

**SAN MATEO COUNTY NARCOTICS TASK FORCE**

**Financial Statements and  
Independent Auditor's Reports**

**For the Fiscal Year Ended June 30, 2006**

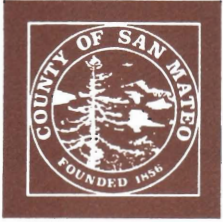
# SAN MATEO COUNTY NARCOTICS TASK FORCE

June 30, 2006

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## Office of Controller



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**COUNTY OF SAN MATEO**

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### Independent Auditor's Report

To the Board of Directors  
San Mateo County Narcotics Task Force

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Narcotics Task Force (the NTF) as of and for the year ended June 30, 2006, which collectively comprise the NTF's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the NTF's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 aggregate remaining fund information of the NTF as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(e) to the basic financial statements, the NTF has implemented Governmental Accounting Standards Board Statement No. 40-*Deposit and Investment Risk Disclosures-an Amendment of GASB Statement No. 3*. This statement adds to and changes some of the financial statement disclosures required for cash and investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006, on our consideration of the NTF'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

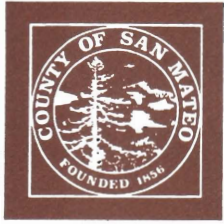
The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 21 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NTF's basic financial statements. The combining nonmajor fund financial statements and Schedule of Cities Support are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and the Schedule of Cities Support have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*County of San Mateo Controller*

Redwood City, California  
December 20, 2006



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Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed In Accordance with *Government Auditing Standards*

To the Board of Directors  
San Mateo County Narcotics Task Force

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Narcotics Task Force (the NTF) as of and for the year ended June 30, 2006, which collectively comprise the NTF's basic financial statements and have issued our report thereon dated December 20, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the NTF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more on the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NTF's financial statements are free of material misstatements, 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*.

This report is intended solely for the information and use of the board of directors, management, others within the NTF, and grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*County of San Mateo Controller*

Redwood City, California  
December 20, 2006

## **SAN MATEO COUNTY NARCOTICS TASK FORCE MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of San Mateo County Narcotics Task Force's (the NTF) financial performance provides an overview of the NTF's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

### **Financial Highlights**

- The NTF's total net assets as of June 30, 2006 amounted to \$805,814 an increase of \$99,743 from last year. Most of the increase was due to an increase in funds from a decrease in agency rebates.
- Most of the \$805,814 in net assets was comprised of cash deposited in the county treasury.
- The NTF received \$293,630 Anti-Drug Abuse Enforcement Grant from the Department of Justice during the fiscal year ended June 30, 2006.
- Total revenues for the year, made up of governmental funds' revenues, amounted to \$3,487,434 were comprised of supports, forfeitures and other revenues as follows – Sheriff's Office: \$1,821,314; Cities Fund: \$965,810; Forfeitures funds: \$376,089; Anti-Drug Abuse Enforcement Grant: \$293,630; and Marijuana Fund: \$30,591. The DARE fund, an agency fund for reporting purposes, had inflows of \$18,770.

### **Overview of the Financial Statements**

The NTF's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide the reader with a broad overview of the NTF's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on the NTF's assets and liabilities, with the difference reported as *net assets*. Changes in net assets over time provide an indicator of whether the financial position of the NTF is improving or deteriorating. When both restricted and unrestricted net assets are available for the same purpose, the NTF uses restricted assets only after unrestricted assets are depleted.

The *statement of activities* reports how the NTF's net assets changed during the most recent fiscal year. Changes in net assets are reported as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in the Statement of Activities may result in cash flows only in future periods.

The government-wide financial statements can be found on pages 9 and 10 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to control resources that have been segregated for specific activities or objectives. Fund financial statements report funds classified as major individually. Funds classified as non-major are grouped and reported in a single column. The NTF also uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, budgetary comparisons have been included in the supplementary information for each of the major funds to demonstrate compliance with budgets.

## **SAN MATEO COUNTY NARCOTICS TASK FORCE MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund financial statements report essentially the same information as in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

The NTF classifies all of its funds as governmental, except for the DARE Fund, which is classified as a fiduciary agency fund. Unlike the government-wide financial statements discussed above, the financial statements for governmental funds focus on the inflows, outflows and balances of expendable resources, rather than net assets. This information is useful for evaluating the NTF's current financing requirements.

The NTF reports the following major governmental funds in individual columns:

The Sheriff's Fund (General Fund) is used to account for the financial participation of the County Sheriff's Office in the NTF. This participation is carried out through the normal County appropriation process.

The Cities Fund is used to account for the support provided by the cities to the NTF. This support is provided in the form of loaned law enforcement officers as well as cash.

The State Forfeitures Fund is used to account for funds arising from state asset forfeitures occurring through the NTF's drug interdiction activities. Expenditures are limited by statute and are specifically approved by the Board.

The Justice Forfeitures Fund is used to account for forfeitures received from the federal government's Department of Justice. Expenditures are limited to prescribed law enforcement purposes. This fund also accounts for grants received from the Department of Justice, including the High Intensity Drug Trafficking Area (HIDTA) and the Organized Crime Drug Enforcement Task Force (OCDETF).

In addition to the major funds described above, there are other funds classified as non-major funds using criteria prescribed by the Governmental Accounting Standards Board. These non-major funds include Treasury Forfeitures Fund, Marijuana Fund and the Anti-Drug Abuse Enforcement Program Fund (formerly Byrne Grant), which are grouped and reported in a single column. Details of non-major funds are reported in the Supplementary Information section.

The fund financial statements can be found on page 11 through 13 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 20 of this report.

### **Other Information**

This report also presents certain required supplementary information concerning compliance with the NTF's annual budget. This information, as well as associated notes, immediately follows the basic financial statements and the accompanying notes.

The combining statements present non-major governmental funds and appear immediately following the required supplementary information on budget comparisons.

**SAN MATEO COUNTY NARCOTICS TASK FORCE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-Wide Financial Analysis**

<b>Net Assets</b>		
	<b>2006</b>	<b>2005</b>
Cash & cash	\$806,397	\$906,786
Securities lending collateral	124,868	164,459
Due from other agencies	-	93,979
Interest receivable	10,852	7,186
Deposit and Prepaid Expenses	<u>4,392</u>	<u>4,000</u>
<b>Total Assets</b>	<b><u>\$946,509</u></b>	<b><u>\$1,176,410</u></b>
Accounts Payable	15,826	7,549
Securities lending collateral due	124,868	164,459
Due to other agencies	<u></u>	<u>298,331</u>
<b>Total Liabilities</b>	<b><u>140,694</u></b>	<b><u>470,339</u></b>
<b>Total Net Assets - Unrestricted</b>	<b><u>\$805,815</u></b>	<b><u>\$706,071</u></b>

- Total assets stand at \$946,508, a decrease of \$229,902 or 20% compared to the previous fiscal year. This decrease is due to cash paid out as rebates to cities.
- Total liabilities decreased \$329,645 or 70% between fiscal years to \$140,694. This was the result of rebates due to cities being paid during the current fiscal year.

<b>Changes in Net Assets</b>		
	<b>2006</b>	<b>2005</b>
<b>Revenues and Other Financing Sources:</b>		
Supports – Contributions	\$3,267,453	\$2,874,253
Forfeiture Funds	163,187	120,737
Interest Income	36,908	26,142
Securities lending income	5,462	3,620
Other Income	14,424	5,369
Sale of Property	<u></u>	<u>5,842</u>
<b>Total Revenues</b>	<b><u>3,487,434</u></b>	<b><u>3,035,963</u></b>
<b>Expenditures</b>		
Salaries & Benefits	2,834,864	2,417,975
Supplies & General Operating Expenses	442,275	448,285
Rent Expense	65,264	76,140
Securities lending expenditures	5,287	3,366
Special Investigation	<u>40,000</u>	<u>70,000</u>
<b>Total Expenses</b>	<b><u>3,387,690</u></b>	<b><u>3,015,766</u></b>
Change in net assets	99,744	20,197
Net assets - July 1	<u>706,071</u>	<u>685,874</u>
Net assets - June 30	<b><u>\$805,815</u></b>	<b><u>\$706,071</u></b>

- Revenues earned during the current period were \$3,487,434, an increase of \$451,471 or 15% compared to the prior fiscal year. This was the result of an increase in revenue for overtime reimbursement in the Justice Forfeitures Fund and increases in Sheriff's and cities' contributions.
- Total Expenses incurred during the year amounted to \$3,387,690, for an increase of \$371,924 or 12%. Most of the increase was due to increases in Sheriff's salaries and benefits and overtime costs in Justice Forfeitures Fund. These increases were offset by increases in revenues as noted above.



**SAN MATEO COUNTY NARCOTICS TASK FORCE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Budgetary Analysis**

	Final Budgeted Expenditures	Actual Expenditures	Variance Amount
Sheriff's Fund	\$1,725,484	\$1,821,314	\$(95,830)
Cities Fund	423,462	347,568	75,894
Forfeitures Funds	93,446	381,604	(288,158)
	\$2,242,392	\$2,550,486	\$(308,094)

Total actual expenditures for the major funds were greater than the final budget by a net amount of \$308,094 as of June 30, 2006. The negative variance in the Sheriff's Fund was due to the negotiated increases in salaries and benefits that were not in the budget but were offset by an increase in Sheriff's contributions. The negative variance in the Forfeitures Funds was primarily due to unbudgeted salary expenditures most of which were reimbursed by grant funds that are recorded as revenue.

The budgetary comparison statements can be found on pages 21 to 23 of this report.

**Beyond FY2005-2006**

The San Mateo County Narcotics Task Force (SMCNTF) will be fortunate enough to receive the State of California BYRNE Grant in the amount of \$200,423. The operational period for this grant is from July 1, 2006 to June 30, 2007. This amount is substantially less than the \$293,630 awarded in FY 2005/2006. The funds received will be used to supplement the SMCNTF's existing revenue sources for FY 2006/2007 and will be used in the following areas:

- Overtime expenses for City, Sheriff's Office, BNE Supervisor, and Probation Officer assigned to the SMCNTF
- Training and travel expenses
- Mandatory Audit Expense
- New vehicle purchase

The SMCNTF has been designated an Initiative of the Northern California High Intensity Drug Trafficking Area (NCHIDTA). In our proposed budget for CY 2007, the SMCNTF requested \$90,000. If approved for the full amount the funds will be used to supplement the SMCNTF's existing revenue sources for FY 2006/2007 and possibly into FY 2007/2008 and will be used in the following areas:

- Overtime expenses for City, Sheriff's Office, BNE Supervisor, and Probation Officer assigned to the SMCNTF
- Training and travel expenses
- Vehicle Lease
- Equipment
- Uniform Shirts

**SAN MATEO COUNTY NARCOTICS TASK FORCE  
MANAGEMENT'S DISCUSION AND ANALYSIS**

**Beyond FY2005-2006 (cont.)**

The SMCNTF has also sought \$28,000 from the Drug Enforcement Administration's (DEA) Domestic Cannabis Eradication/Suppression Program (DCESP). If awarded the full amount, the funds will be used primarily for overtime associated with Marijuana investigations and our demand reduction efforts. As of February 9<sup>th</sup>, 2007 we have not been notified of our award amount. Our budget for the DEA DCESP also includes the following uses:

- Aircraft Operating Expenses
- Purchase of equipment
- Equipment rental
- Training and travel expenses

The SMCNTF also began participation in the California Multi-Jurisdictional Methamphetamine Enforcement Teams (CAL-MMET) Grant Program. Through the grant program, the SMCNTF has been awarded funding in the amount of \$330,000. Our participation in the program will allow NTF to increase its workforce by adding (2) Special Agents to the Task Force. One of the positions will come from the Sheriff's Office and the second position will be filled from a city agency. Our budget for the CAL-MMET Grant also includes the following uses:

- Salary & Benefits for (2) agents
- Overtime
- Computers, telephones, radios, and safety equipment
- Training
- Purchase new vehicles

With the receipt of these supplemental funds, the SMCNTF will again be able to limit the amount of Asset Forfeiture funds budgeted for annual operating expenses. This will allow our Asset Forfeiture accounts to gain momentum and grow for the purpose of long-term fiscal security for the unit.

**Requests for Information**

This financial report is designed to provide a general overview of the NTF's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to San Mateo County Narcotics Task Force, 3130 La Selva, Ste. 301, San Mateo, CA 94402-5329.

**BASIC FINANCIAL STATEMENTS**  
**Government-Wide Financial Statements**

# San Mateo County Narcotics Task Force

## Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 1(c) and 2)	\$ 806,397
Securities lending collateral (Note 2 (e))	124,868
Interest receivable	10,852
Deposit and prepaid expenses (Note 1(c))	4,392
Total assets	<u>946,509</u>
<b>LIABILITIES</b>	
Accounts payable	15,826
Securities lending collateral due (Note 2 (e))	124,868
Total liabilities	<u>140,694</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ 805,815</u></u>

The notes to the financial statements are an integral part of this statement

## San Mateo County Narcotics Task Force

### Statement of Activities For the Year Ended June 30, 2006

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Salaries & benefits	\$ 2,834,864
Supplies & general operating expenses	90,324
Membership dues	120
Repair and maintenance	53,587
Rent (Note 5)	65,264
Employee training	24,371
Contract and professional services	13,266
Special investigation	40,000
Telephone and pager	34,308
Capital outlay (Note 4)	55,466
Other services	170,833
	<hr/>
Total Program Expenses	3,382,403
	<hr/>
<b>Program Revenues:</b>	
Operating grants and contributions	3,267,453
Forfeiture funds (Note 3 (b))	163,187
Other	14,424
	<hr/>
Total Program Revenues	3,445,064
	<hr/>
Net Program Revenue	62,661
<b>General Revenues:</b>	
Securities lending activities:	
Securities lending income	5,462
Securities lending expense	(5,287)
Interest earnings (Note 3 (c))	36,908
	<hr/>
Change in Net Assets	99,744
Net Assets - Beginning	706,071
	<hr/>
<b>Net Assets - Ending</b>	<b>\$ 805,815</b>
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The notes to the financial statements are an integral part of this statement

**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

## San Mateo County Narcotics Task Force

### Balance Sheet Governmental Funds June 30, 2006

	<b>Cities Fund</b>	<b>State Forfeitures Fund</b>	<b>Justice Forfeitures Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents (Note 1(c) and 2)	\$ 226,355	\$ 231,647	\$ 346,666	\$ 1,729	\$ 806,397
Securities lending collateral (Note 2 (e))	35,050	35,870	53,680	268	124,868
Interest receivable	3,758	2,438	4,639	17	10,852
Deposit and prepaid expenses (Note 1(c))	4,000	-	392	-	4,392
Total Assets	\$ 269,163	\$ 269,955	\$ 405,377	\$ 2,014	\$ 946,509
<b>LIABILITIES</b>					
Accounts payable	\$ 566	\$ 585	\$ 14,675	\$ -	\$ 15,826
Securities lending collateral due (Note 2 (e))	35,050	35,870	53,680	268	124,868
Total Liabilities	35,616	36,455	68,355	268	140,694
<b>FUND BALANCES (Note 1(c))</b>					
Reserved for deposit	4,000	-	-	-	4,000
Unreserved	229,547	233,500	337,022	1,746	801,815
Total Fund Balances	233,547	233,500	337,022	1,746	805,815
Total Liabilities and Fund Balances	\$ 269,163	\$ 269,955	\$ 405,377	\$ 2,014	\$ 946,509

The notes to the financial statements are an integral part of this statement

## San Mateo County Narcotics Task Force

### Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2006

	<u>Sheriff's</u>	<u>Cities</u>	<u>State Forfeitures</u>	<u>Justice Forfeitures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues (Note 3)</b>						
Supports	\$ 1,809,150	\$ 948,129	\$ -	\$ 185,953	\$ 324,221	\$ 3,267,453
Forfeitures	-	-	99,346	63,841	-	163,187
Interest income	-	14,567	8,205	14,076	60	36,908
Securities lending income	-	1,534	1,568	2,348	12	5,462
Other	12,164	1,580	680	-	-	14,424
Total Revenues	<u>1,821,314</u>	<u>965,810</u>	<u>109,799</u>	<u>266,218</u>	<u>324,293</u>	<u>3,487,434</u>
<b>Expenditures</b>						
Salaries & benefits	1,598,520	733,726	8,089	303,772	190,757	2,834,864
Supplies & general operating expenses	19,595	10,348	3,016	11,989	45,376	90,324
Membership dues	-	-	120	-	-	120
Repair and maintenance	6,274	5,345	16,523	3,493	21,952	53,587
Rent (Note 5)	32,632	32,632	-	-	-	65,264
Employee training	6,975	5,632	1,077	1,517	9,170	24,371
Contract and professional services	5,344	3,211	3,211	-	1,500	13,266
Special investigation	40,000	-	-	-	-	40,000
Telephone and pager	18,625	11,784	793	3,106	-	34,308
Other services	93,349	52,586	17,758	7,140	-	170,833
Securities lending expenditures	-	1,484	1,519	2,273	11	5,287
Capital expenditures (Note 4)	-	-	-	-	55,466	55,466
Total Expenditures	<u>1,821,314</u>	<u>856,748</u>	<u>52,106</u>	<u>333,290</u>	<u>324,232</u>	<u>3,387,690</u>
Excess (Deficiency) of Revenues over Expenditures	-	109,062	57,693	(67,072)	61	99,744
Fund Balance - Beginning	-	124,485	175,807	404,094	1,685	706,071
<b>Fund balance - Ending</b>	<u>\$ -</u>	<u>\$ 233,547</u>	<u>\$ 233,500</u>	<u>\$ 337,022</u>	<u>\$ 1,746</u>	<u>\$ 805,815</u>

The notes to the financial statements are an integral part of this statement



# San Mateo County Narcotics Task Force

## Statement of Fiduciary Net Assets Fiduciary Agency Fund June 30, 2006

	<b>DARE Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 1(c) and 2)	\$ 18,595
Securities lending collateral (Note 2 (e))	2,879
Interest receivable	174
Total Assets	<u>\$ 21,648</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 18,769
Securities lending collateral held (Note 2 (e))	2,879
Total Liabilities	<u>\$ 21,648</u>

The notes to the financial statements are an integral part of this statement

**BASIC FINANCIAL STATEMENTS**  
**Notes to the Basic Financial Statements**

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Description of the Reporting Entity**

A Joint Powers Agreement (the Agreement) between San Mateo County (County) and cities within the county established the San Mateo County Narcotics Task Force (the NTF) in 1985. The Agreement was amended in 2005 to allow participation of police protection districts. Agreements also exist with the California Highway Patrol and other agencies.

The participating cities and district support the NTF by providing cash or by lending law enforcement officers and other staff. The proportionate funding commitments of the agencies are based on an agreed upon formula generally related to population and assessed property values within the respective jurisdictions.

The NTF is under the direction of a Board of Directors (the Board) comprised of the Sheriff, the District Attorney, and three Chiefs of Police elected by the San Mateo County Chiefs of Police Association. The Board appoints a commander responsible for the operation of the NTF. The financial activities of the NTF are recorded in eight separate units/funds based on specified activities or objectives. Those units/funds are as follows: Sheriff's Appropriation, Cities, State Forfeitures, Drug Awareness Resistance Education (DARE), Justice Forfeitures, Treasury Forfeitures, Marijuana, and the Anti-Drug Abuse Enforcement Program (formerly referred to as the Byrne Grant).

**(b) Basis of Presentation**

*Government-wide Financial Statements*

The statement of net assets and statement of activities report the financial activities of the NTF as a whole. These statements exclude financial information relating to the DARE agency fund, which is presented separately under the fund financial statements. The statement of activities presents a comparison between direct expenses and program revenues of the NTF. Direct expenses are those that are specifically associated with the NTF program. Program revenues refer to grants, contributions and other revenues that meet the operational or capital requirements of the program. Any revenues not classified as program revenues represent general revenues.

*Fund Financial Statements*

The fund financial statements provide information about the NTF's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The NTF reports the following major governmental funds:

Sheriff's Office Appropriation: The financial participation of the Sheriff's Office in the NTF is carried out through the normal County appropriation process. Officers and other employees provided by the Sheriff's Office are carried on the regular County payroll, and other operating expenses borne by the Sheriff's Office are paid through the normal County disbursement process. In addition, the Sheriff's Office provides cash for use in special investigations.

Cities Support: Cash support provided by the cities is deposited with the County Treasurer and is accounted for in a trust fund within the County's accounting system - Integrated Financial and Administrative Solution (IFAS). Cities support provided in the form of loaned law enforcement officers is also recorded in the trust fund.

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(b) Basis of Presentation (Continued)**

State Forfeiture Funds: Funds arising from state asset forfeitures occurring through the NTF's drug interdiction activities are also deposited with the County Treasurer and separately accounted for in a trust fund in IFAS. These funds initially are collected by state law enforcement agencies and processed by them in accordance with applicable criminal statutes. Once the legal and administrative requirements are met, the funds allocated to the NTF are deposited with the County Treasurer. Expenditures are limited by statutes and are specifically approved by the Board.

Justice Forfeiture Funds: The Justice Forfeiture Fund separately tracks forfeitures received from the federal government's Department of Justice. The Attorney General's authority to share federally forfeited property with participating state and local law enforcement agencies is established by federal law. Any state or local law enforcement agency that directly participates in an investigation or prosecution that results in a federal forfeiture may request an equitable share of the net proceeds of the forfeiture. Amounts received from participating federal entities in the Justice program are posted to this fund and deposited with the County Treasurer. Expenditures are limited to law enforcement purposes as stated in *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies* (March 1994).

**(c) Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the NTF gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and other entitlements. On an accrual basis, revenues from the grants and entitlements are recognized when all the eligibility requirements are satisfied.

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. Revenues are considered available when their receipt occurs within ninety days after the end of the accounting period. Expenditures are recognized in the accounting period in which the liability is incurred.

Since the County of San Mateo holds title to capital assets purchased by the NTF (see Note 4), any capital assets acquisitions financed by the NTF are expensed.

When both restricted and unrestricted net assets are available for the same purpose, restricted resources are used only after the unrestricted resources are depleted.

Cash Equivalents: Cash is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. NTF considers its equity in the County's investment pool to be cash equivalents.

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(c) Basis of Accounting (Continued)**

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Transactions: Receivables and payables that arise from transactions with other funds/agencies are recorded in the period in which the transactions are executed. Where necessary, eliminations are made in the government-wide financial statements to minimize double counting internal activities.

Deposit/Prepaid Expense: An asset is established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment. As deposits are not current financial resources, the fund balance is reserved by the amount presented on the fund financial statements' balance sheet.

Fund Balance: In the fund financial statements, the governmental funds' unreserved fund balance represents the amount available for future operations. These funds report reservations of fund balance for amounts not available for appropriation.

**(d) Accounting Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

**(e) Implementation of Governmental Accounting Standards Board (GASB) Statement No. 40**

During the fiscal year, the NTF implemented the provisions of Governmental Accounting Standards Board Statement No. 40-*Deposit and Investment Risk Disclosures-an Amendment of GASB Statement No. 3*. This statement adds to and changes some of the financial statement disclosures required for cash and investments. See Note 2.

**2. CASH AND CASH EQUIVALENTS**

**(a) Cash and Cash Equivalents**

Cash is pooled with other funds in the San Mateo County Investment Pool, (County Investment Pool) which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Investment Pool is not registered with the Securities and Exchange Commission. An oversight committee, comprised of local government officials and various participants, provide oversight to the management of the fund. The NTF is a voluntary participant in the investment pool.

Cash and cash equivalents in the County Investment Pool are reported at fair value, as required by GASB 31. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of interest earnings. Fair value is based on information provided by the County Treasurer. The fair value of cash and cash equivalents as of June 30, 2006 approximates book value.

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**2. CASH AND CASH EQUIVALENTS**

**(b) Authorized Investments of the County Investment Pool**

The County Investment Pool's Investment Policy and the California Government Code allow the County Investment Pool to invest in the following, provided the credit ratings of the issuers are acceptable to the County Pool. The following also identifies certain requirements of the County Investment Pool and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum % Allowed in Portfolio</u>	<u>Maximum % Investment in One Issuer</u>
U.S. Treasury Obligations	15 years	-	100	100
Obligations of U.S. Agencies or government sponsored enterprises	15 years	-	100	100
Bankers acceptances	180 days	A-1/P-1	15	10
Collateralized time deposits within the state of California	1 year	-	30	10
Negotiable certificates of deposit	5 years	-	10	5
Commercial paper/Floating rate notes	270 days or less	A-1/P-1	40	10
Repurchase agreements	1 year	-	100	50
Reverse repurchase agreements	92 days	-	20	20
Corporate bonds and medium term notes	5 years	A	30	10
Local Agency Investment Fund (LAIF)	-	-	Up to the current state limit	-
Shares of beneficial interest	30 days	-	10	5
Mortgage backed securities	5 years	A	20	5

At June 30, 2006, the County Investment Pool was invested in the following securities:

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Maturity (Years)</u>	<u>Rating</u>
U.S. Government securities	2.63%-4.88%	5/15/08-5/31/11	1.82	AAA
U.S. Government agency securities	2.10%-5.50%	7/12/06-4/2/14	1.03	AAA
Negotiable certificate of deposit	4.73%-5.05%	7/7/06-12/1/06	0.08	AA-
Commercial paper-discount	5.17%-5.25%	7/5/06-8/1/06	0.02	A1
Corporate bonds	2.50%-5.75%	7/1/06-4/25/11	1.55	AAA/A
Asset-backed securities	4.14%	1/15/08	0.25	AAA
Floating rate securities	5.02%-5.56%	7/3/06-4/25/08	0.25	AAA/-
Local Agency Investment Fund (LAIF)	4.53%	On Demand	0.42	Unrated

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**2. CASH AND CASH EQUIVALENTS**

**(c) County Investment Pool: Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the San Mateo County's Investment Policy limits County pool investments in commercial paper to the rating of A-1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the San Mateo County's Investment Policy also limit County pool investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The County pool does not have credit limits on government agency securities.

State law restricts the County Pool's investments in commercial paper to 40% of its investment pool and to 10% per issuer. State law also limits the County's investments in corporate bonds and medium term notes to 30% of its investment pool and 10% per issuer. At June 30, 2006, the County Pool had 6.44% of its investment pool in Federal Home Loan Mortgage Corporation, 9.18% in Federal Home Loan Bank, 14.55% in Federal Home Loan Mortgage Association, 13.17% in commercial paper, and 22.21% in corporate bonds and medium term notes. The County Pool did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium term notes of a single organization.

**(d) County Investment Pool: Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The County Pool monitors the interest rate risk inherent in its investment portfolio by measuring its weighted average maturity, which at June 30, 2006, was 1.39 years. The County investment policy limits the weighted average maturity to 5 years.

**(e) Securities Lending Transactions**

State Statutes and San Mateo County's Investment Policy permits the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the bank to loan securities in the San Mateo County Investment Pool. The loaned securities represent securities on loan to brokers or dealers by the San Mateo County Investment Pool. The County receives a fee from the borrower for the use of the loaned securities. If loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers.

The loaned securities as of June 30, 2006 consisted of U.S. Treasury notes and bonds, and U.S. government securities. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. As of June 30, 2006, all of the cash collateral was invested in repurchase agreements with weighted average maturity of 3 days. The repurchase agreements

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**2. CASH AND CASH EQUIVALENTS**

**(e) Securities Lending Transactions (Continued)**

are held by the Bank of New York in the County's name and were rated at least A-1 by Standard and Poor's at June 30, 2006. The County does not match the maturities of investments made with cash collateral with the securities on loan.

The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine. Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower. Total cash collateral as of June 30, 2006 amounted to \$127,747, of which \$2,879 is reported in the fiduciary agency fund and \$124,868 in the governmental funds.

The value of underlying securities loaned by the County's investment pool as of June 30, 2006 amounted to \$125,367.

NTF does not have any exposure to credit risk related to the securities lending transactions as of June 30, 2006, because the market value of the cash collateral exceeds that of the borrowed securities.

**3. REVENUES**

**(a) Sheriff and City Support**

Based on the requirements of the Agreement, the County is obligated to provide eight peace officers and one clerical staff to the NTF. The cost of these personnel, and certain other services and supplies for which the county appropriated funds, is accounted for in a budget unit of the Sheriff's Office. The total amount spent for the NTF by the Sheriff's Office is presented as supports revenue under the Sheriff's Fund.

The cities' financial obligation is determined each year based on the budget of the NTF as established by the Board. This amount is apportioned among the participating cities in accordance with a formula that uses the population and assessed values of properties as a basis. The cities have the option to contribute cash or law enforcement personnel to satisfy their financial obligation. The support revenues from the cities represent cash contributions and payroll costs incurred by the cities for personnel assigned to the NTF.

**(b) Forfeitures**

Forfeiture revenues represent funds arising from asset forfeitures occurring through the NTF's drug interdiction activities. These funds are initially collected by the state or federal law enforcement agencies and processed by them in accordance with the applicable criminal statutes. Forfeiture revenues are recorded when received. Fifteen percent of the state forfeiture revenues received by the NTF are mandated by the State to fund DARE programs.

**(c) Interest Income**

Interest is received quarterly from the County Treasurer on investments made by the NTF in the San Mateo County investment pool. Interest is recorded in the year it is earned and is available to pay current liabilities.



**SAN MATEO COUNTY NARCOTICS TASK FORCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006**

**4. CAPITAL OUTLAYS**

In accordance with the terms of the Agreement, the County of San Mateo holds title to capital assets purchased by the NTF.

**5. OBLIGATION UNDER OPERATING LEASE**

The NTF is obligated under a rental agreement accounted for as an operating lease. The term of the lease expires on December 31, 2009. Currently, the NTF shares its rental facility with the Special Investigation Unit (SIU) of the San Mateo County Sheriff's Office and the San Mateo County Vehicle Theft Task Force (VTTF). In return, the NTF receives rent reimbursement of two-thirds of monthly rent paid, of which one-third is made by the SIU and one-third by the VTTF. The following is a schedule of future minimum rental payments:

Year Ending June 30,	Rental Payment	Sublease Rental Income	Net Rental Payment
2007	100,860	67,240	33,620
2008	103,824	69,216	34,608
2009	103,824	69,216	34,608
2010	51,912	34,608	17,304

Rent expenditure for the fiscal year ended June 30, 2006 was \$65,264.

**6. RISK MANAGEMENT**

NTF is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Per the Agreement, the County of San Mateo added the NTF to its excess liability insurance coverage. The existing insurance coverage is valid through May 22, 2007. The County Counsel provides legal representation for any claims or litigation of the NTF at no charge per the Agreement.

Claims have not exceeded coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in fiscal year 2005-06.

**7. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the NTF expects such amounts, if any, to be immaterial.

## REQUIRED SUPPLEMENTARY INFORMATION

## San Mateo County Narcotics Task Force

### Sheriff's Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2006

	<b>Budgeted</b>	<b>Actual Amount</b>	<b>Variance</b>
	<b>Amount</b>	<b>Budgetary Basis</b>	<b>Favorable/ (Unfavorable)</b>
	<b>Original/Final</b>	<b>Budgetary Basis</b>	<b>(Note 3)</b>
<b>Revenues:</b>			
Supports	\$ 1,725,484	\$ 1,809,150	\$ 83,666
Other	-	12,164	12,164
Total Revenues	1,725,484	1,821,314	95,830
<b>Expenditures:</b>			
Salaries & benefits	1,438,759	1,598,520	(159,761)
Supplies & general operating expenses	33,519	19,595	13,924
Membership dues	250	-	250
Repair and maintenance	9,600	6,274	3,326
Rent	32,632	32,632	-
Employee training	6,630	6,975	(345)
Contract and professional services	6,211	5,344	867
Special investigation	50,000	40,000	10,000
Telephone and pager	25,686	18,625	7,061
Other services	122,197	93,349	28,848
Total Expenditures	1,725,484	1,821,314	(95,830)
Excess of Revenues Over Expenditures/ Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance - Beginning		-	
<b>Fund balance - Ending</b>		<b>\$ -</b>	

The accompanying notes are an integral part of this schedule

## San Mateo County Narcotics Task Force

### Cities Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2006

	Budgeted Amount <u>Original/Final</u>	Actual Amounts Budgetary Basis <u>(Note 1)</u>	Variance Favorable/ <u>(Unfavorable)</u>
<b>Revenues:</b>			
Supports	\$ 480,923	\$ 440,433	\$ (40,490)
Interest income	8,118	14,616	6,498
Other	-	1,580	1,580
Total Revenues	<u>489,041</u>	<u>456,629</u>	<u>(32,412)</u>
<b>Expenditures:</b>			
Salaries & benefits	60,362	60,362	-
Agency rebates (Note 2)	165,668	165,668	-
Supplies & general operating expenses	20,225	10,348	9,877
Repair and maintenance	9,600	5,345	4,255
Membership dues	250	-	250
Rent	32,632	32,632	-
Employee training	6,530	5,632	898
Contract and professional services	3,211	3,211	-
Special investigation	50,000	-	50,000
Telephone and pager	17,593	11,784	5,809
Other services	57,391	52,586	4,805
Total Expenditures	<u>423,462</u>	<u>347,568</u>	<u>75,894</u>
Excess of Revenues Over Expenditures/ Net Change in Fund Balance	<u>\$ 65,579</u>	109,061	<u>\$ 43,482</u>
Fund Balance - Beginning		<u>104,952</u>	
<b>Fund balance - Ending</b>		<u>\$ 214,013</u>	

The accompanying notes are an integral part of this schedule

# San Mateo County Narcotics Task Force

## Forfeitures Funds (1) Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2006

	<b>Budgeted Amounts Original/Final</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance Favorable/ (Unfavorable) (Note 3)</b>
<b>Revenues:</b>			
Supports	\$ 62,000	\$ 185,953	\$ 123,953
Forfeitures	100,000	163,187	63,187
Interest income	10,382	22,466	12,084
Other	19,000	680	(18,320)
Total Revenues	191,382	372,286	180,904
<b>Expenditures:</b>			
Salaries & benefits	25,000	311,861	(286,861)
Supplies & general operating expenses	15,000	15,005	(5)
Membership dues		120	(120)
Repair and maintenance	15,480	20,016	(4,536)
Employee training	11,650	2,594	9,056
Contract and professional services	3,211	3,211	-
Telephone and pager	3,000	3,899	(899)
Other services	20,105	24,898	(4,793)
Total Expenditures	93,446	381,604	(288,158)
<b>Excess (deficiency) of revenues over expenditures/Net Change in Fund Balance</b>	<b>97,936</b>	<b>(9,318)</b>	<b>(107,254)</b>
Fund Balance - Beginning		581,586	
<b>Fund balance - Ending</b>		<b>\$ 572,268</b>	
<b>Reconciliation of budgetary basis to the Statement of Revenues, Expenditures and Changes in Fund Balances on page 12:</b>			
Net Change in Fund Balance - budgetary basis (from above)		\$ (9,318)	
Net change in fund balance for the non-major Treasury Forfeitures Fund (see note below)		(61)	
Net Change in Fund Balance - GAAP basis for major funds		\$ (9,379)	
Net change in fund balance - State Forfeitures Fund		\$ 57,693	
Net change in fund balance - Justice Forfeitures Fund		(67,072)	
		\$ (9,379)	

(1) For budgeting purposes it is expeditious for the San Mateo County Narcotics Task Force to combine all the forfeiture funds as one budgetary unit. This schedule includes the budgeted to actual comparisons of the two major forfeitures funds (Justice Forfeitures and State Forfeitures) as well as the non-major Treasury Forfeitures Fund.

The accompanying notes are an integral part of this schedule

**SAN MATEO COUNTY NARCOTICS TASK FORCE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2006**

**1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES**

The Board adopts an annual operating budget, which can be amended by the Board throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except that budgeted revenues and expenditures for all Forfeitures Funds are combined as one budget and only cash contributions and non-contributed personnel costs are recognized in the Cities Fund budget. Adjustments were made to certain budgeted accounts to reflect changes made in financial statement presentation.

Through the County’s budgetary process, the Sheriff obtains the approval for the amount to be contributed to the NTF. This includes the salaries and benefits of the staff loaned to the NTF as required by the Joint Powers Agreement between San Mateo County and cities within the County, and any additional amount the Sheriff deems necessary.

The NTF uses an encumbrance system in IFAS to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

As required under Generally Accepted Accounting Principles (GAAP), NTF records the actual non-cash personnel contributions and rebates using modified accrual basis of accounting in the fund financial statements.

The following are reconciliations of budgetary basis as presented on page 22 to the Statement of Revenues, Expenditures and Changes in Fund Balances on page 12 for revenues, expenditures and fund balance:

Explanation of difference between budgetary revenues and GAAP revenues

Actual amount “Total Revenues” (budgetary basis)	\$ 456,629
Securities lending income not included in budgetary basis	1,534
Portion of interest income earned on securities lending transactions	(49)
Personnel services contributed by cities recognized as revenue net of rebates per GAAP	<u>507,696</u>
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u><u>\$ 965,810</u></u>

Explanation of difference between budgetary expenditures and GAAP expenditures

Actual amount “Total Expenditures” (budgetary basis)	\$ 347,568
Securities lending expense not included in budgetary basis	1,484
Cost of contributed personnel services net of rebates recognized as salaries and benefits expense per GAAP	<u>507,696</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u><u>\$ 856,748</u></u>

**SAN MATEO COUNTY NARCOTICS TASK FORCE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2006**

**1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES (Continued)**

The amount reported in the Cities Fund as fund balance on the budgetary basis of accounting on page 22 differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balance on page 12 because of the cumulative effect of transactions such as those described in the previous reconciliations.

**2. AGENCY REBATES**

Certain cities choose to satisfy their financial obligation to the NTF by contributing law enforcement personnel. If personnel salaries exceed the obligation, rebates are paid to the cities.

**3. EXPENDITURES IN EXCESS OF BUDGET**

The Sheriff's Office Appropriation expenditures for salaries and benefits exceeded the budgeted amount by \$159,761. This variance is due to negotiated salaries and benefits increases for agents provided by the Sheriff's Office during the year. There was also a minor unfavorable variance in the employee training expenditures.

The Forfeiture Funds expenditures for salaries and benefits exceeded the budgeted amount by \$286,861. This variance relates to overtime on special investigations that was reimbursed by HIDTA and OCDEF. The expenditures for other services exceeded the budgeted amount by \$4,793. This variance is due to expenditures for a motor vehicle lease that was not budgeted for but was reimbursed with HIDTA funds. The expenditures for repair and maintenance exceeded the budgeted amount by \$4,536. This variance relates to increased fuel costs and the purchase of a safe that was not budgeted for but was reimbursed by HIDTA funds. There were also minor unfavorable variances in the supplies and general operating, membership dues and telephone and pager expenditures. All reimbursements are included in revenues.

## SUPPLEMENTARY INFORMATION



## NONMAJOR GOVERNMENTAL FUNDS

Treasury Forfeitures Fund: The Treasury Forfeitures Fund separately tracks forfeitures received from the federal government's Department of the Treasury. The authority and guidelines for use are similar to Justice forfeitures as detailed in the *Guide to Equitable Sharing for Foreign Countries and Federal, State and Local Law Enforcement Agencies* (April 2004).

Marijuana Fund: This Fund separately tracks applicable expenditures and grant revenues received by the Sheriff's Office for programs to support the implementation of marijuana suppression activities and to expand, improve, or augment existing prosecution processes for illegal marijuana cultivators and traffickers. Expenditures are limited to law enforcement and education activities related to the grant.

Anti-Drug Abuse Enforcement Program Fund: This fund separately tracks funds received from the Office of Homeland Security, formerly the Office of Criminal Justice Planning, for the purpose of supporting the NTF's efforts to interdict the flow of drugs throughout the County. Funds are spent in accordance with a preauthorized budget approved by the Federal Agency.

# San Mateo County Narcotics Task Force

## Balance Sheet Nonmajor Governmental Funds June 30, 2006

	<u>Treasury Forfeitures</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,729
Securities lending collateral	268
Interest receivable	<u>17</u>
Total assets	<u><u>\$ 2,014</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Securities lending collateral due	\$ 268
Unreserved	<u>1,746</u>
Total liabilities and fund balance	<u><u>\$ 2,014</u></u>

Note: There were no assets or liabilities to report for the nonmajor Marijuana or Anti-Drug Abuse Enforcement Program Funds.

## San Mateo County Narcotics Task Force

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2006

	<u>Treasury Forfeitures</u>	<u>Marijuana</u>	<u>Anti-Drug Abuse Enforcement Program</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Supports	\$ -	\$ 30,591	\$ 293,630	\$ 324,221
Interest income	60	-	-	60
Securities lending income	12	-	-	12
Total Revenues	<u>72</u>	<u>30,591</u>	<u>293,630</u>	<u>324,293</u>
<b>Expenditures</b>				
Salaries & benefits	-	19,962	170,795	190,757
Employee training	-	4,930	4,240	9,170
Supplies and general operating	-	5,059	40,317	45,376
Repair and maintenance	-	640	21,312	21,952
Contract and professional services	-	-	1,500	1,500
Capital expenditures	-	-	55,466	55,466
Securities lending expense	11	-	-	11
Total Expenditures	<u>11</u>	<u>30,591</u>	<u>293,630</u>	<u>324,232</u>
Excess of Revenues Over Expenditures/ Net Change in Fund Balance	61	-	-	61
Fund balance - Beginning	<u>1,685</u>	<u>-</u>	<u>-</u>	<u>1,685</u>
<b>Fund balance - Ending</b>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,746</u>

## San Mateo County Narcotics Task Force

### Schedule Of Cities Support For the Year Ended June 30, 2006

<u>City/ Agency</u>	<u>Cash Support</u>	<u>Loaned Officer</u>	<u>Rebates</u>	<u>Total</u>
Atherton		\$ 53,860	\$ (15,741)	\$ 38,119
Belmont	\$ 29,601	-	-	29,601
Brisbane	7,626	-	-	7,626
Broadmoor	-	113,150	(51,714)	61,436
Burlingame	38,993	-	-	38,993
Colma	2,914	-	-	2,914
Daly City	-	98,450	(3,945)	94,505
East Palo Alto	24,732	-	-	24,732
Foster City	39,074	-	-	39,074
Half Moon Bay	14,496	-	-	14,496
Hillsborough	26,794	-	-	26,794
Menlo Park	49,618	-	-	49,618
Millbrae	22,641	-	-	22,641
Pacifica	36,803	-	-	36,803
Redwood City	-	150,086	(27,076)	123,010
San Bruno	-	109,346	(32,687)	76,659
San Carlos	38,247	-	-	38,247
San Mateo	108,894	-	-	108,894
So. San Francisco	-	148,472	(34,505)	113,967
	<u>\$ 440,433</u>	<u>\$ 673,364</u>	<u>\$ (165,668)</u>	<u>\$ 948,129</u>