

Report of Independent Auditors and Financial  
Statements with Supplementary Information for  
**Metro Narcotics Agency**  
June 30, 2016

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

# Metro Narcotics Agency

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**Metro Narcotics Agency**  
**June 30, 2016**

OFFICIAL ROSTER

The Board of Directors, none of whom are employed by Metro Narcotics Agency, for the year ended June 30, 2016, are:

Jaime Montoya	Chairman
Enrique Vigil	Vice Chairman
Ken Miyagishima	Board Member
Daniel Avila	Board Member
Julia Brown	Board Member
Dr. David Garcia	Board Member
Randy Larcher	Board Member
Mark D'Antonio	Board Member

## REPORT OF INDEPENDENT AUDITORS

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons, of the Metro Narcotics Agency (Metro) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Metro as of June 30, 2016, 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.

### ***Emphasis of Matter – Reporting Entity***

As described in Note 1, the financial statements of the Metro are intended to present the financial position of the governmental activities and each major fund of Metro. They do not purport to, and do not, present fairly the financial position of the governmental activities and each major fund of the City of Las Cruces as of June 30, 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 6 through 13 and pension schedules on pages 42 through 43 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 44 and 45 and Schedule of Joint Powers Agreements and Memoranda of Understanding on page 46 are schedules required by 2.2.2 *NMAC* and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Pledged Collateral, Schedule of Deposit Accounts and Investments, and Schedule of Joint Powers Agreements and Memoranda of Understanding are 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, Schedule of Joint Powers Agreements and Memoranda of Understanding are schedules required by 2.2.2. *NMAC*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 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 November 30, 2016 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 30, 2016

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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, 2016. 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, 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, 2016**

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.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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

*Net Position*—In 2016, net position decreased to \$757,829 from \$893,374 in 2015. Actual expenditures exceeded actual revenue resulting in a net position decrease of \$135,545.

Table 1 summarizes the net position of its governmental activities.

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

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets	\$ 689,202	\$ 893,303
Capital assets, net	156,685	109,599
Total assets	<u>845,887</u>	<u>1,002,902</u>
Deferred outflows related to pensions	<u>5,791</u>	<u>7,207</u>
Total assets and deferred outflows of resources	<u>851,678</u>	<u>1,010,109</u>
<b>Liabilities</b>		
Current and other liabilities	17,373	40,376
Net Pension liability	76,476	58,129
Total liabilities	<u>93,849</u>	<u>98,505</u>
Deferred inflows related to pensions	<u>-</u>	<u>18,230</u>
Total liabilities and deferred inflows of resources	<u>93,849</u>	<u>116,735</u>
<b>Net Position</b>		
Net investment in capital assets	156,685	109,599
Restricted for seized assets	427,597	621,436
Unrestricted	<u>173,547</u>	<u>162,339</u>
Total net position	<u>757,829</u>	<u>893,374</u>
Total liabilities, deferred inflows, and net position	<u>\$ 851,678</u>	<u>\$ 1,010,109</u>

**Metro Narcotics Agency**  
**Management’s Discussion and Analysis**  
**For the Year Ended June 30, 2016**

*Changes in Net Position*—Total revenues for the year ended June 30, 2016, were \$1,170,099 compared with expenses of \$1,305,644. Total revenues for the year ended June 30, 2015, were \$1,303,443 compared with expenses of \$1,259,428. Table 2 summarizes the changes in net position for the year.

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

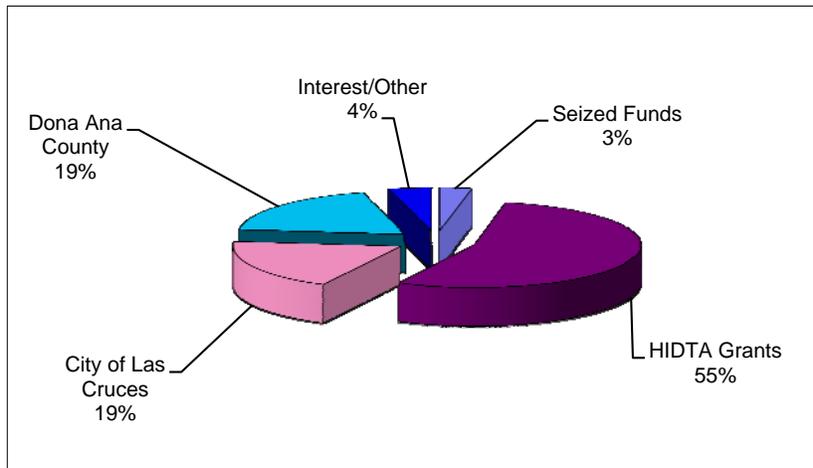
	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program revenues		
Operating grants	\$ 633,197	\$ 715,621
Charges for services	451,086	451,086
General revenue		
Investment income (loss)	19,070	27,298
Other revenues	66,746	109,438
Total revenue	<u>1,170,099</u>	<u>1,303,443</u>
<b>Expenses – law enforcement</b>	<u>1,305,644</u>	<u>1,259,428</u>
Change in net position	(135,545)	44,015
<b>Net position, beginning of year as originally reported</b>	<u>893,374</u>	<u>921,465</u>
As restatement for pension costs,	-	(72,106)
<b>Net position, beginning of year</b>	893,374	849,359
<b>Net position, end of year</b>	<u>\$ 757,829</u>	<u>\$ 893,374</u>

*Grant Activities*—For the period ended June 30, 2016, operating grants included a \$2,682 Federal Bureau of Investigation grant, a \$17,477 grant balance from fiscal year 2015 and \$613,038 from fiscal year 2016 grant for a total of \$633,197.

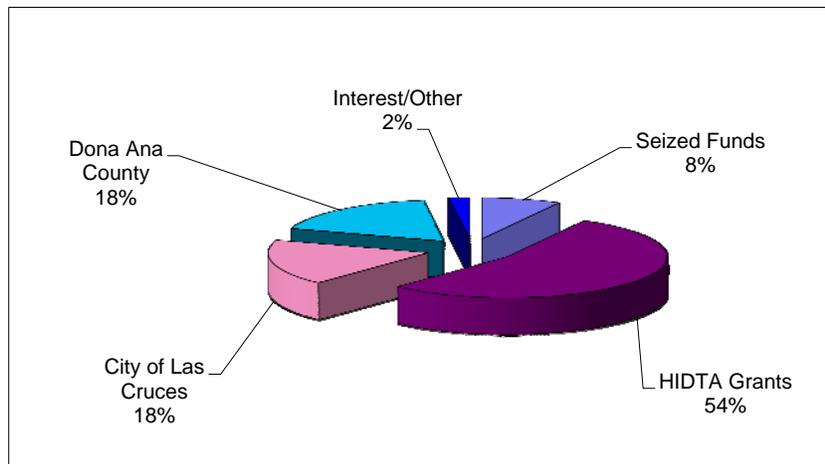
**Metro Narcotics Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

Charts 1 and 2 shows the revenues by source for fiscal years 2016 and 2015, respectively.

**Chart 1  
2016 Revenues by Source**



**Chart 2  
2015 Revenues by Source**



**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

*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, 2016.

**Table 3**  
**Budgetary Comparison – Aggregate of All Funds**  
**For the Year Ended June 30, 2016**

	Budget		Actual	Variance	Percent Variance
	Original	Final			
<b>Revenues</b>					
Operating grants	\$ 614,052	\$ 1,271,310	\$ 633,197	\$ (638,113)	-50%
Charges for services	451,086	451,086	451,086	-	0%
Investment income	-	-	19,070	19,070	100%
Other revenues	-	-	66,746	66,746	100%
Total revenue	<u>1,065,138</u>	<u>1,722,396</u>	<u>1,170,099</u>	<u>(552,297)</u>	-32%
<b>Expenditures</b>					
Law enforcement	1,170,320	1,950,456	1,245,136	705,320	36%
Capital outlay	-	107,122	106,061	1,061	1%
Total expenditures	<u>1,170,320</u>	<u>2,057,578</u>	<u>1,351,197</u>	<u>706,381</u>	34%
Revenues (under) over expenditures	<u>\$ (105,182)</u>	<u>\$ (335,182)</u>	<u>\$ (181,098)</u>	<u>\$ 154,084</u>	46%

In fiscal year 2016, the decrease from the original revenue budget to the final revenue budget is due to an increase to the High Intensity Drug Trafficking grant during mid-year. The differences between the final budget and the actual results are related to a new grant received mid fiscal year and the full amount budgeted over the entire fiscal year. Other revenue actuals were higher than budget due to the increase in seizure activities. The total of all revenues decreased by 32% over the final budget in the amount of \$552,297.

The increase from the original expenditure budget and the final expenditure budget in fiscal year 2016 is due to the allocation of a new grant received mid-year and budgeted over the entire 2016 fiscal year. This caused an inflated budget that will be rollover into the 2017 fiscal year budget. This caused a considerable variance between the final budget and the actual resulting in total expenditures to be at 34% less than budget.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Capital Assets**

As of June 30, 2016, the organization's capital assets totaled \$156,685 net of accumulated depreciation of \$839,473. As of June 30, 2015, the organization's capital assets totaled \$109,599 net of accumulated depreciation of \$898,166.

Table 4 provides details of the net capital assets.

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

	<b>2016</b>	<b>2015</b>
Metro equipment	\$ 84,095	\$ 201,763
Seized equipment	560,107	454,046
HIDTA equipment	351,956	351,956
Total equipment	996,158	1,007,765
Accumulated depreciation	(839,473)	(898,166)
	<u>\$ 156,685</u>	<u>\$ 109,599</u>

During the fiscal year 2016 asset additions totaled \$106,061 and retirements totaled \$117,668, resulting in a decrease in total equipment of \$11,607.

**Economic Outlook**

As the current financial picture slowly improves throughout the nation, the City of Las Cruces has also seen encouraging signs of sustained economic growth that influence the economic condition of Metro. However, City staff continues to proceed prudently, as the growth is moderate in nature and the global economy remains fragile.

While the State of New Mexico continues to show a slow recovery from the economic recession, the local economy continues to lag behind the state and national indicators. The City anticipates receiving 1.3 percent more in local GRT (\$536,780) and a reduction of 0.4 percent (\$126,941) in the State-Shared GRT in comparison to the 2014-15 projection. The City is only projecting a 0.3 percent growth in the State-Shared GRT because in fiscal year 2015-16 the State will start reducing the state-shared calculation by roughly \$600k annually due to the repeal of the Hold Harmless legislation enacted in 2004.

**Metro Narcotics Agency**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

Total GRT receipts, including HHR GRT, for 2015-16 are anticipated to be \$81.2 million, an increase of 1.5 percent from 2014-15 projection. While the City's GRT is the largest revenue source, it is distributed in the budget to a number of different areas. The largest percentage of GRT is deposited into the City General Fund. The remaining GRT is allocated to other areas in the budget.

The local municipal gross receipts tax economic outlook for fiscal year 2015-16 is projected to increase by 2.7 percent (includes HHR GRT) or \$1.3 million over the 2014-15 projection. If we were to exclude the HHR GRT increment from the calculation, the City's Municipal GRT increment indicate an \$545.8 thousand or a 1.3 percent increase in comparison to the 2014-15 projection.

The approximate \$747.1 thousand or 1.4 percent gain is due to the projected collection of a full fiscal year of HHR GRT.

**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, 2016**

	General Fund	Seized Assets-DOJ Fund	Seized Assets-Treasury Fund	Seized Assets-State Fund	Grant Fund	Total	Adjustments (Note 10)	Statement of Net Position
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 215,045	\$ -	\$ -	\$ -	\$ -	\$ 215,045	\$ -	\$ 215,045
Restricted cash and cash equivalents	-	331,979	58,444	38,144	-	428,567	-	428,567
Receivables	10,000	-	-	-	-	10,000	-	10,000
Due from grant fund	28,958	-	-	-	-	28,958	(28,958)	-
Due from other governments	3,476	-	-	-	32,114	35,590	-	35,590
Total current assets	257,479	331,979	58,444	38,144	32,114	718,160	(28,958)	689,202
Capital assets - equipment, net	-	-	-	-	-	-	156,685	156,685
Total assets	257,479	331,979	58,444	38,144	32,114	718,160	127,727	845,887
<b>Deferred Outflows of Resources</b>								
Deferred outflows related to pensions	-	-	-	-	-	-	5,791	5,791
Total deferred outflows of resources	-	-	-	-	-	-	5,791	5,791
<b>Liabilities</b>								
<b>Current liabilities</b>								
Due to Metro general fund	-	-	-	-	28,958	28,958	(28,958)	-
Accounts payable	8,638	970	-	-	1,246	10,854	-	10,854
Accrued payroll liabilities	4,609	-	-	-	1,910	6,519	-	6,519
Total current liabilities	13,247	970	-	-	32,114	46,331	(28,958)	17,373
Net Pension Liability	-	-	-	-	-	-	76,476	76,476
Total Liabilities	13,247	970	-	-	32,114	46,331	47,518	93,849
<b>Deferred Inflows of Resources</b>								
Deferred inflows related to pensions	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-
<b>Fund Balance/Net Position</b>								
Restricted for seized assets	-	331,009	58,444	38,144	-	427,597	(427,597)	-
Unassigned	244,232	-	-	-	-	244,232	(244,232)	-
Total fund balance	244,232	331,009	58,444	38,144	-	671,829	(671,829)	-
Total liabilities and fund balance	\$ 257,479	\$ 331,979	\$ 58,444	\$ 38,144	\$ 32,114	\$ 718,160		
<b>Net position</b>								
Net investment in capital assets							156,685	156,685
Restricted for seized assets							427,597	427,597
Unrestricted							173,547	173,547
Total net position							757,829	757,829
Total liabilities and net position							\$ 133,518	\$ 851,678

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, 2016**

	General Fund	Seized Assets- DOJ Fund	Seized Assets-Treasury Fund	Seized Assets-State Fund	Grant Fund	Total	Adjustments (Note 10)	Statement of Net Activities
<b>Revenues</b>								
Program								
Operating grants	\$ 2,682	\$ -	\$ -	\$ -	\$ 630,515	\$ 633,197	\$ -	\$ 633,197
Charges for services	451,086	-	-	-	-	451,086	-	451,086
General								
Investment income (loss)	(295)	16,081	2,227	1,057	-	19,070	-	19,070
Other revenues	1,909	27,901	-	36,936	-	66,746	-	66,746
Total revenues	<u>455,382</u>	<u>43,982</u>	<u>2,227</u>	<u>37,993</u>	<u>630,515</u>	<u>1,170,099</u>	<u>-</u>	<u>1,170,099</u>
<b>Expenditures/Expenses</b>								
Current - law enforcement activities								
Personnel	150,071	25,756	-	20,182	154,806	350,815	(5,586)	345,229
Repairs and maintenance	55,752	-	-	-	469	56,221	-	56,221
Building rental	-	-	-	-	425,000	425,000	-	425,000
Services	97,512	772	-	8,000	40,352	146,636	-	146,636
Supplies	14,432	112,769	-	-	5,250	132,451	-	132,451
Insurance	115,657	-	-	-	-	115,657	-	115,657
Pension	-	-	-	-	-	-	7,120	7,120
Other	9,217	2,501	-	2,000	4,638	18,356	1,574	19,930
Depreciation	-	-	-	-	-	-	57,400	57,400
Capital outlay	-	106,061	-	-	-	106,061	(106,061)	-
Total expenditures/expenses	<u>442,641</u>	<u>247,859</u>	<u>-</u>	<u>30,182</u>	<u>630,515</u>	<u>1,351,197</u>	<u>(45,553)</u>	<u>1,305,644</u>
Revenues (under) over expenditures/ expenses	<u>12,741</u>	<u>(203,877)</u>	<u>2,227</u>	<u>7,811</u>	<u>-</u>	<u>(181,098)</u>	<u>45,553</u>	<u>(135,545)</u>
<b>Other Financing Sources (Uses)</b>								
Donated capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,741	(203,877)	2,227	7,811	-	(181,098)	45,553	(135,545)
<b>Fund balances/net position,</b>								
beginning of year	231,491	534,886	56,217	30,333	-	852,927	40,447	893,374
<b>Fund balances/net position,</b>								
end of year	<u>\$ 244,232</u>	<u>\$ 331,009</u>	<u>\$ 58,444</u>	<u>\$ 38,144</u>	<u>\$ -</u>	<u>\$ 671,829</u>	<u>\$ 86,000</u>	<u>\$ 757,829</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Operating Grant	\$ 20,000	\$ 20,000	\$ 2,682	\$ (17,318)
Charges for services	451,086	451,086	451,086	-
Investment loss	-	-	(295)	(295)
Other revenue	-	-	1,909	1,909
Total revenues	<u>471,086</u>	<u>471,086</u>	<u>455,382</u>	<u>(15,704)</u>
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	175,239	168,960	150,071	18,889
Repairs and maintenance	76,103	64,072	55,752	8,320
Services	96,347	98,067	97,512	555
Supplies	12,000	14,426	14,432	(6)
Insurance	104,222	116,286	115,657	629
Other	7,175	9,275	9,217	58
Total expenditures	<u>471,086</u>	<u>471,086</u>	<u>442,641</u>	<u>28,445</u>
Change in fund balance	-	-	12,741	12,741
<b>Fund balance, beginning of year</b>	<u>231,491</u>	<u>231,491</u>	<u>231,491</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 231,491</u>	<u>\$ 231,491</u>	<u>\$ 244,232</u>	<u>\$ 12,741</u>

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance- Budget and Actual**  
*Seized Asset Fund-DOJ*  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 16,081	\$ 16,081
Other revenues	-	-	27,901	27,901
Total revenues	-	-	43,982	43,982
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	25,000	50,000	25,756	24,244
Repairs and maintenance	15,000	15,000	-	15,000
Services	-	772	772	-
Supplies	31,000	128,106	112,769	15,337
Other	4,000	4,000	2,501	1,499
Capital outlay	-	107,122	106,061	1,061
Total expenditures	75,000	305,000	247,859	57,141
Change in fund balance	(75,000)	(305,000)	(203,877)	101,123
<b>Fund balance, beginning of year</b>	534,886	534,886	534,886	-
<b>Fund balance, end of year</b>	\$ 459,886	\$ 229,886	\$ 331,009	\$ 101,123

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 2,227	\$ 2,227
Total revenues	-	-	2,227	2,227
Change in fund balance	-	-	2,227	2,227
<b>Fund balance, beginning of year</b>	56,217	56,217	56,217	-
<b>Fund balance, end of year</b>	\$ 56,217	\$ 56,217	\$ 58,444	\$ 2,227

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 1,057	\$ 1,057
Other revenues	-	-	<b>36,936</b>	36,936
Total revenues	-	-	<b>37,993</b>	37,993
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	20,182	20,182	<b>20,182</b>	-
Supplies	8,000	8,000	<b>8,000</b>	-
Other	2,000	2,000	<b>2,000</b>	-
Total expenditures	30,182	30,182	<b>30,182</b>	-
Change in fund balance	(30,182)	(30,182)	<b>7,811</b>	37,993
<b>Fund balance, beginning of year</b>	30,333	30,333	<b>30,333</b>	-
<b>Fund balance, end of year</b>	\$ 151	\$ 151	<b>\$ 38,144</b>	\$ 37,993

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

**Metro Narcotics Agency**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance-Budget and Actual**  
**Grants Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Operating grants	\$ 594,052	\$ 1,251,310	\$ 630,515	\$ (620,795)
Total revenues	<u>594,052</u>	<u>1,251,310</u>	<u>630,515</u>	<u>(620,795)</u>
<b>Expenditures</b>				
Current - law enforcement activities				
Personnel	128,249	304,790	154,806	149,984
Repairs and maintenance	-	469	469	-
Building rental	425,000	849,999	425,000	424,999
Services	32,560	77,921	40,352	37,569
Supplies	5,107	10,356	5,250	5,106
Other	3,136	7,775	4,638	3,137
Total expenditures	<u>594,052</u>	<u>1,251,310</u>	<u>630,515</u>	<u>620,795</u>
Change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016**

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

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

Cash and Cash Equivalents

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

Capital Assets

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

Seized Assets

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

Nonexchange Transactions

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

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**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 2016 were \$471,086 and 1/12 of this amount is \$39,257. Metro's fund balance at June 30, 2016 is \$244,232.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Net Position

Net position of Metro are 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".

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Changes in Accounting

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for fiscal years beginning after June 15, 2015. The provisions of GASB Statement No. 72 have been implemented for the year ended June 30, 2016. The METRO financial statements and note disclosures reflect any required changes.

GASB Statement No. 73, *Amendments to Certain Provisions of GASB Statements 67 and 68*, is effective for years beginning after June 15, 2015. This Statement clarifies the application of certain provisions of Statements 67 and 68. The provisions of GASB Statement No. 73 have been implemented for the year ended June 30, 2016. The Agency's financial statements and note disclosures reflect any required changes.

GASB Statement No. 82, an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for years beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of GASB Statement No. 82 have been implemented early for the year ended June 30, 2016. The Agency's financial statements and note disclosures reflect any required changes.

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. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- ◆ Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ◆ Statement No. 76: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016:

Equity in City of Las Cruces cash and investment pool	\$ 557,893
Metro Narcotics Agency money market account and petty cash	<u>85,719</u>
Total cash and investments	<u><u>\$ 643,612</u></u>

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

Cash and cash equivalents	\$ 215,045
Restricted cash and investments	<u>428,567</u>
Total	<u><u>\$ 643,612</u></u>

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

Carrying amount of bank deposits	\$ 21,198,302
Investments at fair value	142,296,769
Accrued interest	<u>682,295</u>
Total cash and investment pool	<u><u>\$ 164,177,366</u></u>

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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, 2016, the City’s deposits, totaling \$86,543,545 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, 2016, 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	\$ 13,611,029	
U.S. agency coupon bonds	125,686,740	12.07
U.S. treasury bills	2,999,000	0.15
Total Pooled Investments	<u>\$ 142,296,769</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 \$124,682,860 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, 2016**

**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, 2016, 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.

*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, 2016, 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, 2016, 56% of the City's investment pool was in Fannie Mae (FNMA), 33% was in Federal Home Loan Mortgage Corporation (FHLMC), 11% in Federal Home Loan Bank (FHLB).

*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, 2016:

U.S. Agency coupon bonds of \$145 million and U.S. Treasury securities of \$3 million are valued using a matrix pricing model (Level 2 input).

**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, 2016, the amount receivable from this funding agency was \$32,114.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**4) Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balances</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30, 2016</u>
Equipment	\$ 1,007,765	\$ 106,061	\$ (117,668)	\$ 996,158
Less accumulated depreciation	<u>(898,166)</u>	<u>(57,400)</u>	<u>116,093</u>	<u>(839,473)</u>
Capital assets, net	<u>\$ 109,599</u>	<u>\$ 48,661</u>	<u>\$ (1,575)</u>	<u>\$ 156,685</u>

Depreciation expense for the year ended June 30, 2016, was \$57,400. In addition, acquisition of three vehicle totaled \$106,061 and asset retirements totaled \$117,668, resulting in a decrease in total equipment of \$11,607.

**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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016**

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 Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Search function for agency 366.

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org/financial-overview>.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Contributions

The contribution requirements of defined benefit plan members and Metro, an agency fund of the City of Las Cruces are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf). The PERA coverage options that apply to Metro are 0.05% of the City's allocation. Statutorily required contributions to the pension plan from Metro were \$4,092 and employer paid member benefits that were "picked up" by the employer were \$1,070 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Las Cruces' proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

At June 30, 2016, Metro reported a liability of \$76,476 for its 0.05% proportionate share of the City's net pension liability.

For the year ended June 30, 2016, the Metro recognized pension expense of \$7,120. At June 30, 2016, Metro also reported \$5,791 as deferred outflows of resources.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

\$4,092 reported as deferred outflows of resources related to pensions resulting from Metro’s contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ 1,699	\$ -
Metro contributions subsequent to the measurement date	4,092	-
Total	\$ 5,791	\$ -

Deferred outflows of resources of \$4,092 related to pensions resulting from Metro’s contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 425
2018	425
2019	425
2020	424
	\$ 1,699

Actuarial Assumptions

As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
US Equity	21.0	%	5.00	%
International Equity	24.8		5.20	
Private Equity	7.0		8.20	
Core and Global Fixed Income	26.2		1.85	
Fixed Income Plus Sectors	5.0		4.80	
Real Estate	5.0		5.30	
Real Assets	7.0		5.70	
Absolute Return	4.0		4.15	
Total	100.0%			

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Metro's proportionate share of the net pension liability to changes in the discount rate

The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Metro's net pension liability in each PERA Fund Division that Metro participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Metro's proportionate share of the net pension liability	\$ 66,608	\$ 76,476	\$ 86,344

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Funding Policy

Plan members are required to contribute as follows police 17.80% and all other employees 8.65% of their gross salary. Metro is required to contribute as follows police 18.90% and all other employees 15.55% 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, 2016, 2015, and 2014 were \$4,092, \$7,207, and \$8,036, respectively, which equal the amount of the required contributions for each fiscal year.

**8) 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.

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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Metro's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$1,088, \$927, and \$1,061, respectively, which equal the required contributions for each year.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**9) Commitments**

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

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

Year ended June 30,		Due Date
2017	\$ 425,000	8/1/2016
2018	425,000	8/1/2017
2019	425,000	8/1/2018
2020	425,000	8/1/2019
	\$ 1,700,000	

**10) Interfund Balances**

At June 30, 2016, the grant fund owed \$28,958 to the general fund to pay for certain operational costs of drug intervention activities. These amounts are expected to be repaid within a year.

**11) Adjustments**

Fund balances of Metro's governmental funds of \$671,829 differ from total net position of \$757,829 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.

**Metro Narcotics Agency**  
**Notes to Financial Statements**  
**June 30, 2016**

**11) Adjustments (continued)**

The following is a summary of the differences:

Fund balance	\$ 671,829
Capital assets are not financial resources and, therefore, are not reported in the funds	156,685
Net pension assets are not available for operations and, therefore, are not reported in the funds	5,791
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(76,476)</u>
Net position	<u>\$ 757,829</u>
Net change in fund balances	\$ (181,098)
Capital outlay	106,061
Salary and Benefits	5,586
Pension	(7,120)
Depreciation expense	(57,400)
Other	<u>(1,574)</u>
Net change in net position	<u>\$ (135,545)</u>

**12) Related Party Transactions**

Metro receives funding from members of the joint powers agreement. During the year ended June 30, 2016, Metro received \$225,543 from both the City of Las Cruces and Dona Ana County.

## Required Supplementary Information

**Metro Narcotics Agency**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees Retirement Association (PERA)**  
**Last 10 Fiscal Years\***

	Fiscal Year	
	2016	2015
Metro's proportion of net pension liability	0.05%	1.20%
Metro's proportionate share of net pension liability	\$ 76,476	\$ 58,129
Metro's covered-employee payroll	\$ 56,013	\$ 45,930
Metro's proportion share of net pension liability as a percentage of its covered employees payroll	137%	127%
Plan fiduciary net position as percentage of the total pension liability	76.99%	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Metro Narcotics Agency will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

**Metro Narcotics Agency**  
**Schedule of Pension Contributions**  
**Public Employees Retirement Association (PERA)**  
**Last 10 Fiscal Years\***

**Schedule of Pension Contributions**

	Fiscal Year		
	2016	2015	2014
Statutorily required contribution	\$ 4,092	\$ 7,207	\$ 8,036
Metro's contributions in relation to the statutorily required contribution	4,092	7,207	8,036
Metro's contribution deficiency (excess)	-	-	
Metro's covered-employee payroll	<u>\$ 56,013</u>	<u>\$ 45,930</u>	<u>\$ 48,959</u>
Metro's contribution as a percentage of covered employee payroll	7.31%	15.69%	16.41%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Metro Narcotics Agency will present information for those years for which information is available.

**Metro Narcotics Agency**  
**Notes to Required Supplementary Information**  
**June 30, 2016**

- 1) ***Changes of benefit terms*** The Public employee Retirement Association (PERA) Fund, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)
  
- 2) ***Changes of assumptions*** The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

## Supplementary Information

**Metro Narcotics Agency**  
**Schedule of Pledged Collateral**  
**June 30, 2016**

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

Institution/Security	CUSIP #	Maturity Date	Safe Keeping Location	Market Value
<b>Wells Fargo Bank, NA</b>			BNY Mellon	
FNMA FNMS 3.000% 09/01/42	3138M8J87	09/01/2042		\$ 8,289,399
FNMA FNMS 3.500% 06/01/43	3138WRXV7	06/01/2043		29,794,910
FNMA FNMS 3.000% 10/01/42	31417DGG2	10/01/2042		18,118,580
FNMA FNMS 3.000% 04/01/43	31417F3R7	04/01/2043		38,343,368
				<u>\$ 94,546,257</u>

Summary of Collateralization

**Wells Fargo Bank**

Ending bank balance	\$ 86,543,545
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 86,293,545</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 94,546,257
100% collateral requirement	<u>86,293,545</u>
Pledged collateral in excess of requirement	<u>\$ 8,252,712</u>
Uninsured and uncollateralized	<u>\$ -</u>

# Metro Narcotics Agency

## Schedule of Deposit Accounts and Investments

### June 30, 2016

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	Fair Value Level	Pooled Cash & Investments	Metro Narcotics Accounts	Total Reconciled Balance	On Deposit 6/30/2016
<b>DEPOSIT ACCOUNTS</b>						
<i>Wells Fargo Bank</i>						
Community Development	Checking	1	\$ -	\$ -	\$ -	\$ 92,609
Community Development Home Rehab	Checking	1	-	-	-	27,600
Community Development Home Program	Checking	1	-	-	-	4,000
Metro Narcotics Agency	Savings	1	-	85,618	85,618	85,618
2006 Water Projects	Savings	1	-	-	-	1,410,456
Revenue Bonds Proceeds	Savings	1	-	-	-	62,249,441
Treasury Fund - Operating	Checking	1	22,643,343	-	22,643,343	22,643,574
Payroll Direct Deposit Account	Checking	1	(35,258)	-	(35,258)	-
Accounts Payable	Checking	1	(1,068,779)	-	(1,068,779)	-
On Demand	Checking	1	22,067	-	22,067	30,247
Depository	Checking	1	152,749	-	152,749	-
Credit Card	Checking	1	15,305	-	15,305	-
Electronic	Checking	1	(531,125)	-	(531,125)	-
Total deposit accounts			<u>\$ 21,198,302</u>	<u>\$ 85,618</u>	<u>\$ 21,283,920</u>	<u>\$ 86,543,545</u>

Account	Type of Account	Fair Value Level	Pooled Investments	Metro Narcotics Accounts	Total Reconciled Balance
<b>INVESTMENTS</b>					
<i>Wells Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	2	\$ 13,611,029	\$ -	\$ 13,611,029
<i>First Tennessee</i>					
FHLB Step 11/12/2030-16	Investment	2	5,001,000	-	5,001,000
FHLB Step 5/9/2031-16	Investment	2	7,512,375	-	7,512,375
FHLB 2.35 12/27/2024-16	Investment	2	1,000,880	-	1,000,880
FHLMC Step 5/23/2031-16	Investment	2	12,010,200	-	12,010,200
FHLMC Step 2/23/2031-16	Investment	2	11,003,410	-	11,003,410
FHLMC Step 5/23/2031-16	Investment	2	18,524,050	-	18,524,050
FNMA 1.03 1/30/2018-14	Investment	2	1,000	-	1,000
FNMA 1.05 3/27/2018-13	Investment	2	2,000	-	2,000
FNMA Step 11/25/2030-16	Investment	2	3,008,310	-	3,008,310
FNMA Step 1/17/2031-17	Investment	2	5,006,700	-	5,006,700
FNMA Step 2/10/2031-17	Investment	2	14,021,280	-	14,021,280
FNMA Step 2/20/2031-17	Investment	2	8,013,280	-	8,013,280
FAMC Step 11/24/2030-17	Investment	2	8,007,280	-	8,007,280
FNMA Step 3/10/2031-17	Investment	2	14,544,515	-	14,544,515
FNMA Step 3/28/2030-17	Investment	2	2,005,500	-	2,005,500
FNMA Step 4/7/2031-17	Investment	2	16,024,960	-	16,024,960
T-Bill 0 7/21/2016	Investment	2	999,900	-	999,900
T-Bill 0 8/25/2016	Investment	2	999,660	-	999,660
T-Bill 0 7/21/2016	Investment	2	999,440	-	999,440
Total investments			<u>142,296,769</u>	<u>-</u>	<u>142,296,769</u>
Total deposits and investments			<u>163,495,071</u>	<u>85,618</u>	<u>163,580,689</u>
<i>Other Cash</i>					
Petty Cash & Change Funds	Cash		-	101	101
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int		682,295	-	682,295
Total cash and investments			<u>164,177,366</u>	<u>85,719</u>	<u>164,263,085</u>
Less balances in City of Las Cruces funds			<u>163,619,473</u>	<u>-</u>	<u>163,619,473</u>
Metro cash and investment balance			<u>\$ 557,893</u>	<u>\$ 85,719</u>	<u>\$ 643,612</u>

**Metro Narcotics Agency**  
**Schedule of Joint Powers Agreements and Memoranda of Understanding**  
**June 30, 2016**

Participants	Responsible Party	Description	Beginning Date	Ending Date	Project Amount	Current Year Contributions	Audit Responsibility
City of Las Cruces	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001	Perpetual	\$ 225,543.00	\$ 225,543.00	City of Las Cruces
Dona Ana County	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001	Perpetual	\$ 225,543.00	\$ 225,543.00	City of Las Cruces
Regents of New Mexico State University	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001	Perpetual	\$ -	\$ -	City of Las Cruces
New Mexico State Police Department	Metro	Intervention and prosecution of drug and drug related activities	October 1, 2001	Perpetual	\$ -	\$ -	City of Las Cruces
Federal Bureau of Investigation (FBI)	Metro	Investigate/prosecute avenues by which to convict and incarcerate dangerous offenders	June 12, 2013	30 days notice	\$ 20,000	\$ 2,682.00	City of Las Cruces

## Other Information

**Metro Narcotics Agency**  
**Schedule of Vendor Information for Purchases Exceeding \$60,000**  
**June 30, 2016**

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
There were no vendors greater than \$60,000 during fiscal year 2016								

**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. Timothy Keller, New Mexico State Auditor and  
The Board of Directors of the Metro Narcotics Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the Metro Narcotics Agency (Metro), Las Cruces, New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated November 30, 2016.

**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 30, 2016

**Metro Narcotics Agency**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

There were no audit findings for the fiscal year ended June 30, 2016.

**Metro Narcotics Agency**  
**Schedule of Prior Year Findings and Responses**  
**For the Year Ended June 30, 2016**

There were no audit findings for the fiscal year ended June 30, 2015.

