u>	<u>729,043</u>	<u>(50,590)</u>	<u>678,453</u>
<u>(44,421)</u>	<u>(252,771)</u>	<u>50,590</u>	<u>(202,181)</u>
(44,421)	(252,771)	50,590	(202,181)
<u>44,581</u>	<u>515,195</u>	<u>177,262</u>	<u>692,457</u>
<u>\$ 160</u>	<u>\$ 262,424</u>	<u>\$ 227,852</u>	<u>\$ 490,276</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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Operating grants	\$ -	\$ 40,000	\$ 16,693	\$ (23,307)
Charges for services	451,086	451,086	451,086	-
Investment income/(loss)	-	-	(4,523)	(4,523)
Other	-	-	6,813	6,813
Total revenues	451,086	491,086	470,069	(21,017)
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	159,620	220,134	189,241	30,893
Repairs and maintenance	68,636	50,125	48,456	1,669
Services	95,780	106,425	105,894	531
Supplies	12,000	9,166	8,090	1,076
Insurance	106,050	98,218	98,217	1
Other	9,000	6,428	6,427	1
Capital Outlay		590	590	-
Total expenditures	451,086	491,086	456,915	34,171
Change in fund balance	-	-	13,154	13,154
<b>Fund balance, beginning of year</b>	271,295	271,295	271,295	-
<b>Fund balance, end of year</b>	\$ 271,295	\$ 271,295	\$ 284,449	\$ 13,154

*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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 1,948	\$ 1,948
Other	-	-	1,952	1,952
Total revenues	-	-	3,900	3,900
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	35,000	37,603	37,603	-
Repairs and maintenance	15,000	1,302	1,302	-
Supplies	22,000	93,654	93,654	-
Other	8,000	8,643	8,642	1
Capital outlay	-	27,144	27,144	-
Total expenditures	80,000	168,346	168,345	1
Change in fund balance	(80,000)	(168,346)	(164,445)	3,901
<b>Fund balance, beginning of year</b>	140,954	140,954	140,954	-
<b>Fund balance, end of year</b>	\$ 60,954	\$ (27,392)	\$ (23,491)	\$ 3,901

*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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 858	\$ 858	\$ 716	\$ (142)
Other	18,369	18,369	-	(18,369)
Total revenues	19,227	19,227	716	(18,511)
<b>Expenditures</b>				
Current - law enforcement activities				
Repairs and maintenance	-	19,227	-	19,227
Capital outlay	-	58,365	57,775	590
Total expenditures	-	77,592	57,775	19,817
Change in fund balance	19,227	(58,365)	(57,059)	1,306
<b>Fund balance, beginning of year</b>	58,365	58,365	58,365	-
<b>Fund balance, end of year</b>	\$ 77,592	\$ -	\$ 1,306	\$ 1,306

*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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Investment income	\$ 202	\$ 202	\$ 618	\$ 416
Other	22,947	22,947	969	(21,978)
Total revenues	23,149	23,149	1,587	(21,562)
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	6,929	6,929	-	6,929
Repairs and maintenance	-	9,524	-	9,524
Supplies	2,747	22,513	20,796	1,717
Other	687	3,867	315	3,552
Capital outlay	-	24,897	24,897	-
Total expenditures	10,363	67,730	46,008	21,722
Change in fund balance	12,786	(44,581)	(44,421)	160
<b>Fund balance, beginning of year</b>	44,581	44,581	44,581	-
<b>Fund balance, end of year</b>	\$ 57,367	\$ -	\$ 160	\$ 160

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

**NOTE 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, 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, Doña Ana County, the District Attorney's Office, 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.
- ◆ *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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pooled Cash and Investments

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 current assets.

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.

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, and the seized assets fund. Accordingly, separate budgetary statements for individual funds are presented. New Mexico State law prohibits expenses in excess of approved appropriations. The legal level of budgetary control is at the fund level. 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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 three 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. Committed fund balance—includes amounts that are set aside to meet a fund reserve equal to 1/12 budgeted expenses in the general fund as determined by the Metro Narcotics Board
3. 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 general fund budgeted expenditures for fiscal year 2018 were \$491,086 and 1/12 of this amount is \$40,924. Metro's general fund balance at June 30, 2018 is \$284,449.

Net Position

The net position of Metro is classified and displayed as three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of funds with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net funds that do not meet the definition of "net investment in capital assets" or "restricted".

Where there are expenditures for purposes for which both restricted and unrestricted net position are available it is the policy of Metro to first expend restricted funds.



**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by Metro. Management anticipates that, upon adoption by Metro, except for GASB Statement No. 84 and No. 87, 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. 84: Fiduciary Activities
- ◆ Statement No. 87: *Leases*
- ◆ Statement No. 88: *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*
- ◆ Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period*
- ◆ Statement No. 90: *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*

**NOTE 2: POOLED CASH AND INVESTMENTS**

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 current asset.

Pooled Cash and Investments consist of the following at June 30, 2018:

Equity in City of Las Cruces cash and investment pool	\$	153,193
Metro Narcotics Agency money market account and petty cash		95,774
Total pooled cash and investments	\$	248,967

Pooled Cash and Investments are reported on the statement of position as follows:

Pooled cash and investments	\$	247,501
Restricted pooled cash and investments		1,466
Total	\$	248,967

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

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

Carrying amount of bank deposits	\$ 13,779,053
Investments at fair value	140,941,241
Accrued interest	645,271
Total cash and investment pool	\$ 155,365,565

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, 2018, the City’s deposits, totaling \$64,596,307, 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.

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, 2018, the City’s investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (Yrs)</u>
Overnight repurchase agreement	\$ 10,376,615	
U.S. agency coupon bonds	126,581,306	12.81
U.S. Treasury bills	3,983,320	0.22
Total Pooled Investments	\$ 140,941,241	

*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 \$108,540,495 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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

*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, 2018, the City’s investments in coupon bonds of U.S. agencies were rated AA+ or better by Standard & Poor’s and Aaa by Moody’s Investors Service. The external investment pools of the NM State Investment Council are not rated.

*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, 2018, 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, 2018, 35% of the City’s investment pool was in Fannie Mae (FNMA), 31% was in Federal Home Loan Mortgage Corporation (FHLMC), 24% in Federal Home Loan Bank (FHLB), 7% was in Federal Farm Credit Bank (FFCB) and 3% was in U.S. Treasuries.

*Fair Market Value Hierarchy.* The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets: Level 2 inputs are significant other observable inputs: Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	<u>Level 2</u>
U.S. Agency Coupon Bonds	\$ 126,581,306
U.S. Treasury Securities	3,983,320
Stagecoach Sweep Repo	10,376,615
Total Pooled Investments	\$ 140,941,241

**NOTE 3: DUE FROM OTHER GOVERNMENTS**

Metro receives funding from several governmental agencies including Federal Bureau of Investigation, The County of Dona Ana, and the City of Las Cruces. At June 30, 2018, the amounts receivable from these entities which are expected to be collected within one year are as follows:

Due From Federal	\$	21,062
Total	\$	21,062

**Metro Narcotics Agency  
Notes to Financial Statements  
June 30, 2018**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<b>Balances</b>				<b>Balances</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>		<b>June 30, 2018</b>
Equipment	\$ 1,014,757	\$ 110,406	\$ (7,500)		\$ 1,117,663
Less accumulated depreciation	(837,495)	(59,816)	7,500		(889,811)
Capital assets, net	<u>\$ 177,262</u>	<u>\$ 50,590</u>	<u>\$ -</u>		<u>\$ 227,852</u>

Depreciation expense for the year ended June 30, 2018, was \$59,816 charged to the law enforcement activities function. In addition, acquisitions totaled \$110,406 and asset retirements totaled \$7,500; resulting in an increase in total equipment of \$102,906.

**NOTE 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 and there are no contingent liabilities. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

**NOTE 6: JOINT POWERS AGREEMENT**

Metro is an organization formed by a joint powers agreement (JPA) between the City of Las Cruces, the County of Doña Ana, 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-Donna 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.”

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 6: JOINT POWERS AGREEMENT (Continued)**

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.

**NOTE 7: 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. Aside from the lease commitment there are no other significant commitments to disclose.

The following is a schedule of minimum annual rent payments under the operating lease agreement if renewed beyond 2020.

<u>Year ended June 30,</u>	<u>Due Date</u>		
2019	\$	425,000	8/1/2018
2020		425,000	8/1/2019
2021		425,000	8/1/2020
2022		425,000	8/1/2021
	\$	1,700,000	

**NOTE 8: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

**Deficit fund balance of individual funds:** The Agency maintained a deficit fund balance at June 30, 2018 in the Seized Assets-DOJ Special Revenue Fund in the amount of (\$23,491).

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 9: ADJUSTMENTS**

Fund balances of Metro’s governmental funds of \$262,424 differ from total net position of \$490,276 reported on the statement of net position because capital assets are not reported in the funds. Also an adjustment was made between the Seized Assets-DOJ fund and the general fund to recognize an overage in cash caused by the recognition of fair market value as a due to general fund. 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 and capital outlay are reported on the statement of activities.

The following is a summary of the differences:

Fund balance	\$	262,424
Capital assets are not financial resources and, therefore, are not reported in the funds		227,852
Net position	\$	490,276
Net change in fund balances	\$	(252,771)
Capital outlay		110,406
Depreciation expense		(59,816)
Net change in net position	\$	(202,181)

**NOTE 10: RELATED PARTY TRANSACTIONS**

Metro receives funding from members of the joint powers agreement. During the year ended June 30, 2018, Metro received \$225,543 from both the City of Las Cruces and Doña Ana County.

**NOTE 11: TAX ABATEMENTS**

As Metro receives its funding as part of an agreement between the City of Las Cruces and Dona Ana County it is not impacted by tax abatements and therefore has nothing to disclose.

**NOTE 12: SUBSEQUENT EVENTS**

As of December 3, 2018, there were no major events to disclose.

## **Supplementary Information**

**Metro Narcotics Agency  
Schedule of Pledged Collateral  
June 30, 2018**

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	
FMAC FGPC 3.500% 07/01/2045	3128MJWQ9	7/01/2045		\$ 128,757
FNMA FNMS 3.500% 09/01/47	31418CPE8	9/01/2047		70,776,646
				<b>\$ 70,905,403</b>

**Summary of Collateralization**

**Wells Fargo Bank**

Ending bank balance	\$ 64,596,307
Less: FDIC insurance	(500,000)

Total uninsured public funds	<b>\$ 64,096,307</b>
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Pledged collateral held by the pledging bank's trust department in the City's name	\$ 70,905,403
100% collateral requirement	64,096,307

Pledged collateral in excess of requirement	<b>\$ 6,809,096</b>
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Uninsured and uncollateralized	<b>\$ -</b>
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## Metro Narcotics Agency Schedule of Deposit Accounts and Investments June 30, 2018

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	Other Cash & Investments	Total Reconciled Balance	On Deposit 6/30/2018
<b>DEPOSIT ACCOUNTS</b>					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 244,991
Community Development Home Rehab	Checking	-	-	-	61,098
Community Development Home Program	Checking	-	-	-	6,221
Metro Narcotics Agency	Savings	-	95,674	95,674	95,674
2006 Water Projects	Savings	131,034	-	131,034	131,034
Revenue Bonds Proceeds	Savings	-	-	-	48,954,817
Treasury Fund - Operating	Checking	15,088,030	-	15,088,030	15,082,563
Payroll Direct Deposit Account	Checking	(442,559)	-	(442,559)	-
Accounts Payable	Checking	(1,292,910)	-	(1,292,910)	-
On Demand	Checking	4,277	-	4,277	19,910
Depository	Checking	116,024	-	116,024	-
Credit Card	Checking	24,466	-	24,466	-
Electronic	Checking	54,917	-	54,917	-
<b>TOTAL DEPOSIT ACCOUNTS</b>		<b>\$ 13,683,279</b>	<b>\$ 95,674</b>	<b>\$ 13,778,953</b>	<b>\$ 64,596,308</b>
<b>INVESTMENTS</b>					
<i>Wells Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	\$ 10,376,615	\$ -	\$ 10,376,615	
<i>First Tennessee</i>					
FFCB 1.45 6/3/2019	Investment	1,982,480	-	1,982,480	
FFCB 2.24 11/10/2027-16	Investment	4,593,100	-	4,593,100	
FFCB 2.24 7/6/2027-17	Investment	2,758,350	-	2,758,350	
FHLB 0 11/30/2018	Investment	3,965,960	-	3,965,960	
FHLB 2.2 10/13/2026-17	Investment	922	-	922	
FHLB 2.35 12/27/2024-16	Investment	775,399	-	775,399	
FHLB Step 5/9/2031-16	Investment	7,060,050	-	7,060,050	
FHLB Step 9/15/2027-18	Investment	9,694,500	-	9,694,500	
FHLMC Step 2/23/2031-16	Investment	10,162,900	-	10,162,900	
FHLMC Step 4/20/2032-17	Investment	4,817,150	-	4,817,150	
FHLMC Step 5/23/2031-16	Investment	16,848,135	-	16,848,135	
FHLMC Step 5/23/2031-16	Investment	11,359,080	-	11,359,080	
FNMA Step 2/10/2031-17	Investment	3,909,320	-	3,909,320	
FNMA Step 2/20/2031-17	Investment	\$ 7,678,400	-	\$ 7,678,400	
FNMA Step 2/24/2031-17	Investment	7,806,000	-	7,806,000	
FNMA Step 3/10/2031-17	Investment	14,138,080	-	14,138,080	
FNMA Step 4/7/2031-17	Investment	15,066,880	-	15,066,880	
T-Bill 0 9/20/2018	Investment	3,983,320	-	3,983,320	
<i>Stifel Nicolaus</i>					
FHLB 1.375 5/28/2019	Investment	3,964,600	-	3,964,600	
<b>TOTAL INVESTMENTS</b>		<b>140,941,241</b>	<b>-</b>	<b>140,941,241</b>	
<b>TOTAL DEPOSITS AND INVESTMENTS</b>		<b>154,624,520</b>	<b>95,674</b>	<b>154,720,194</b>	
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash	-	100	100	
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int	645,271	-	645,271	
<b>TOTAL CASH AND INVESTMENTS</b>		<b>\$ 155,269,791</b>	<b>\$ 95,774</b>	<b>\$ 155,365,565</b>	
Less: balances in City of Las Cruces Funds		(155,116,598)	-	(155,116,598)	
<b>Metro pooled cash and investment balance</b>		<b>153,193</b>	<b>95,774</b>	<b>248,967</b>	

**Metro Narcotics Agency  
Schedule of Joint Powers Agreements  
June 30, 2018**

Participants	Responsible Party	Description	Beginning Date
City of Las Cruces	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001
Dona Ana County	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001
New Mexico State Police Department	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001
Federal Bureau of Investigation	Metro	Investigate/Prosecute avenues by which to convict and incarcerate dangerous offenders	October 1, 2017

<b>Ending Date</b>	<b>Project Amount</b>	<b>Current Year Contributions</b>	<b>Audit Responsibility</b>
Perpetual	\$ 225,543	\$ 225,543	City of Las Cruces
Perpetual	\$ 225,543	\$ 225,543	City of Las Cruces
Perpetual	\$ -	\$ -	City of Las Cruces
Perpetual	\$ 40,000	\$ 16,693	City of Las Cruces

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## **Compliance Section**

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

**INDEPENDENT AUDITORS' REPORT**

Wayne Johnson  
New Mexico State Auditor  
To the Board of Directors  
Metro Narcotics Agency  
Las Cruces, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, each major fund, and the budgetary comparison schedule for the General Fund and major special revenue funds of the Metro Narcotics Agency (Metro) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated December 3, 2018.

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

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

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
December 3, 2018



**Metro Narcotics Agency  
Schedule of Findings and Responses  
For the Year Ended June 30, 2018**

There were no audit findings for the fiscal year ended June 30, 2018.





**Metro Narcotics Agency  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2018**

There were no audit findings for the fiscal year ended June 30, 2017.

**Metro Narcotics Agency  
Other Disclosures  
June 30, 2018**

**Exit Conference**

An exit conference was conducted on November 28, 2018 with the following individuals in attendance:

Metro Board of Directors

William Weisler	Chairman
Stuart Ed	Board Member

City of Las Cruces (Fiscal Agent)

William Studer	Assistant City Manager – Acting Director of Financial Services
Jennifer Vega-Brown	City Attorney
Karin Byrum	Treasurer
Josie Medina	Financial Reporting Analyst Senior
Joshua Saffell	Financial Reporting Analyst

Metro

Lawrence Archuleta	Assistant Special Agent-in-Charge
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Carr, Riggs & Ingram, LLC

Danny Martinez, CPA, CGFM	Partner
Alan D. “A.J.” Bowers, Jr., CPA	Partner
Vicki Dallas, CPA	Manager

**Financial Statement Preparation**

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