STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM

MANISTEE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM
TABLE OF CONTENTS

	Page
Auditing Procedures Report (P.A. 2 of 1968)	1
Independent Auditor's Report	2 - 3
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	4 - 5
Management's Discussion and Analysis	6 - 8
Basic Financial Statements:	
Organization-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheets	11
Reconciliation of the Balance Sheet of the General Fund to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditure, and Changes to Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15 - 21
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	State, Sheriff's, Chief's Enforcement Narcotics	

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
9/30/05	1/19/06	3/24/06

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☑ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
Kalcher, Vanderwal & Torrey, P.C.			
Street Address	City	State	ZIP
928 S. Garfield Avenue, Suite 3	Traverse City	MI	49686
Accountant Signature: Kalcher, Vanderwal & Torrey, P.C.		Date: 1/19/06	

KALCHER
VANDERWAL
& TORREY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

Of Counsel:
LEONARD R. KALCHER, C.P.A.

TRAVERSE CITY
MANISTEE

INDEPENDENT AUDITOR'S REPORT

January 19, 2006

Advisory Board
State, Sheriff's, Chief's Enforcement of Narcotics Team

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of State, Sheriff's, Chief's Enforcement of Narcotics Team (SSCENT), as of and for the year ended September 30, 2005, which collectively comprise SSCENT's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SSCENT management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SSCENT, as of September 30, 2005, and the respective changes in financial position thereof 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 also issued our report dated January 19, 2006, on our consideration of SSCENT's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

928 SOUTH GARFIELD AVENUE, SUITE 3 • TRAVERSE CITY, MICHIGAN 49686 • PHONE: 231-946-2300 • FAX: 231-946-0098
Members:
American Institute of Certified Public Accountants • Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (continued)

The management's discussion and analysis and budgetary comparison information on pages 6 through 8 and 22 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.

Kalcher, Vandermark & Torrey, P.C.

Certified Public Accountants

KALCHER
VANDERWAL
& TORREY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

Of Counsel:
LEONARD R. KALCHER, C.P.A.

TRAVERSE CITY
MANISTEE

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

January 19, 2006

Advisory Board
State, Sheriff's, Chief's Enforcement of Narcotics Team

We have audited the general purpose financial statements of the State, Sheriff's, Chief's Enforcement of Narcotics Team (SSCENT) as of and for the year ended September 30, 2005, and have issued our report thereon dated January 19, 2006. We conducted our audit in accordance with auditing standards generally acceptable 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.

Compliance

As part of obtaining reasonable assurance about whether State, Sheriff's, Chief's Enforcement of Narcotics Team's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered State, Sheriff's, Chief's Enforcement of Narcotics Team's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

928 SOUTH GARFIELD AVENUE, SUITE 3 • TRAVERSE CITY, MICHIGAN 49686 • PHONE: 231-946-2300 • FAX: 231-946-0098
Members:
American Institute of Certified Public Accountants • Michigan Association of Certified Public Accountants

does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and others within the organization, and is not intended to be and should not be used by anyone other that these specified parties.

Kalcher, Vandenwall & Torey, P.C.

Certified Public Accountants

STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM
MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year October 2004 – September 2005

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Team.

Please direct questions regarding this report to:

D/Lt. Matthew Kanitz
State, Sheriff's, Chiefs Enforcement of Narcotics Team
3793 W. Polk
Hart, MI 49420
231-843-7045

STATE, SHERIFF'S, CHIEF'S ENFORCEMENT OF NARCOTICS TEAM
MANAGEMENT DISCUSSION AND ANALYSIS

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Team using the modified-accrual and full accrual methods.

The Statement of Net Assets and the Statement of Activities provide information under the full-accrual method. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending.

The individual fund balance sheets and statements of revenue, expenditures and changes in fund balance include information about the Team's general fund under the modified-accrual method. The modified-accrual method focuses on current financial resources.

This report also contains other required supplementary information, a Budget to Actual comparison, in addition to the basic statements themselves.

Financial Highlights

At the close of the fiscal year, the Team had total assets of $62,496 and liabilities of $250, leaving net assets of $62,246. Of this amount, $8,082 represented an investment in capital assets and $54,164 was unrestricted net assets available to meet the ongoing obligations of the Team. The Team's net assets increased $16,851 this year over the previous fiscal year.

The Team's largest source of revenue for the year ended September 30, 2005 was agency contributions of $30,000. This amount reflected an increase of 60% over the prior year due to an increase in funding from a team contributor. Buy money recovered increased $12,758 from the prior fiscal year. Funding from Mason County, which represents adjudicated forfeiture funds decreased $40,882. These funds are held my Mason County and requested when needed. In the current fiscal year, the Board changed its policy on requesting these funds and did not need to use as much from this source due to increases in other revenue sources. In total, operating revenue declined $16,179 over the prior year. However, expenditures also decreased $23,286.

Purchased evidence expenses account for the largest expense in the Team's budget, which equates to approximately 29% of total expenditures in the current fiscal year, versus 55% of the prior fiscal year. The decrease is due to the timing and type of cases that required purchased evidence from one year to the next. Other major uses of funds are communication, equipment purchases and administrative personnel costs.

The Team Funds

The Team uses a general fund to account for all financial transactions, including the general operating expenditures of the Team. Revenues, as noted, are derived mainly from contributions, adjudicated forfeiture funds, and restitution.

The Team's Budgetary Highlights

Over the course of the year, the Team's Board of Directors amended the budget to address unplanned needs that occurred during the year. The general fund amendments reflected increases in office expenses and professional fees.

Revenues were higher than anticipated due to a case being adjudicated in the courts during the fiscal year and a large sum of recovered buy money was turned back over to the Team.

Capital Assets and Long Term Debt Activity

At the end of the fiscal year, the Team had $14,940 in capital assets. The Team currently occupies space in facilities owned by the City of Ludington at no cost.

The Team has no long-term debt activity.

Next Year's Anticipated Budget Factors

The team has no plans to move its operations from the current physical location. Revenues for next year are anticipated to be slightly less than last year as no large forfeiture cases are pending for the fiscal year and revenues are anticipated to be similar to last years.

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

ASSETS		
Investigative cash funds	$	4,725
Cash in bank		49,578
Due from fiduciary fund		111
Capital assets, net		8,082
Total Assets	$	62,496
LIABILITIES		
Due to Mason County	$	250
Total Liabilities	$	250
NET ASSETS		
Invested in capital assets	$	8,082
Unrestricted		54,164
	$	62,246

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

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Expenses	Charges For Services	Operating Grants/ Contributions	Governmental Activities Net (Expenses) Revenue and Changes In Net Assets
Functions/Programs				
Governmental activities:				
Drug law enforcement	$ 45,048	$ 1,325	$ 30,520	$ (13,203)

General Revenues:	
Intergovernmental:	
City of Manistee	$ 30,000
Investment income	54
Total General Revenues	$ 30,054
Change in Net Assets	$ 16,851
Net assets - beginning of year	45,395
Net assets - end of year	$ 62,246

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

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
BALANCE SHEETS
SEPTEMBER 30, 2005

	General Fund	Fiduciary Fund	Totals (Memorandum Only)
ASSETS			
Investigative cash funds	$ 4,725	$ 0	$ 4,725
Restricted cash	0	3,705	3,705
Cash in bank	49,578	111	49,689
Due from fiduciary fund	111	0	111
Total Assets	$ 54,414	$ 3,816	$ 58,230
LIABILITIES AND FUND BALANCE			
Liabilities			
Seized funds pending judgement	$ 0	$ 3,705	$ 3,705
Due to Mason County	250	0	250
Due to general fund	0	111	111
Total Liabilities	$ 250	$ 3,816	$ 4,066
Fund Balances	54,164	0	54,164
Total Liabilities and Fund Balances	$ 54,414	$ 3,816	$ 58,230

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

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Fund Balance - Total governmental funds			$	54,164
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the General Fund:				
Governmental capital assets	$	14,940		
Less accumulated depreciation		(6,858)		8,082
Net Assets - Governmental Activities			$	62,246

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

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Revenue		
Funding from Mason County (Note 5)	$	10,897
Buy money recovered		19,623
Interest income		54
Agency Contributions		30,000
Other income		1,325
Total Revenue	$	61,899
Expenditures		
Personnel costs	$	4,281
Communication expense		5,124
Forfeiture expense		239
Purchased evidence		12,380
Other investigative expenses		642
Accounting fees		2,000
Office expense		3,601
Repairs and maintenance		817
Alarm system		359
Capital outlay		3,617
Professional fees		4,000
Contribution to City of Ludington		5,000
Total Expenditures	$	42,060
Revenue Over (Under) Expenditures	$	19,839
Fund balance - beginning		34,325
Fund Balance - Ending	$	54,164

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

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF ACTIVITIES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances - total governmental funds	$	19,839
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.		
Current year depreciation of assets		(2,988)
Change in net assets of governmental activities	$	16,851

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the State, Sheriff's, Chief's Enforcement of Narcotics Team (SSCENT) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Reporting Entity

The criteria established for determining the reporting entity include oversight responsibility, scope of public service, and special financing relationships. Only the activities of State, Sheriff's, Chief's Enforcement of Narcotics Team are included in these financial statements. The Team is a cooperative agency created to interdict the flow of controlled substances into the area covered by the Team. The participating agencies are as follows: Michigan State Police and Manistee, Mason and Oceana Counties and the Cities of Ludington and Manistee. The functions of the Team are overseen by the Advisory Board made up of representatives from each of the participating units plus the prosecutors from each of the counties. The officers of the participating agencies are paid through a federal grant to the State of Michigan along with local match shares paid by the participating agencies.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

SSCENT's basic financial statements include both SSCENT as a Whole and its individual fund financial statements.

Government-Wide Financial Statements

SSCENT's Government-Wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below. Fiduciary funds are not included in these statements.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The balance sheet includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. SSCENT's net assets are reported in two parts; invested in capital assets and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to organizations for the compilation of statistical reports.

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

Fund Financial Statements

SSCENT's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SSCENT considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by SSCENT.

Nonmonetary forfeitures and nonmonetary seized assets held pending judgment are not given effect in these financial statements because their monetary values are not subject to reasonable estimation. Seized assets are turned over to Mason County at such time as they are forfeited to SSCENT and converted to cash. Forfeiture occurs only after proper administrative and/or judicial procedures have taken place. Forfeited assets include nonmonetary items, such as vehicles and weapons. Periodically these assets are sold at auction with the proceeds being turned over to Mason County by SSCENT at that time. See Note 5 also.

SSCENT reports the following governmental funds:

General Fund – The General Fund is SSCENT's primary operating fund. It accounts for all financial resources of SSCENT. It is also considered SSCENT's only major fund.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by SSCENT as an agent (See Note 5 also). Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budget Accounting

SSCENT adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. SSCENT follows these procedures in establishing the budget as reflected in the financial statements:

1. In August or September, the Advisory Board prepares a preliminary budget for the ensuing fiscal year.

2. During September, the budget is legally enacted through passage of a resolution. Amendments to the budget are made during the fiscal year, if necessary.

3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

SSCENT adopted its budget for the year ended September 30, 2005 at its September 24, 2004 meeting and a statement of revenues and expenditures compared to budget for the year is included on page 22. The last amendment to the budget was made on September 30, 2005.

All funds have positive fund balances at September 30, 2005.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted.

Encumbrance System

SSCENT does not use an encumbrance system.

Cash and Cash Equivalents

For the purposes of the balance sheet classification, SSCENT considers all money market accounts and certificates of deposits with maturities of three months or less when purchased to be cash equivalents. The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by SSCENT or by its agent in SSCENT's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in SSCENT's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of SSCENT's cash deposits are classified as Category 1.

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

Capital Assets - Capital assets are defined by SSCENT as assets with an initial cost of $ 5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Vehicles and equipment are depreciated using the straight-line method over the following lives:

Vehicles	5 years
Equipment	5 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Donated Services

Personnel for the operation of SSCENT are provided by the law enforcement agencies whose officers are working on the team. No expense or revenue has been recorded for these donated services in the books and records of SSCENT.

Note 2 – Deposits with Financial Institutions

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states that SSCENT, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

a. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the act.

Note 2 – Deposits with Financial Institutions *(continued)*

c. In commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

d. In United States Government or Federal Agency obligation repurchase agreements.

e. In bankers' acceptances of United States banks.

f. In mutual funds composed of investments vehicles, which are legal for the direct investment by local units of government in Michigan.

Note 3 – Commitments

SSCENT occupies space in facilities owned by the City of Ludington Police Department at no cost to SSCENT. SSCENT also leases a copier at $ 69 per month. This lease runs through June 14, 2010. Total lease payments of $ 276 are included in office expense in these financial statements. Minimum payments on this lease are as follows:

Fiscal year	2005/2006	$ 828
	2006/2007	828
	2007/2008	828
	2008/2009	828
	2009/2010	552
		$ 3,864

Note 4 - Risk Management

Because State, Sheriff's, Chief's Enforcement of Narcotics Team is a cooperative agency of various law enforcement entities, risks of loss are insured by the various entities which participate in SSCENT. SSCENT has no employees, and therefore participating officers and support staff are insured for workers compensation purposes through the individual law enforcement entities as well.

Note 5 - Forfeited Funds

In order to be in compliance with an Attorney General of the State of Michigan opinion regarding the appropriation of forfeiture proceeds, SSCENT, in December, 1998, made arrangements with the treasurer of Mason County to be the recipient and appropriator of all current and future forfeiture funds generated by SSCENT.

During 2004/2005, Mason County transferred $ 10,897 of the forfeiture funds to SSCENT for its operational costs. At September 30, 2005, Mason County held $ 131,284 in forfeiture funds.

Note 6 – Capital Assets

Capital assets of SSCENT are as follows:

	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Assets:				
Vehicles	$ 9,200	$ -	$ -	$ 9,200
Equipment	5,740	-	-	5,740
	$ 14,940	$ -	$ -	$ 14,940
Accumulated Depreciation:				
Vehicles	$ 2,913	$ 1,840	$ -	$ 4,753
Equipment	957	1,148	-	2,105
	$ 3,870	$ 2,988	$ -	$ 6,858
Net Capital Assets	$ 11,070	$ (2,988)	$ -	$ 8,082

Depreciation for the year ended September 30, 2005, amounted to $ 2,988. SSCENT has only one program and therefore there is no allocation necessary for the Statement of Activities.

STATE, SHERIFF'S, CHIEF'S
ENFORCEMENT OF NARCOTICS TEAM
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance
Revenue				
Funding from Mason County (Note 6)	$ 65,000	$ 65,000	$ 10,897	$ (54,103)
Buy money recovered	0	0	19,623	19,623
Interest income	1,000	1,000	54	(946)
Agency Contributions	30,000	30,000	30,000	0
Other income	5,000	5,000	1,325	(3,675)
Total Revenue	$ 101,000	$ 101,000	$ 61,899	$ (39,101)
Expenditures				
Personnel costs	$ 5,600	$ 5,600	$ 4,281	$ 1,319
Communication expense	7,000	7,000	5,124	1,876
Forfeiture expense	500	502	239	263
Purchased evidence	20,000	20,000	12,380	7,620
Other investigative expenses	1,000	1,000	642	358
Accounting fees	2,000	2,000	2,000	0
Office expense	3,500	6,000	3,601	2,399
Repairs and maintenance	1,000	1,000	817	183
Training	1,000	1,000	0	1,000
Alarm system	500	500	359	141
Capital outlay	10,000	6,998	3,617	3,381
Professional fees	3,500	4,000	4,000	0
Contribution to City of Ludington	0	5,000	5,000	0
Total Expenditures	$ 55,600	$ 60,600	$ 42,060	$ 18,540
Revenue Over (Under) Expenditures	$ 45,400	$ 40,400	$ 19,839	$ (20,561)
Fund balance - beginning	34,325	34,325	34,325	0
Fund Balance - Ending	$ 79,725	$ 74,725	$ 54,164	$ (20,561)

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