

SAN MATEO COUNTY NARCOTICS TASK FORCE

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

For the Fiscal Year Ended June 30, 2009

SAN MATEO COUNTY NARCOTICS TASK FORCE

June 30, 2009

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Office of Controller



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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, 2009, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the NTF as of June 30, 2009, 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 discussed in Note 1(e) to the basic financial statements, effective July 1, 2008, the County adopted the provisions of Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have issued our report dated March 9, 2010, 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 3 through 7 and 22 through 26, respectively, 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 on pages 27 through 29 and the Schedule of Cities Support on page 30 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
March 9, 2010

**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, 2009. 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, 2009 amounted to \$1,987,670, which is an increase of \$813,297 from prior year. Most of the increase was due to the excess of revenues over expenditures in the Cities and Justice Forfeiture Funds.
- Most of the \$1,987,670 in net assets was comprised of cash deposited in the County Treasury.
- The NTF received \$233,457 from the Department of Justice Anti-Drug Abuse Enforcement Grant (formerly Byrne Grant) during the current fiscal year.
- During fiscal year ended June 30, 2009, the NTF also received \$147,373 from the California Emergency Management Agency Multi-Jurisdictional Methamphetamine Enforcement Team Program (Ca-MMET Grant).
- Revenues for governmental funds during the year totaled \$4,658,314 and comprised of supports, forfeitures investment earnings and other revenues as follows – Sheriff's Fund: \$2,308,393; Cities Fund: \$989,666; Forfeitures Funds: \$970,319; Anti-Drug Abuse Enforcement (Byrne) Grant: \$233,457; Marijuana Fund: \$9,106; and Ca-MMET Grant: \$147,373. The DARE Fund, an agency fund for reporting purposes, had inflows of \$23,315.

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 8 and 9 of this report.

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

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.

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 and cash contributions.
- 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 the Department of Justice Organized Crime Drug Enforcement Task Force (OCDETF) grant received.

The fund financial statements can be found on pages 10 through 12 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 13 through 21 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

Net Assets		
	2009	2008
Cash and cash equivalents	\$2,156,851	\$1,167,924
Securities lending collateral	151,532	116,149
Accounts receivable, net	13,861	6,699
Interest receivable	14,108	11,942
Deposit and prepaid expenses	4,000	4,000
Total Assets	2,340,352	1,306,714
Accounts payable	201,150	16,192
Securities lending collateral due	151,532	116,149
Total Liabilities	352,682	132,341
Total Net Assets - Unrestricted	\$1,987,670	\$1,174,373

- Total assets stand at \$2,340,352, an increase of \$1,033,638 or 79% compared to the previous fiscal year. This increase is mostly due to an increase in cash and cash equivalents, and also increase in securities lending collateral.
- Total liabilities increased by \$220,341 or 166% between fiscal years to \$352,682. This was the result of increases in securities lending collateral due and accounts payable.

Changes in Net Assets		
	2009	2008
Revenues and Other Financing Sources:		
Supports – Contributions	\$3,859,108	\$3,956,127
Forfeiture funds	810,374	119,673
Investment earnings	(40,930)	60,449
Securities lending income	1,847	6,746
Other income	28,346	61,862
Total Revenues	4,658,745	4,204,857
Expenditures:		
Salaries & benefits	3,391,775	3,475,242
Supplies & general operating expenses	329,850	436,063
Rent expense	81,577	81,217
Securities lending expenses	1,429	5,792
Special investigation	40,817	90,000
Total Expenses	3,845,448	4,088,314
Change in Net Assets	813,297	116,543
Net assets - July 1	1,174,373	1,057,830
Net assets - June 30	\$ 1,987,670	\$ 1,174,373

- Revenues earned during the current period were \$4,658,745, an increase of \$453,888 or 11% compared to the prior fiscal year. This was the result of increases in State and Justice Forfeitures Funds.
- Total Expenses incurred during the year amounted to \$3,845,448 for a decrease of \$ 242,866 or 6%. Most of the decrease was due to decreases in salaries & benefits packages of agents assigned to work in the Cal-MMET Grant and Anti-drug Abuse Enforcement Programs and decrease in supplies & general operating and special investigation expenses.

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

Budgetary Analysis

	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Sheriff's Fund	\$ 2,450,687	\$ 2,308,393	\$ 142,294
Cities Fund	457,834	380,319	77,515
Forfeitures Funds	173,329	280,580	(107,251)
	<u>\$ 3,081,850</u>	<u>\$ 2,969,292</u>	<u>\$ 112,558</u>

Total actual expenditures for the major funds were less than the final budget by a net amount of \$112,558 as of June 30, 2009. 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 22 to 24 of this report.

Beyond FY2008-09

The San Mateo County Narcotics Task Force (NTF) will receive the State of California's Anti-Drug Abuse/Byrne Grant in the amount of \$384,315. The operational period for this grant is from July 1, 2009 to June 30, 2010. The funds received will be used to supplement existing revenue sources for FY 2009/2010 and will be used in the following areas:

- Overtime expenses for Agents from City, Sheriff's Office, Probation, and a State BNE Supervisor assigned to the NTF
- Surveillance and Safety Equipment
- Mandatory Grant Related Audit Expenses

The NTF has been designated an Initiative of the Northern California High Intensity Drug Trafficking Area (NCHIDTA). The 2010 HIDTA award is \$112,140. The funds will be used to supplement the NTF's existing revenue sources for FY 2009/2010. It will be used in the following areas:

- Overtime expenses for City, Sheriff's Office, BNE Supervisor, and the San Mateo County Probation Officer assigned to the NTF
- Training and travel expenses
- Rent – NTF Warehouse Space
- Vehicle Lease
- Agent cell phones and service

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

Beyond FY2008-2009 (continued)

The NTF once again enrolled in the California Multi-Jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) Grant Program. The grant award amount for FY 2009/2010 will be \$ 387,930. The operational period for this grant is from July 1, 2009 to June 30, 2010. The funds received will again be used to fund one agent and supplement related overtime. The supplemental funding will be used in the following areas:

- Overtime expenses for City, Sheriff's Office, and the San Mateo County Probation Officer assigned to the NTF
- Salary and benefit expenses for one Sheriff's Deputy while assigned to the NTF Cal-MMET Grant Program

The NTF will participate in the Drug Enforcement Administration's (DEA) Domestic Cannabis Eradication/Suppression Program (DCESP). Annually, the NTF seeks participation in the program to defray the costs relating to the eradication and suppression of illicit marijuana. The SMCNTF was awarded \$ 30,000 for Calendar Year 2009. The funds will be used to supplement the NTF's existing revenue sources for FY 2009/2010. The supplemental funding will be used in the following areas:

- Overtime expenses for City, Sheriff's Office, and the San Mateo County Probation Officer assigned to the NTF
- Training and travel expenses
- Demand Reduction

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, 2009

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 1(c) and 2)	\$ 2,156,851
Securities lending collateral (Note 2 (g))	151,532
Accounts receivable, net	13,861
Interest receivable	14,108
Deposit and prepaid expenses (Note 1(c))	4,000
Total Assets	<u>2,340,352</u>
Liabilities	
Accounts payable	201,150
Securities lending collateral due (Note 2 (g))	151,532
Total Liabilities	<u>352,682</u>
Net Assets	
Unrestricted	<u><u>\$ 1,987,670</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, 2009

	<u>Governmental Activities</u>
Expenses	
Salaries & benefits	\$ 3,391,775
Supplies & general operating expenses	45,473
Membership dues	75
Repair and maintenance	28,532
Rent (Note 7)	81,577
Employee training	23,033
Contract and professional services	26,366
Special investigation	40,817
Telephone and pager	41,897
Other services	164,474
Total Program Expenses	<u>3,844,019</u>
 Program Revenues	
Operating grants and contributions	3,859,108
Forfeiture funds (Note 4 (b))	810,374
Other	27,916
Total Program Revenues	<u>4,697,398</u>
Net Program Revenue	853,379
 General Revenues (Expenses)	
Securities lending activities:	
Securities lending income	1,846
Securities lending expense	(1,429)
Investment earnings (Note 4 (c))	(40,930)
Miscellaneous	431
Total General Revenues (Expenses)	<u>(40,082)</u>
Change in Net Assets	813,297
Net Assets - Beginning	<u>1,174,373</u>
Net Assets - Ending	<u><u>\$ 1,987,670</u></u>

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, 2009

	<u>Cities</u>	<u>Justice Forfeitures</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents (Note 1(c) and 2)	\$ 792,479	\$ 1,198,960	\$ 165,412	\$ 2,156,851
Securities lending collateral (Note 2 (g))	55,677	83,769	12,086	151,532
Receivables:				
Accounts	-	13,861	-	13,861
Interest	4,292	8,164	1,652	14,108
Due from other funds (Note 6)	-	-	37,674	37,674
Deposit and prepaid expenses (Note 1(c))	4,000	-	-	4,000
Total Assets	<u>\$ 856,448</u>	<u>\$ 1,304,754</u>	<u>\$ 216,824</u>	<u>\$ 2,378,026</u>
Liabilities				
Due to other funds (Note 6)	\$ -	\$ 37,674	\$ -	\$ 37,674
Accounts payable	189,354	7,172	4,624	201,150
Securities lending collateral due (Note 2 (g))	55,677	83,769	12,086	151,532
Total Liabilities	<u>245,031</u>	<u>128,615</u>	<u>16,710</u>	<u>390,356</u>
Fund Balances (Note 3)				
Nonspendable	4,000	-	-	4,000
Assigned	607,417	1,176,139	200,114	1,983,670
Total Fund Balances	<u>611,417</u>	<u>1,176,139</u>	<u>200,114</u>	<u>1,987,670</u>
Total Liabilities and Fund Balances	<u>\$ 856,448</u>	<u>\$ 1,304,754</u>	<u>\$ 216,824</u>	<u>\$ 2,378,026</u>

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, 2009

	<u>Sheriff's</u>	<u>Cities</u>	<u>Justice Forfeitures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues (Note 4)					
Supports	\$ 2,299,037	\$ 1,014,317	\$ 54,270	\$ 491,484	\$ 3,859,108
Forfeitures	-	-	674,377	135,997	810,374
Investment earnings	-	(26,012)	(9,223)	(5,695)	(40,930)
Securities lending income	-	678	1,020	148	1,846
Other	9,356	683	12,327	5,550	27,916
Total Revenues	<u>2,308,393</u>	<u>989,666</u>	<u>732,771</u>	<u>627,484</u>	<u>4,658,314</u>
Expenditures					
Salaries & benefits	2,061,747	734,738	70,600	524,690	3,391,775
Supplies & general operating expenses	21,553	13,241	-	10,679	45,473
Membership dues	75	-	-	-	75
Repair and maintenance	9,161	6,706	-	12,665	28,532
Rent (Note 7)	34,608	34,608	-	12,361	81,577
Employee training	1,353	7,905	-	13,775	23,033
Contract and professional services	9,169	7,615	-	9,582	26,366
Special investigation	40,817	-	-	-	40,817
Telephone and pager	23,366	13,720	-	4,811	41,897
Other services	106,544	46,579	-	11,351	164,474
Securities lending expenditures	-	525	789	115	1,429
Total Expenditures	<u>2,308,393</u>	<u>865,637</u>	<u>71,389</u>	<u>600,029</u>	<u>3,845,448</u>
Excess of Revenues Over Expenditures	-	124,029	661,382	27,455	812,866
Other Financing Source					
Sale of property	-	-	-	431	431
Net Change in Fund Balances	-	124,029	661,382	27,886	813,297
Fund Balances - Beginning	-	487,388	514,757	172,228	1,174,373
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 611,417</u>	<u>\$ 1,176,139</u>	<u>\$ 200,114</u>	<u>\$ 1,987,670</u>

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

San Mateo County Narcotics Task Force

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2009

	<u>DARE</u> <u>Fund</u>
Assets	
Cash and cash equivalents (Note 1(c) and 2)	\$ 23,195
Securities lending collateral (Note 2 (g))	1,630
Interest receivable	120
Total Assets	<u>\$ 24,945</u>
Liabilities	
Accounts payable	\$ 23,315
Securities lending collateral held (Note 2 (g))	1,630
Total Liabilities	<u>\$ 24,945</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, 2009

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 nine separate units/funds based on specified activities or objectives. Those units/funds are as follows: Sheriff's Office Appropriation, Cities, State Forfeitures, Drug Awareness Resistance Education (DARE), Justice Forfeitures, Treasury Forfeitures, Marijuana, Anti-Drug Abuse Enforcement Program (formerly referred to as the Byrne Grant), and the California Multi-Jurisdictional Methamphetamine Enforcement Team Program (Cal-MMET).

(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.

Except for the Dare Fund the financial transactions of the NTF are accounted for in Special Revenue Funds, as monies received are legally restricted to specific uses. Monies allocated and disbursed to the Special Revenue Funds can be expended only for purposes authorized under the Agreement, grant agreements and agreements with other agencies. The Dare Fund is an agency fund used to account for assets held by the NTF as an agent for various local governments.

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.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund: 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.

Justice Forfeitures Fund: The Justice Forfeitures 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 fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be *available* when they are collectible within six months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Since the County of San Mateo holds title to capital assets purchased by the NTF (see Note 5), any capital asset acquisitions financed by the NTF are expensed.

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.

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, they are categorized as nonspendable fund balance as presented on the fund financial statements' balance sheet.

(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. 54

The NTF early implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

2. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

Cash is pooled with other funds in the San Mateo County Investment Pool (County Pool) managed by the County Treasurer. Interest earned is received quarterly. Cash and cash equivalents in the County Pool are reported at fair value. The fair value is reported at amounts based upon the NTF's pro-rated share of the fair value provided by the Treasurer for the entire County Pool portfolio. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings.

At fiscal year-end, the fair value of cash and cash equivalents approximated book value.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND CASH EQUIVALENTS (continued)

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer (Treasurer). The County Pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and the County's investment policy. The objectives of this policy in order of priority are: safety, liquidity, yield, and public trust. The County has established an oversight committee to monitor the management of public funds in the County Pool in accordance with California Government Code. The NTF is a voluntary participant in the County Pool.

b) Authorized Investments of the County Pool

The County Pool's Investment Policy and the California Government Code allow the County 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 Pool and California Government Code that address interest rate risk, credit risk, and concentrations of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
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	-	30	10
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	-	-	10	5
Mortgage backed securities	5 years	A	20	5

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND CASH EQUIVALENTS (continued)

At June 30, 2009, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
U.S. government securities:				
Not on securities loan	0.06 - 2.00%	7/16/09 - 4/30/14	1.58	AAA
Loaned securities for cash collateral	0.29 - 1.875%	9/10/09 - 4/30/14	0.24	AAA
U.S. government agency securities:				
Not on securities loan	0.12 - 4.875%	7/1/09 - 5/15/14	0.72	AAA
Loaned securities for cash collateral	2.375%	5/28/10	0.90	AAA
Floating rate	0.912 - 0.937%	7/28/09 - 8/5/11	0.97	AAA
Corporate bonds	2.95 - 4.79%	8/4/10 - 6/1/14	3.98	AAA, AA+, AA, A
Floating rate securities :				
Not on securities loan	0.862 - 3.006%	7/29/09 - 5/21/12	0.95	AA, AA-, A+,A,A-
Loaned securities for cash collateral	1.48%	1/29/10	0.58	AA, AA-, A+,A,A-
FDIC-Temporary Liquidity Guarantee Program CB:				
Not on securities loan	1.70 - 3.00%	12/23/10 - 12/9/11	1.71	AAA
Loaned securities for cash collateral	3.00%	12/9/11	2.44	AAA
FDIC - Temporary Liquidity Guarantee Program CB-floating rate	2.816%	12/9/10	1.44	AAA
FDIC-Temporary Liquidity Guarantee Program CP	0.24 - 0.40%	7/1/09 - 8/13/09	0.03	AA+
Repurchase agreements	-	7/1/09	-	AAA

c) County Pool: Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the County's investment policy limit the County's investments in commercial paper to the rating of A-1 or better by Standard & Poor's, or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or higher by both Standard & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries.

d) County Pool: Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County Pool's investment in a single issuer of securities. For each authorized investment type, state law restricts the maximum percentages allowed in the portfolio and per issuer. See Note 2(b). As of June 30, 2009, the investment pool has more than 5% of its total investments with the following issuers: 19% in Federal National Mortgage Association and 19% in Federal Home Loan Mortgage Corporation.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND CASH EQUIVALENTS (continued)

e) County Pool: Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2009, the investment pool had a weighted average maturity of one year and its investment in floating rate securities was \$331 million. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

f) County Pool: Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair values of an investment or deposit. The County Investment Policy does not include specific provisions to address foreign currency risk as it does not hold foreign securities.

g) Securities Lending Activity

State statutes and the County Investment Policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank (Custodian) to lend up to 20% of the portfolio within the established guidelines. The custodial agreement with the County's Custodian authorizes the Custodian to loan securities in the County investment portfolio under such terms and conditions as the County's Custodian deems advisable and to permit the loaned securities to be transferred into the name of the borrowers. The loaned securities represent securities on loan to brokers or dealers or other borrowers by the County's investment pool. The County receives a fee from the borrower for the use of the loaned securities. If the loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with other securities of the same issuer, class and denomination, or if such securities are not available on the open market, the County's Custodian is required to credit the County's account with the market value of such unreturned loaned securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or the borrowers.

The loaned securities as of June 30, 2009, consisted of U.S. Treasury securities, U.S. government agency securities, and corporate notes. In return, the County receives collateral in the form of cash equal to at least 102% of the transferred securities plus accrued interest for reinvestment. The County authorized Bank of New York Mellon Corporation (BONY), the County's Custodian, to invest in only U.S. Treasury securities and U.S. Federal Agency securities. All of the County's collaterals were invested in repurchase agreements, collateralized by U.S. Treasury securities, with a weighted average maturity of one day as of June 30, 2009. The County does not match the maturities of investments made with cash collateral with the securities on loan.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND CASH EQUIVALENTS (continued)

As of June 30, 2009, the NTF's pro-rated share of underlying securities loaned by the County investment Pool amounted to \$152,983. The NTF's pro-rated share of cash collateral as of June 30, 2009 amounted to \$153,162, of which \$1,630 is reported in the fiduciary agency fund and \$151,532 in the governmental funds. The cash collateral provided by the counterparty was 100% of the fair value of the securities lent, and was invested in repurchase agreements. The cash collateral provided did not meet the 102% collateralization policy due to daily market fluctuations on the securities lent. On July 2, 2009, BONY increased the collateral amount to meet the 102% requirement. The NTF has no exposure to credit risk related to the securities lending transactions as of June 30, 2009, because the market value of the invested cash collateral exceeds that of the borrowed securities. Repurchase agreements from securities lending collateral are unrated.

3. FUND BALANCE

As prescribed by GASB Statement 54, governmental funds report fund balance in classifications based primarily on the extent to which the NTF is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2009, fund balance for governmental funds consists of the following classifications:

- (a) *Nonspendable Fund Balance*- includes amounts that are (i) not in spendable form or (ii) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as deposits.
- (b) *Assigned Fund Balance* - comprises amounts intended to be used by the NTF for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the NTF's Board of Directors or (b) a body (for example: a budget or finance committee) or official to which the NTF's Board of Directors has delegated the authority to assign amounts to be used for specific purposes.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, assigned fund balance is depleted first.

As of June 30, 2009, fund balance reported on the *Balance Sheet* on page 10 includes:

Nonspendable	
Deposits	\$ 4,000
Assigned	1,983,670
Total Fund Balance (page 10)	\$ 1,987,670

**SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

4. 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) Investment Earnings

Interest is received quarterly from the County Treasurer on investments made by the NTF in the County Pool. Interest is recorded in the year it is earned and is available to pay current liabilities. Investment earnings include a loss of \$87,929 relating to funds invested by the County Pool in Lehman Brothers Holding Inc. (Lehman). On October 1, 2008, the County Pool incurred charges of \$155 million associated with investments relating to Lehman, which in September 2008 had filed a petition under Chapter 11 of the U.S. Bankruptcy Code. The \$155 million charge for the Lehman investment write-off was shared among the pool participants based on their respective average daily cash balance relative to that of the County Pool. The NTF's pro-rated share of this one-time charge was \$87,929.

5. CAPITAL OUTLAYS

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

6. INTERFUND TRANSACTIONS

The non-major State Forfeitures Fund paid overtime expenditures for the OCDEFT Grant on behalf of the Justice Forfeitures Fund.

Receivable Fund	Payable Fund	Amount
Non-major State Forfeitures Fund	Justice Forfeitures Fund	\$ 37,674

**SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

7. OBLIGATION UNDER OPERATING LEASE

The NTF is obligated under a rental agreement to account for 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 rent payments:

Year Ending June 30,	Rental Payment	Sublease Rental Income	Net Rental Payment
2010	51,912	34,608	17,304

Rent expenditure under the operating lease for fiscal year ended June 30, 2009 was \$69,216.

8. 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, 2010. 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 four fiscal years and there has not been a significant reduction in coverage in fiscal year 2008-09.

9. COMMITMENTS AND CONTINGENCIES

Grants

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.

Pending Litigation

The NTF is a defendant in a lawsuit which has been filed during audit period. A negative outcome in this case for the NTF is unlikely, but possible. An estimate of the possible loss or range of loss cannot be made to date.

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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Supports	\$ 2,450,687	\$ 2,450,687	\$ 2,299,037	\$ (151,650)
Other	-	-	9,356	9,356
Total Revenues	<u>2,450,687</u>	<u>2,450,687</u>	<u>2,308,393</u>	<u>(142,294)</u>
Expenditures				
Salaries & benefits	2,168,633	2,168,633	2,061,747	106,886
Supplies & general operating expenses	29,820	29,820	21,553	8,267
Membership dues	250	250	75	175
Repair and maintenance	15,925	15,925	9,161	6,764
Rent	34,608	34,608	34,608	-
Employee training	1,750	1,750	1,353	397
Contract and professional services	6,115	6,115	9,169	(3,054)
Special investigation	50,000	50,000	40,817	9,183
Telephone and pager	16,519	16,519	23,366	(6,847)
Other services	127,067	127,067	106,544	20,523
Total Expenditures	<u>2,450,687</u>	<u>2,450,687</u>	<u>2,308,393</u>	<u>142,294</u>
Excess of Revenues Over Expenditures/ Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balances - Beginning			-	
Fund Balances - Ending			<u>\$ -</u>	

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (Note 1)	Final Budget Positive (Negative)
Revenues				
Supports	\$ 551,484	\$ 551,484	\$ 529,524	\$ (21,960)
Investment earnings	24,000	24,000	(25,859)	(49,859)
Other	-	-	683	683
Total Revenues	<u>575,484</u>	<u>575,484</u>	<u>504,348</u>	<u>(71,136)</u>
Expenditures				
Salaries & benefits	60,890	60,890	60,890	-
Agency rebates (Note 2)	189,055	189,055	189,055	-
Supplies & general operating expenses	20,900	20,900	13,241	7,659
Repair and maintenance	15,925	15,925	6,706	9,219
Membership dues	250	250	-	250
Rent	34,608	34,608	34,608	-
Employee training	8,250	8,250	7,905	345
Contract and professional services	6,115	6,115	7,615	(1,500)
Special investigation	50,000	50,000	-	50,000
Telephone and pager	11,760	11,760	13,720	(1,960)
Other services	60,081	60,081	46,579	13,502
Total Expenditures	<u>457,834</u>	<u>457,834</u>	<u>380,319</u>	<u>77,515</u>
Excess of Revenues Over Expenditures/ Net Change in Fund Balances	<u>\$ 117,650</u>	<u>\$ 117,650</u>	124,029	<u>\$ 6,379</u>
Fund Balances - Beginning			<u>467,854</u>	
Fund Balances - Ending			<u>\$ 591,883</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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Supports	\$ 90,000	\$ 90,000	\$ 155,818	\$ 65,818
Forfeitures	100,000	100,000	810,374	710,374
Investment earnings	25,000	25,000	(14,918)	(39,918)
Other	21,000	21,000	17,877	(3,123)
Total Revenues	<u>236,000</u>	<u>236,000</u>	<u>969,151</u>	<u>733,151</u>
Expenditures				
Salaries & benefits	85,000	85,000	208,354	(123,354)
Supplies & general operating expenses	14,500	14,500	10,679	3,821
Repair and maintenance	33,500	33,500	12,665	20,835
Rent	12,001	12,001	12,361	(360)
Employee training	11,650	11,650	13,775	(2,125)
Contract and professional services	6,714	6,714	6,582	132
Telephone and pager	6,000	6,000	4,811	1,189
Other services	3,964	3,964	11,353	(7,389)
Total Expenditures	<u>173,329</u>	<u>173,329</u>	<u>280,580</u>	<u>(107,251)</u>
Excess of Revenues Over Expenditures	62,671	62,671	688,571	625,900
Other Financing Source				
Sale of property	2,000	2,000	431	(1,569)
Net Change in Fund Balances	<u>\$ 64,671</u>	<u>\$ 64,671</u>	689,002	<u>\$ 624,331</u>
Fund Balances - Beginning			<u>686,985</u>	
Fund Balances - Ending			<u>\$ 1,375,987</u>	
Reconciliation of budgetary basis to the Statement of Revenues, Expenditures and Changes in Fund Balances on page 11:				
Net Change in Fund Balance - budgetary basis (from above)			\$ 689,002	
Net change in fund balance for the non-major State Forfeitures Fund (see note below)			27,948	
Net change in fund balance for the non-major Treasury Forfeitures Fund (see note below)			(62)	
Net Change in Fund Balance - GAAP basis for major funds			<u>\$ 661,116</u>	
Net change in fund balance - Justice Forfeitures Fund			661,382	
Securities lending transactions not included in budgetary basis			(266)	
			<u>\$ 661,116</u>	

(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 major fund (Justice Forfeitures) as well as the non-major State Forfeitures and Treasury Forfeitures Funds.

The accompanying notes are an integral part of this schedule

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

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), the 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 for the Cities Fund as presented on page 23 to the *Statements of Revenues, Expenditures and Changes in Fund Balances* on page 11 for revenues, expenditures and fund balance:

Explanation of difference between budgetary revenues and GAAP revenues:

Actual amount “Total Revenues” (budgetary basis)	\$ 504,348
Securities lending income not included in budgetary basis	678
Portion of interest income earned on securities lending transactions	(153)
Personnel services contributed by cities recognized as revenue net of rebates per GAAP	484,793
Total Revenues as reported on the Statements of Revenues, Expenditures and Changes in Fund Balances	\$ 989,666

**SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

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

Explanation of difference between budgetary expenditures and GAAP expenditures:

Actual amount "Total Expenditures" (budgetary basis)	\$ 380,319		
Securities lending expense not included in budgetary basis	525		
Cost of contributed personnel services net of rebates recognized as salaries and benefits expense per GAAP	484,793		
Total Expenditures as reported on the Statements of Revenues, Expenditures and Changes in Fund Balances	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 865,637</td> </tr> </table>		\$ 865,637
	\$ 865,637		

The amount reported in the Cities Fund as fund balance on the budgetary basis of accounting on page 23 differs from the fund balance reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* on page 11 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 Fund expenditures for contract and professional services exceeded the budgeted amount by \$3,054. This variance is due to certain Interagency Agreements expenditures not being budgeted by the Sheriff's Office. Expenditures for telephone and pager exceeded the budgeted amount by \$6,847. This variance is due to unanticipated telephone service charges. Total expenditures for the Sheriff's Fund reflect a favorable variance of \$142,294.

The Forfeiture Funds expenditures for salaries and benefits exceeded the budgeted amount by \$123,354. This variance relates to overtime on special investigations that were reimbursed by HIDTA and OCDETF. Expenditures for other services exceeded the budgeted amount by \$7,389. This variance is due to expenditures for a motor vehicle lease that was not budgeted for but was reimbursed with HIDTA funds. There were also minor unfavorable variances in the rent and employee training expenditures. All reimbursements are included in revenues.

The Cities Fund expenditures for contract and professional services exceeded the budgeted amount by \$1,500. This variance is due to certain Interagency Agreements expenditures not being budgeted by the Sheriff's Office. Expenditures for telephone and pager exceeded the budgeted amount by \$1,960. This variance is due to unanticipated telephone service charges. Total expenditures for the Cities Fund reflect a favorable variance of \$77,515.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

State Forfeitures Fund: The State Forfeitures Fund separately tracks 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. This fund also accounts for the Northern California High Intensity Drug Trafficking Area (HIDTA) grant received.

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.

Cal-MMET Program Fund: This fund separately tracks funds received from the Governor's Office of Emergency Services (OES) California Multi-Jurisdictional Methamphetamine Enforcement Team Program for the purpose of supporting the NTF's effort to interdict the flow of methamphetamine throughout the County. Funds are spent in accordance with a preauthorized budget approved by OES and the guidelines in the *OES Recipient Handbook* (2008 version).

San Mateo County Narcotics Task Force

Balance Sheet Nonmajor Governmental Funds June 30, 2009

	<u>State Forfeitures</u>	<u>Treasury Forfeitures</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents (Note 1(c) and 2)	\$ 163,583	\$ 1,829	\$ 165,412
Due from other funds (Note 6)	37,674	-	37,674
Securities lending collateral (Note 2 (g))	11,958	128	12,086
Interest receivable	1,642	10	1,652
Total Assets	<u>\$ 214,857</u>	<u>\$ 1,967</u>	<u>\$ 216,824</u>
Liabilities			
Accounts payable	\$ 4,624	\$ -	\$ 4,624
Securities lending collateral due (Note 2 (g))	11,958	128	12,086
Total Liabilities	<u>16,582</u>	<u>128</u>	<u>16,710</u>
Fund Balances (Note 3)			
Assigned	<u>198,275</u>	<u>1,839</u>	<u>200,114</u>
Total Fund Balances	<u>198,275</u>	<u>1,839</u>	<u>200,114</u>
Total Liabilities and Fund Balances	<u>\$ 214,857</u>	<u>\$ 1,967</u>	<u>\$ 216,824</u>

Note: There were no assets or liabilities to report for the nonmajor Marijuana, Anti-Drug Abuse Enforcement Program (Byrne Grant) or Cal-MMET 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, 2009

	State Forfeitures	Treasury Forfeitures	Marijuana	Anti-Drug Abuse Enforcement Program	Cal-MMET Program	Total Nonmajor Governmental Funds
Revenues						
Supports	\$ 101,548	\$ -	\$ 9,106	\$ 233,457	\$ 147,373	\$ 491,484
Forfeitures	135,997	-	-	-	-	135,997
Investment earnings	(5,633)	(62)	-	-	-	(5,695)
Securities lending income	146	2	-	-	-	148
Other	5,550	-	-	-	-	5,550
Total Revenues	<u>237,608</u>	<u>(60)</u>	<u>9,106</u>	<u>233,457</u>	<u>147,373</u>	<u>627,484</u>
Expenditures						
Salaries & benefits	137,754	-	9,106	231,957	145,873	524,690
Supplies & general operating expenses	10,679	-	-	-	-	10,679
Repair and maintenance	12,665	-	-	-	-	12,665
Rent	12,361	-	-	-	-	12,361
Employee training	13,775	-	-	-	-	13,775
Contract and professional services	6,582	-	-	1,500	1,500	9,582
Telephone and pager	4,811	-	-	-	-	4,811
Other services	11,351	-	-	-	-	11,351
Securities lending expenditures	113	2	-	-	-	115
Total Expenditures	<u>210,091</u>	<u>2</u>	<u>9,106</u>	<u>233,457</u>	<u>147,373</u>	<u>600,029</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	27,517	(62)	-	-	-	27,455
Other Financing Source						
Sale of property	431	-	-	-	-	431
Net Change in Fund Balances	27,948	(62)	-	-	-	27,886
Fund Balances - Beginning	170,327	1,901	-	-	-	172,228
Fund Balances - Ending	<u>\$ 198,275</u>	<u>\$ 1,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,114</u>

San Mateo County Narcotics Task Force

Schedule of Cities Support For the Year Ended June 30, 2009

<u>City/ Agency</u>	<u>Cash Support</u>	<u>Loaned Officer</u>	<u>Rebates</u>	<u>Total</u>
Atherton	\$ 25,238	\$ -	\$ -	\$ 25,238
Belmont	33,538	-	-	33,538
Brisbane	8,512	-	-	8,512
Broadmoor	4,804	-	-	4,804
Burlingame	44,049	-	-	44,049
Colma	3,530	-	-	3,530
Daly City	-	171,054	(38,850)	132,204
East Palo Alto	30,110	-	-	30,110
Foster City	43,647	-	-	43,647
Half Moon Bay	16,884	-	-	16,884
Hillsborough	29,810	-	-	29,810
Menlo Park	55,553	-	-	55,553
Millbrae	25,835	-	-	25,835
Pacifica	42,094	-	-	42,094
Redwood City	-	183,164	(45,010)	138,154
San Bruno	-	150,080	(58,834)	91,246
San Carlos	42,934	-	-	42,934
San Mateo	122,986	-	-	122,986
So. San Francisco	-	169,550	(46,361)	123,189
Total	<u>\$ 529,524</u>	<u>\$ 673,848</u>	<u>\$ (189,055)</u>	<u>1,014,317</u>