

SAN MATEO COUNTY NARCOTICS TASK FORCE

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

For the Fiscal Year Ended June 30, 2010

SAN MATEO COUNTY NARCOTICS TASK FORCE

June 30, 2010

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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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have issued our report dated April 18, 2011, 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
April 18, 2011

**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, 2010. 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, 2010 amounted to \$2,519,329, which is an increase of \$531,659 from prior year. Most of the increase was due to the excess of revenues over expenditures in the State Forfeitures and Justice Forfeitures Funds.
- Most of the \$2,519,329 in net assets was comprised of cash deposited in the County Treasury.
- The NTF received \$441,003 from the Department of Justice Anti-Drug Abuse Enforcement Grant (formerly Byrne Grant) and \$235,926 from the State of California Emergency Management Agency Multi-Jurisdictional Methamphetamine Enforcement Team Program (Ca-MMET Grant) during the current fiscal year.
- Revenues for governmental funds during the year totaled \$4,752,621 and comprised of supports, forfeitures, investment earnings and other revenues as follows – Sheriff's Fund: \$2,344,726; Cities Fund: \$1,059,885; Forfeitures Funds: \$647,461; Anti-Drug Abuse Enforcement (Byrne) Grant: \$441,003; Marijuana Fund: \$23,620; and Ca-MMET Grant: \$235,926. The DARE Fund, an agency fund for reporting purposes, had inflows of \$48,039.

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 State Forfeitures Fund is used to separately track 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.

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		
	2010	2009
Cash and cash equivalents	\$2,760,863	\$2,156,851
Securities lending collateral	424,649	151,532
Accounts receivable, net	2,885	13,861
Interest receivable	7,916	14,108
Deposit and prepaid expenses	<u>4,000</u>	<u>4,000</u>
Total Assets	<u>3,200,313</u>	<u>2,340,352</u>
Accounts payable	191,097	201,150
Securities lending collateral due	424,649	151,532
Due to other government	<u>65,238</u>	<u>-</u>
Total Liabilities	<u>680,984</u>	<u>352,682</u>
Total Net Assets - Unrestricted	<u><u>\$2,519,329</u></u>	<u><u>\$1,987,670</u></u>

- Total assets stand at \$3,200,313, an increase of \$859,961 or 37% compared to the previous fiscal year. This increase is mostly due to increases in cash and cash equivalents and securities lending collateral.
- Total liabilities increased by \$328,302 or 93% between fiscal years to \$680,984. This was the result of increases in securities lending collateral due and due to other government.

Changes in Net Assets		
	2010	2009
Revenues and Other Financing Sources:		
Supports – Contributions	\$4,120,339	\$3,859,108
Forfeiture funds	562,039	810,374
Investment earnings	25,179	(40,930)
Securities lending income	263	1,847
Other income	<u>44,801</u>	<u>28,346</u>
Total Revenues	<u>4,752,621</u>	<u>4,658,745</u>
Expenditures:		
Salaries & benefits	3,578,373	3,391,775
Supplies & general operating expenses	414,422	329,850
Rent expense	91,254	81,577
Securities lending expenses	207	1,429
Capital outlay	78,416	-
Special investigation	<u>58,290</u>	<u>40,817</u>
Total Expenses	<u>4,220,962</u>	<u>3,845,448</u>
Change in Net Assets	531,659	813,297
Net assets - July 1	<u>1,987,670</u>	<u>1,174,373</u>
Net assets - June 30	<u><u>\$ 2,519,329</u></u>	<u><u>\$1,987,670</u></u>

- Revenues earned during the current period were \$4,752,621, an increase of \$93,876 or 2% compared to the prior fiscal year. This was the result of increases in investment earnings and supports-contributions (grants) offset with a decrease in forfeitures funds.
- Total expenditures incurred during the year amounted to \$4,220,962 for an increase of \$375,514 or 10%. Most of the increase was due to increases in salaries & benefits packages of agents, supplies & general operating expenses, capital outlay (equipment) and special investigation.

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

Budgetary Analysis

	Final Budgeted Expenditures	Actual Expenditures	Variance
Sheriff's Fund	\$ 2,280,387	\$ 2,344,726	\$ (64,339)
Cities Fund	484,800	432,819	51,981
Forfeitures Funds	248,316	161,044	87,272
	\$ 3,013,503	\$ 2,938,589	\$ 74,914

Total actual expenditures for the major funds were less than the final budget by a net amount of \$74,914 as of June 30, 2010. 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 budgetary comparison statements can be found on pages 22 to 24 of this report.

Beyond FY2009-10

The San Mateo County Narcotics Task Force (NTF) will receive the State of California's Anti-Drug Abuse (Byrne Grant) in the amount of \$278,948. The operational period for this grant is from July 1, 2010 to June 30, 2011. The funds received will be used to supplement existing revenue sources for FY 2010/2011 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 2011 HIDTA award is \$124,000. The funds will be used to supplement the NTF's existing revenue sources for FY 2010/2011. It will be used in the following areas:

- Overtime expenses for law enforcement officers assigned to the NTF
- Training and travel expenses
- Rent – NTF Warehouse Space
- Vehicle Lease
- Agent cell phones and service
- Supplies

The NTF enrolled in the California Multi-Jurisdictional Methamphetamine Enforcement Teams (Ca-MMET) Grant Program. As of the issuance of this report, the Ca-MMET Grant Program awarded \$66,176 for the period January 1, 2011 to March 31, 2011. Another deposit is expected in FY11/12 for April to June 2011. The funds received will be used to supplement the salary, benefits and overtime expenses for one Sheriff's officer.

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

Beyond FY2009-10 (continued)

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 NTF was awarded \$30,000 for Calendar Year 2011. The funds will be used to supplement the NTF's existing revenue sources for FY 2010/2011. 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
- Supplies

The NTF will receive funds from the American Recovery and Reinvestment Act of 2009 for the Byrne Grant and Cal-MMET Grant Programs in the amounts of \$492,869 and \$58,042, respectively. The operational period for these grants is from March 1, 2010 to March 31, 2012. The funds received will be used to supplement existing revenue sources for FY 2010/2011 and will be used in the following areas:

- Surveillance equipment
- Computers
- One city officer's Salary, benefits and overtime for all City officers , audit fees, one Vehicle and other surveillance equipment

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, 2010

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 1(c) and 2)	\$ 2,760,863
Securities lending collateral (Note 2 (g))	424,649
Accounts receivable, net	2,885
Interest receivable	7,916
Deposit and prepaid expenses (Note 1(c))	4,000
Total Assets	<u>3,200,313</u>
Liabilities	
Accounts payable	191,097
Securities lending collateral due (Note 2 (g))	424,649
Due to other government	65,238
Total Liabilities	<u>680,984</u>
Net Assets	
Unrestricted	<u><u>\$ 2,519,329</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, 2010

	<u>Governmental Activities</u>
Expenses	
Salaries & benefits	\$ 3,578,373
Supplies & general operating expenses	87,268
Repair and maintenance	50,928
Rent (Note 6)	91,254
Employee training	17,051
Contract and professional services	22,161
Special investigation	58,290
Telephone and pager	31,807
Capital outlay	78,416
Other services	205,207
Total Program Expenses	<u>4,220,755</u>
Program Revenues	
Operating grants and contributions	4,120,339
Forfeiture funds (Note 4 (b))	562,039
Other	44,801
Total Program Revenues	<u>4,727,179</u>
Net Program Revenue	506,424
General Revenues (Expenses)	
Securities lending activities:	
Securities lending income	263
Securities lending expense	(207)
Investment earnings (Note 4 (c))	25,179
Total General Revenues (Expenses)	<u>25,235</u>
Change in Net Assets	531,659
Net Assets - Beginning	<u>1,987,670</u>
Net Assets - Ending	<u><u>\$ 2,519,329</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, 2010

	<u>Cities</u>	<u>Justice Forfeitures</u>	<u>State Forfeitures</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents (Note 1(c) and 2)	\$ 840,700	\$ 1,487,291	\$ 431,020	\$ 1,852	\$ 2,760,863
Securities lending collateral (Note 2 (g))	129,309	228,760	66,295	285	424,649
Receivables:					
Accounts	-	2,885	-	-	2,885
Interest	2,130	4,712	1,069	5	7,916
Due from other funds	3,056	-	4,905	-	7,961
Deposit and prepaid expenses (Note 1(c))	4,000	-	-	-	4,000
Total Assets	<u>\$ 979,195</u>	<u>\$ 1,723,648</u>	<u>\$ 503,289</u>	<u>\$ 2,142</u>	<u>\$ 3,208,274</u>
Liabilities					
Due to other funds	\$ 4,001	\$ 7,970	\$ 61,228	\$ -	\$ 73,199
Accounts payable	189,082	299	1,716	-	191,097
Securities lending collateral due (Note 2 (g))	129,309	228,760	66,295	285	424,649
Total Liabilities	<u>322,392</u>	<u>237,029</u>	<u>129,239</u>	<u>285</u>	<u>688,945</u>
Fund Balances (Note 3)					
Nonspendable	4,000	-	-	-	4,000
Assigned	652,803	1,486,619	374,050	1,857	2,515,329
Total Fund Balances	<u>656,803</u>	<u>1,486,619</u>	<u>374,050</u>	<u>1,857</u>	<u>2,519,329</u>
Total Liabilities and Fund Balances	<u>\$ 979,195</u>	<u>\$ 1,723,648</u>	<u>\$ 503,289</u>	<u>\$ 2,142</u>	<u>\$ 3,208,274</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, 2010

		Sheriff's	Cities	Justice Forfeitures	State Forfeitures	Other Governmental Funds	Total Governmental Funds
Revenues (Note 4)							
Supports	\$	2,308,170	\$ 1,052,090	\$ 2,946	\$ 56,584	\$ 700,549	\$ 4,120,339
Forfeitures		-	-	292,491	269,548	-	562,039
Investment earnings		-	7,715	14,611	2,835	18	25,179
Securities lending income		-	80	142	41	-	263
Other		36,556	-	3,527	4,718	-	44,801
Total Revenues		2,344,726	1,059,885	313,717	333,726	700,567	4,752,621
Expenditures							
Salaries & benefits		2,135,228	838,628	2,946	61,887	539,684	3,578,373
Supplies & general operating expenses		20,383	8,725	-	1,335	56,825	87,268
Repair and maintenance		12,245	5,666	179	10,648	22,190	50,928
Rent (Note 6)		34,608	34,608	-	22,038	-	91,254
Employee training		3,408	4,079	-	9,564	-	17,051
Contract and professional services		7,055	5,663	-	6,009	3,434	22,161
Special investigation		-	48,390	-	9,900	-	58,290
Telephone and pager		13,284	6,807	-	11,716	-	31,807
Other services		118,515	61,870	-	24,822	-	205,207
Capital outlay (Note 5)		-	-	-	-	78,416	78,416
Securities lending expenditures		-	63	112	32	-	207
Total Expenditures		2,344,726	1,014,499	3,237	157,951	700,549	4,220,962
Net Change in Fund Balances		-	45,386	310,480	175,775	18	531,659
Fund Balances - Beginning		-	611,417	1,176,139	198,275	1,839	1,987,670
Fund Balances - Ending	\$	-	\$ 656,803	\$ 1,486,619	\$ 374,050	\$ 1,857	\$ 2,519,329

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, 2010

	<u>DARE</u> <u>Fund</u>
Assets	
Cash and cash equivalents (Note 1(c) and 2)	\$ 48,040
Securities lending collateral (Note 2 (g))	7,389
Interest receivable	109
Total Assets	<u>\$ 55,538</u>
Liabilities	
Securities lending collateral held (Note 2 (g))	\$ 7,389
Fiduciary liabilities	48,149
Total Liabilities	<u>\$ 55,538</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, 2010

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 ten 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), Anti-Drug Abuse Enforcement Program – American Recovery and Reinvestment Act (ARRA) portion, and the California Multi-Jurisdictional Methamphetamine Enforcement Team Program (CaMMET).

(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, 2010

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 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 the *Guide to Equitable Sharing for Foreign Countries and Federal, State and Local Law Enforcement Agencies* (April 2009 version).

State Forfeitures Fund: 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.

(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, 2010

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.

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.

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.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. CASH AND CASH EQUIVALENTS (continued)

(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, 2010

2. CASH AND CASH EQUIVALENTS (continued)

At June 30, 2010, 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 – U.S. Treasury Bills	0.096%	7/1/10 - 11/18/10	0.11	AAA
Not on securities loan – U.S. Treasury Notes	2.000 – 2.125%	7/1/10 - 5/31/15	0.54	
Loaned securities for cash collateral	0.096 – 0.248%	7/15/10 - 9/23/10	0.06	AAA
U.S. government agency securities:				
Not on securities loan	0.172 - 2.375%	8/30/10 - 7/28/15	1.42	AAA
Loaned securities for cash collateral	1.000 - 1.750%	12/15/11 - 5/7/13	2.01	AAA
U.S. government agency securities - floating rate	0.240 - 0.294%	10/27/10 - 5/1/12	1.09	AA, AA-, A+, A, A -
Corporate bonds				
Not on securities loan	1.375 - 5.900%	8/1/12 - 6/29/15	3.97	AA, AA-, A+, A, A -
Loaned securities for cash collateral	3.500%	6/29/15	5.00	AA, AA-, A+, A, A -
Floating rate securities	0.406 - 0.554%	8/17/10 - 1/24/12	1.02	AA, AA-, A+, A, A -
FDIC - Temporary Liquidity Guarantee Program (Corporate Bond)	1.70% - 1.85%	12/23/10 - 3/15/11	0.64	AAA
FDIC - Temporary Liquidity Guarantee Program (Corporate Bond) - floating rate	1.167%	12/9/10	0.44	AAA
Certificate of Deposit	0.604%	1/19/12	1.56	AA+
Repurchase agreements	0.01%	7/1/10	-	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. 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 A1 or better by Standards & Poor's or P-1 or better 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 or higher by both Standards & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries. The County Investment Pool was rated AAAs/S1 by Standard and Poor's.

Standard & Poor's, Fitch Ratings and Moody's Investors Service are major rating agencies that issue opinions on the quality of securities, which investors and investment managers may consider when assessing risk

(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, 2010, the investment pool has more than 5% of its total investments with the following issuers: 10% in Federal Home Loan Bank, 12% in Federal Home Loan Mortgage Corporation and 10% in Federal National Mortgage Association. Remainder of investments has less than five percent of the total investment with one issuer.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. CASH AND CASH EQUIVALENTS (continued)

(e) County Pool: Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate 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, 2010, the County Pool had a weighted average maturity of one year and its investment in floating rate securities were \$125 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 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 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, 2010, consisted of U.S. Treasury securities, U.S. government agency securities and corporate bonds. 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. Collateral in the form of U.S. Treasury or Government Securities may not equal 102%, but should at least equal the value of transferred securities. The County authorized Bank of New York Mellon Corporation (BONY), the County's Custodian, to invest cash collateral in the following instruments:

- a. Securities issued or fully guaranteed by the U.S. Government and any agency, instrumentality, or establishment of the U.S. Government;
- b. High-grade commercial paper, notes, bonds, and other debt obligations, including promissory notes, funding agreements and guaranteed investment contracts, whether or not registered under the Securities Act of 1993, as amended. Such obligations may have fixed, floating, or variable rate interest payment provisions. Obligations will be rated A-1 by Standard & Poor's or P-1 by Moody's if maturing within one year, or be rated A by Standard & Poor's or A2 by Moody's if maturing beyond one year;
- c. Certificates of deposit, time deposits, and other bank obligations of U.S. banks, their branches and subsidiaries, and the branches and subsidiaries of foreign banks with credit rating of at least A1 by Standard & Poor's and P-1 by Moody's; and
- d. Repurchase and reverse repurchase agreements, including the BONY, with respect to approved investments.

**SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH AND CASH EQUIVALENTS (continued)

All of the County’s collaterals were invested in repurchase agreements with a weighted average maturity of one day as of June 30, 2010. The County does not match the maturities of investments made with cash collateral with the securities on loan. As of June 30, 2010, the NTF’s pro-rated share of underlying securities loaned by the County Pool amounted to \$429,320. The NTF’s pro-rated share of cash collateral as of June 30, 2010 amounted to \$432,038, of which \$7,389 is reported in the fiduciary agency fund and \$424,649 in the governmental funds. The NTF has no exposure to credit risk to the securities lending transactions as of June 30, 2010, because the market value of the invested cash collateral exceeds that of the borrowed securities.

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, 2010, fund balances for governmental funds are made up of the following:

- (a) *Nonspendable Fund Balance*- includes amounts that are (a) not in spendable form, or (b) 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 and prepaid expenses.
- (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 (a) the NTF’s Board or (b) a body (for example: a budget or finance committee) or official to which the NTF’s Board 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, 2010, fund balance reported on the *Balance Sheet* on page 10 includes:

Nonspendable	
Deposits	\$ 4,000
Assigned	2,515,329
Total Fund Balance (page 10)	\$ 2,519,329

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.

**SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

4. REVENUES (continued)

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.

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. 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 June 30, 2015. 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 SIU portion is part of Sheriff's support. The following is a schedule of future minimum rent payments:

Year Ending June 30,	Rental Payment	Sublease Rental Income (VTTF)	Net Rental Payment	
			Sheriff's (SIU)	Cities
2011	103,824	34,608	34,608	34,608
2012	103,824	34,608	34,608	34,608
2013	103,824	34,608	34,608	34,608
2014	103,824	34,608	34,608	34,608
2015	51,912	17,304	17,304	17,304

Rent expenditure under the operating lease for fiscal year ended June 30, 2010 was \$69,216.

SAN MATEO COUNTY NARCOTICS TASK FORCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

7. 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, 2011. 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 2009-10.

8. 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 Balance - Budget and Actual For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Supports	\$ 2,280,387	\$ 2,280,387	\$ 2,308,170	\$ 27,783
Other	-	-	36,556	36,556
Total Revenues	<u>2,280,387</u>	<u>2,280,387</u>	<u>2,344,726</u>	<u>64,339</u>
Expenditures				
Salaries & benefits	2,035,629	2,035,629	2,135,228	(99,599)
Supplies & general operating expenses	29,820	29,820	20,383	9,437
Membership dues	250	250	-	250
Repair and maintenance	15,925	15,925	12,245	3,680
Rent	34,608	34,608	34,608	-
Employee training	1,750	1,750	3,408	(1,658)
Contract and professional services	7,153	7,153	7,055	98
Telephone and pager	19,995	19,995	13,284	6,711
Other services	135,257	135,257	118,515	16,742
Total Expenditures	<u>2,280,387</u>	<u>2,280,387</u>	<u>2,344,726</u>	<u>(64,339)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning			-	
Fund Balance - 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 Balance - Budget and Actual For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (Note 1)	Final Budget Positive (Negative)
Revenues				
Supports	\$ 470,470	\$ 470,470	\$ 470,473	\$ 3
Investment earnings	8,000	8,000	7,732	(268)
Other	-	-	-	-
Total Revenues	<u>478,470</u>	<u>478,470</u>	<u>478,205</u>	<u>(265)</u>
Expenditures				
Salaries & benefits	67,956	67,956	67,956	-
Agency rebates (Note 2)	189,055	189,055	189,055	-
Supplies & general operating expenses	20,900	20,900	8,725	12,175
Repair and maintenance	15,925	15,925	5,666	10,259
Membership dues	250	250	-	250
Rent	34,608	34,608	34,608	-
Employee training	8,250	8,250	4,079	4,171
Contract and professional services	7,153	7,153	5,663	1,490
Special investigation	50,000	50,000	48,390	1,610
Telephone and pager	13,497	13,497	6,807	6,690
Other services	77,206	77,206	61,870	15,336
Total Expenditures	<u>484,800</u>	<u>484,800</u>	<u>432,819</u>	<u>51,981</u>
Net Change in Fund Balance	<u>\$ (6,330)</u>	<u>\$ (6,330)</u>	45,386	<u>\$ 51,716</u>
Fund Balance - Beginning			<u>591,883</u>	
Fund Balance - Ending			<u>\$ 637,269</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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Supports	\$ 90,000	\$ 90,000	\$ 59,530	\$ (30,470)
Forfeitures	100,000	100,000	562,039	462,039
Investment earnings	24,000	24,000	17,464	(6,536)
Other	23,000	23,000	8,245	(14,755)
Total Revenues	<u>237,000</u>	<u>237,000</u>	<u>647,278</u>	<u>410,278</u>
Expenditures				
Salaries & benefits	85,000	85,000	64,833	20,167
Supplies & general operating expenses	14,500	14,500	1,335	13,165
Repair and maintenance	33,500	33,500	10,827	22,673
Rent	12,361	12,361	22,038	(9,677)
Employee training	11,650	11,650	9,564	2,086
Contract and professional services	9,633	9,633	6,009	3,624
Special Investigation	50,000	50,000	9,900	40,100
Telephone and pager	7,000	7,000	11,716	(4,716)
Other services	24,672	24,672	24,822	(150)
Total Expenditures	<u>248,316</u>	<u>248,316</u>	<u>161,044</u>	<u>87,272</u>
Net Change in Fund Balances	<u>\$ (11,316)</u>	<u>\$ (11,316)</u>	486,234	<u>\$ 323,006</u>
Fund Balances - Beginning			1,375,987	
Fund Balances - Ending			<u>\$ 1,862,221</u>	
Reconciliation of budgetary basis to the Statement of Revenues, Expenditures and Changes in Fund Balances on page 11:				
Net Change in Fund Balances - budgetary basis (from above)			\$ 486,234	
Less: Net change in fund balance for the non-major Treasury Forfeitures Fund (see note below)			(18)	
Net Change in Fund Balances - budgetary basis for major funds			<u>\$ 486,216</u>	
Net change in fund balance: Justice Forfeitures Fund - GAAP basis (page 11)			310,480	
Net change in fund balance: State Forfeitures Fund - GAAP basis (page 11)			175,775	
Securities lending transactions not included in budgetary basis			(39)	
			<u>\$ 486,216</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 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, 2010**

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 Agreement between the 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)	\$ 478,205
Securities lending income not included in budgetary basis	80
Portion of interest income earned on securities lending transactions	(17)
Personnel services contributed by cities recognized as revenue net of rebates per GAAP	581,617
Total Revenues as reported on the Statements of Revenues, Expenditures and Changes in Fund Balances	\$ 1,059,885

**SAN MATEO COUNTY NARCOTICS TASK FORCE
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010**

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

Explanation of difference between budgetary expenditures and GAAP expenditures:

Actual amount "Total Expenditures" (budgetary basis)	\$ 432,819
Securities lending expense not included in budgetary basis	63
Cost of contributed personnel services net of rebates recognized as salaries and benefits expense per GAAP	581,617
Total Expenditures as reported on the Statements of Revenues, Expenditures and Changes in Fund Balances	\$ 1,014,499

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 salaries and benefits exceeded the budgeted amount by \$99,599. This variance is due to negotiated salaries and benefits increases for agents provided by the Sheriff's Office during the year. Expenditures for employee training exceeded the budgeted amount by \$1,563. This variance is due to unanticipated training costs of agents assigned to the NTF.

The Forfeiture Funds expenditures for rent exceeded the budgeted amount by \$9,677. This variance relates to unanticipated increases in hanger rental charges that was not budgeted for but was reimbursed with HIDTA funds. Expenditures for telephone and pager exceeded the budgeted amount by \$4,716. This variance is due to unanticipated expenditures for telephone and pager that was not budgeted for but was reimbursed with HIDTA funds. There was also a minor unfavorable variance for other services. 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 2009 version).

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 State of California Emergency Management Agency (CalEMA) 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 CalEMA and the guidelines in the *CalEMA Recipient Handbook* (2008 version).

San Mateo County Narcotics Task Force

Balance Sheet Nonmajor Governmental Funds June 30, 2010

	Treasury Forfeitures
Assets	
Cash and cash equivalents (Note 1(c) and 2)	\$ 1,852
Securities lending collateral (Note 2 (g))	285
Interest receivable	5
Total Assets	\$ 2,142
Liability	
Securities lending collateral due (Note 2 (g))	\$ 285
Total Liability	285
Fund Balance (Note 3)	
Assigned	1,857
Total Fund Balance	1,857
Total Liability and Fund Balance	\$ 2,142

Note: There were no assets or liabilities to report for the nonmajor Marijuana, Anti-Drug Abuse Enforcement Program, Anti-Drug Abuse Enforcement Program-ARRA 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, 2010

	Treasury Forfeitures	Marijuana	Anti-Drug Abuse Enforcement Program	Anti-Drug Abuse Enforcement Program - ARRA	Cal-MMET Program	Total Nonmajor Governmental Funds
Revenues						
Supports	\$ -	\$ 23,620	\$ 384,315	\$ 56,688	\$ 235,926	\$ 700,549
Investment earnings	18	-	-	-	-	18
Total Revenues	<u>18</u>	<u>23,620</u>	<u>384,315</u>	<u>56,688</u>	<u>235,926</u>	<u>700,567</u>
Expenditures						
Salaries & benefits	-	23,620	253,036	56,688	206,340	539,684
Supplies & general operating expenses	-	-	45,970	-	10,855	56,825
Repair and maintenance	-	-	22,190	-	-	22,190
Contract and professional services	-	-	1,717	-	1,717	3,434
Capital outlay (Note 5)	-	-	61,402	-	17,014	78,416
Total Expenditures	<u>-</u>	<u>23,620</u>	<u>384,315</u>	<u>56,688</u>	<u>235,926</u>	<u>700,549</u>
Net Change in Fund Balances	18	-	-	-	-	18
Fund Balances - Beginning	<u>1,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,839</u>
Fund Balances - Ending	<u>\$ 1,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857</u>

San Mateo County Narcotics Task Force

Schedule of Cities Support For the Year Ended June 30, 2010

<u>City/ Agency</u>	<u>Cash Support</u>	<u>Loaned Officer</u>	<u>Rebates</u>	<u>Total</u>
Atherton	\$ 25,455	\$ -	\$ -	\$ 25,455
Belmont	33,142	-	-	33,142
Brisbane	8,406	-	-	8,406
Broadmoor	4,824	-	-	4,824
Burlingame	43,677	-	-	43,677
Colma	3,489	-	-	3,489
Daly City	-	170,833	(35,593)	135,240
East Palo Alto	30,218	-	-	30,218
Foster City	42,703	-	-	42,703
Half Moon Bay	16,626	-	-	16,626
Hillsborough	29,468	-	-	29,468
Menlo Park	-	158,653	(53,210)	105,443
Millbrae	26,197	-	-	26,197
Pacifica	41,706	-	-	41,706
Redwood City	-	180,008	(38,975)	141,033
San Bruno	-	101,815	(27,852)	73,963
San Carlos	42,418	-	-	42,418
San Mateo	122,144	-	-	122,144
So. San Francisco	-	159,363	(33,425)	125,938
Total	<u>\$ 470,473</u>	<u>\$ 770,672</u>	<u>\$ (189,055)</u>	<u>1,052,090</u>