

INTEGRATED LAW AND JUSTICE AGENCY  
FOR ORANGE COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2013

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

TABLE OF CONTENTS

June 30, 2013

	<u>Page Number</u>
Independent Auditors' Report .....	1
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position .....	3
Statement of Activities .....	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Budgetary Comparison Statement - General Fund .....	9
Budgetary Comparison Statement - Grants Special Revenue Fund .....	10
Notes to Basic Financial Statements .....	11
Budgetary Comparison Schedule - Replacement Capital Projects Fund .....	19

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Integrated Law and Justice Agency  
for Orange County

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Integrated Law and Justice Agency for Orange County (the Agency), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary



To the Board of Directors  
Integrated Law and Justice Agency  
for Orange County

comparison for the General Fund and the Grants Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedule – Replacement Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule – Replacement Capital Projects Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule – Replacement Capital Projects Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

Brea, California  
February 13, 2014

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF NET POSITION  
JUNE 30, 2013

---

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 2,245,467
Receivables:	
Accounts	26,660
Capital assets, net of depreciation	<u>1,891,929</u>
<b>Total Assets</b>	<b><u>4,164,056</u></b>
<b>Liabilities:</b>	
Accounts payable	<u>96,179</u>
<b>Total Liabilities</b>	<b><u>96,179</u></b>
<b>Net Position:</b>	
Net investment in capital assets	1,891,929
Restricted for:	
Public safety	1,735,744
Unrestricted	<u>440,204</u>
<b>Total Net Position</b>	<b><u>\$ 4,067,877</u></b>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF ACTIVITIES  
 JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants	
Primary Government:				
Governmental Activities:				
Public safety	\$ 1,480,110	\$ -	\$ -	\$ 159,332
				\$ (1,320,778)
<b>Total Governmental Activities</b>	<b>\$ 1,480,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 159,332</b>
				<b>(1,320,778)</b>
<b>General Revenues:</b>				
Member contributions				1,032,308
Investment earnings				5,322
<b>Total General Revenues</b>				<b>1,037,630</b>
Change in Net Position				(283,148)
Net Position at Beginning of Year				4,351,025
Net Position at End of Year				<b>\$ 4,067,877</b>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Grants Special Revenue Fund</u>	<u>Replacement Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 449,051	\$ 5,068	\$ 1,791,348	\$ 2,245,467
Receivables:				
Accounts	26,660	-	-	26,660
<b>Total Assets</b>	<b><u>\$ 475,711</u></b>	<b><u>\$ 5,068</u></b>	<b><u>\$ 1,791,348</u></b>	<b><u>\$ 2,272,127</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 49,867	-	\$ 46,312	\$ 96,179
<b>Total Liabilities</b>	<b><u>49,867</u></b>	<b><u>-</u></b>	<b><u>46,312</u></b>	<b><u>96,179</u></b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	5,068	1,745,036	1,750,104
<b>Unassigned</b>				
General fund	425,844	-	-	425,844
<b>Total Fund Balances</b>	<b><u>425,844</u></b>	<b><u>5,068</u></b>	<b><u>1,745,036</u></b>	<b><u>2,175,948</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 475,711</u></b>	<b><u>\$ 5,068</u></b>	<b><u>\$ 1,791,348</u></b>	<b><u>\$ 2,272,127</u></b>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

---

Fund balances of governmental funds \$ 2,175,948

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

Capital assets, being depreciated	\$ 5,948,620	
Less: accumulated depreciation	<u>(4,056,691)</u>	<u>1,891,929</u>

**Net position of governmental activities** \$ 4,067,877

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General Fund	Grants Special Revenue Fund	Replacement Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 815,933	\$ -	\$ 815,933
Investment earnings	1,649	-	3,673	5,322
Contributions from member agencies	838,055	-	194,253	1,032,308
Miscellaneous	41,688	-	21,540	63,228
<b>Total Revenues</b>	<b>881,392</b>	<b>815,933</b>	<b>219,466</b>	<b>1,916,791</b>
<b>Expenditures:</b>				
Current:				
Public Safety:				
Administration	143,166	-	-	143,166
Insurance	11,079	-	-	11,079
Professional services	89,939	778	338,544	429,261
Operating expenses	406,279	-	-	406,279
Supplies	2,648	-	-	2,648
Travel and meetings	5,710	-	-	5,710
Capital outlay	-	132,004	-	132,004
<b>Total Expenditures</b>	<b>658,821</b>	<b>132,782</b>	<b>338,544</b>	<b>1,130,147</b>
Net Change in Fund Balances	222,571	683,151	(119,078)	786,644
Fund Balances, Beginning of Year	203,273	(678,083)	1,864,114	1,389,304
<b>Fund Balances, End of Year</b>	<b>\$ 425,844</b>	<b>\$ 5,068</b>	<b>\$ 1,745,036</b>	<b>\$ 2,175,948</b>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

---

Net change in fund balances - total governmental funds \$ 786,644

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 costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 132,004	
Depreciation	<u>(481,967)</u>	(349,963)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

(719,829)

**Change in net position of governmental activities**

**\$ (283,148)**

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 203,273	\$ 203,273	\$ 203,273	\$ -
<b>Resources (Inflows):</b>				
Investment earnings	1,000	1,000	1,649	649
Contributions from member agencies	892,492	892,492	838,055	(54,437)
Miscellaneous	-	-	41,688	41,688
Transfers in	42,829	42,829	-	42,829
<b>Amounts Available for Appropriations</b>	<b>1,139,594</b>	<b>1,139,594</b>	<b>1,084,665</b>	<b>30,729</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public Safety:				
Administration	138,195	138,195	143,166	(4,971)
Insurance	12,141	12,141	11,079	1,062
Professional services	145,771	145,771	89,939	55,832
Operating expenses	640,834	640,834	406,279	234,555
Supplies	551	551	2,648	(2,097)
Travel and meetings	5,000	5,000	5,710	(710)
<b>Total Charges to Appropriations</b>	<b>942,492</b>	<b>942,492</b>	<b>658,821</b>	<b>283,671</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 197,102</b>	<b>\$ 197,102</b>	<b>\$ 425,844</b>	<b>\$ 314,400</b>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**BUDGETARY COMPARISON STATEMENT  
GRANTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (678,083)	\$ (678,083)	\$ (678,083)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	<u>475,883</u>	<u>475,883</u>	<u>815,933</u>	<u>340,050</u>
<b>Amounts Available for Appropriations</b>	<u>(202,200)</u>	<u>(202,200)</u>	<u>137,850</u>	<u>340,050</u>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public Safety:				
Professional services	<u>148,209</u>	<u>148,209</u>	<u>778</u>	<u>147,431</u>
Capital outlay	<u>132,004</u>	<u>132,004</u>	<u>132,004</u>	<u>-</u>
<b>Total Charges to Appropriations</b>	<u>280,213</u>	<u>280,213</u>	<u>132,782</u>	<u>147,431</u>
<b>Budgetary Fund Balance, June 30</b>	<u>\$ (482,413)</u>	<u>\$ (482,413)</u>	<u>\$ 5,068</u>	<u>\$ 487,481</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

---

**Note 1: Reporting Entity and Significant Accounting Policies:**

The accounting policies of Integrated Law and Justice Agency for Orange County (the Agency) conform to accounting principles generally accepted in the United States of America for local governmental units. The following is a summary of the significant policies.

**a. Description of the Reporting Entity**

The Agency currently operates as a joint venture consisting of the following entities, collectively referred to as "Member Agencies":

Newport Beach	Fullerton	Placentia
Anaheim	Garden Grove	Santa Ana
Brea	Irvine	Seal Beach
Buena Park	Huntington Beach	Superior Court of California
Costa Mesa	La Habra	County of Orange
Cypress	La Palma	Tustin
Fountain Valley	Laguna Beach	Westminster
Los Alamitos	Orange	University of California, Irvine, Police Department

The purpose of the Agency is to facilitate the integration and sharing of criminal justice information and data among the member agencies. The Agency is intended to provide criminal and law enforcement officials who have the need and right to know, with comprehensive, timely, and accurate information about a criminal suspect or offender, including identity, criminal history, and current justice status.

**b. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**Government-wide Financial Statements**

Government-wide financial statements display information about the Agency as a whole. All activities of the Agency are classified as governmental activities. Government-wide financial statements are presented using the *economic resources measurement* focus and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

---

**Note 1: Reporting Entity and Significant Accounting Policies (Continued)**

Amounts paid to acquire capital assets are capitalized assets in the government-wide financial statements, rather than reported as expenditure.

**Fund Financial Statements**

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Agency's governmental funds are presented after the government-wide financial statements. These statements display information about governmental major funds individually.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency generally considers revenues collected within sixty days after the fiscal year-end to be available.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

---

**Note 1: Reporting Entity and Significant Accounting Policies (Continued)**

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**c. Fund Classification**

The accounting records of the Agency are organized on the basis of funds. The following funds have been classified as major governmental funds:

General Fund - The General Fund is the general operating fund of the Agency, all general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs which are not paid through other funds.

Grants Special Revenue Fund - The Grants Special Revenue Fund is used to account for financial resources received from grantor agencies, as well as financial resources segregated for major capital acquisitions.

Replacement Capital Projects Fund - The Replacement Capital Projects Fund is used to account for financial resources received from member agencies which have been designated for future replacement of capital assets used by the Agency.

**d. Cash and Investments**

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

**e. Due from Other Governments**

Amounts shown as due from other governments represent billings to other parties for services rendered during the year which had not been collected as of the balance sheet date.

**f. Capital Assets**

Capital assets are recorded at historical cost at the time of purchase. Assets acquired from gifts of contributions are recorded at fair market value on the date received. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more. The Agency has adopted GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. Computer software is a common type of intangible asset that is often internally generated. Internally generated computer software includes software developed in-house by the government's personnel or by a third-party contractor on behalf of the government, or commercially available software that is modified using more than minimal incremental effort before being put into operation. Outlays incurred related to an internally generated intangible asset that is identifiable are capitalized only upon the occurrence of all of the following:

- Determination that an objective for the project is to create a specific internally generated intangible asset.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

---

**Note 1: Reporting Entity and Significant Accounting Policies (Continued)**

- Determination of the nature of the service capacity that is expected to be provided by the asset upon its completion.
- Demonstration of the technical or technological feasibility for completing the project so that the asset will provide its expected service capacity.
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Outlays related to the creation of an internally generated intangible asset incurred prior to meeting these criteria are expensed as incurred.

Capital assets used in operations are depreciated in the government-wide financial statements. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Computer hardware equipment	4 years
Software	7 years

**g. Member Contributions**

Contribution revenues received from member agencies represent amounts billed to other public service agencies contracting with the Agency for law enforcement support services.

**h. Net Position**

In the governmental-wide financial statements, net position is classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

**Net position flow assumption**

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

---

**Note 1: Reporting Entity and Significant Accounting Policies (Continued)**

**i. Fund Balance**

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Agency's highest authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. City Council or another designated official is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

**Fund balance flow assumptions**

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Agency considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the Agency against unforeseen circumstances and to comply with GASB 54. No other policy or procedures supersedes the authority and provisions of this policy.

**j. Use of Estimates**

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

**INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

---

**Note 2: Budgetary Reporting**

The Agency adopted an annual budget prepared on the modified accrual basis for the General Fund, the Grants Special Revenue Fund and the Replacement Capital Projects Fund. The legal level of control is established at the fund level. Appropriations may be transferred between accounts during the course of the year at the direction of the Agency Treasurer. Increasing total fund appropriations requires a 2/3 majority approval of the Agency's Board. Increasing total fund appropriations and transfers between funds requires approval by the Agency Board unless explicitly authorized in the budget policy.

**Note 3: Cash and Investments**

Cash and investments at June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	<u>\$2,245,467</u>
Balance Sheet:	
Governmental Funds	<u>\$2,245,467</u>

**Investments Authorized by the California Government Code**

The Agency's cash and investment in LAIF (Local Investment Agency Fund) are maintained in an investment pool managed by the City of Brea. The Agency is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Brea. The Agency has not adopted an investment policy separate from that of the City of Brea. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

**Disclosures Relating to Interest Rate Risk**

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

Information about the Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Brea is provided by disclosures in the notes to the basic financial statements of the City of Brea's Comprehensive Annual Financial Report that shows the distribution of the City's investments by maturity. The Agency's investment of \$2,245,467 in the City of Brea's investment pool has a maturity date of 12 months or less.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a

**INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 3: Cash and Investments (Continued)**

nationally recognized statistical rating organization. Minimum ratings required by the California Government Code and the City of Brea's Investment Policy and the actual ratings as of year-end for each investment type are provided by disclosures in the notes to the basic financial statements of the City of Brea's Comprehensive Annual Financial Report. The Agency's investment of \$2,245,467 in the City of Brea's investment pool is not required to be rated.

**Concentration of Credit Risk**

Investments in anyone issuer (other than U.S. Treasury securities, mutual funds and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for other governmental funds in the aggregate) are disclosed in the notes to the basic financial statements of the City of Brea's Comprehensive Annual Financial Report.

**Custodial Credit Risk**

The Agency does not have any significant certificates of deposit or demand accounts that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Agency does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

**Note 4: Capital Assets:**

A summary of changes in the Governmental Activities capital assets at June 30, 2013, is as follows:

	Beginning Balance	Transfers	Additions	Deletions	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 823,526	\$ (823,526)	\$ -	\$ -	\$ -
Total capital assets, Not being depreciated	823,526	-	-	-	-
Capital assets, being depreciated:					
Equipment and software	4,993,090	823,526	132,004	-	5,948,620
Total capital assets, Being depreciated	4,993,090	-	132,004	-	5,948,620
Less accumulated depreciation:					
Equipment and software	3,574,724	-	481,967	-	4,056,691
Total accumulated depreciation	3,574,724	-	481,967	-	4,056,691
Total capital assets, Being depreciated, net	1,418,366	-	(349,963)	-	1,891,929
Governmental activities capital assets, net	<u>\$ 2,241,892</u>	<u>\$ -</u>	<u>\$ (349,963)</u>	<u>\$ -</u>	<u>\$ 1,891,929</u>

Depreciation expense of \$481,967 was charged to public safety for the year ended June 30, 2013.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

---

**Note 5: Insurance**

The Authority purchases personal injury, property damage, public officials errors and omissions and automobile insurance through Alliant Insurance Services. The maximum coverage is \$10,000,000 with a \$1,000 self-insured retention.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE  
 REPLACEMENT CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,864,114	\$ 1,864,114	\$ 1,864,114	\$ -
<b>Resources (Inflows):</b>				
Investment earnings	8,532	8,532	3,673	(4,859)
Contributions from member agencies	-	-	194,253	194,253
Miscellaneous	-	-	21,540	21,540
<b>Amounts Available for Appropriations</b>	<b>1,872,646</b>	<b>1,872,646</b>	<b>2,083,580</b>	<b>210,934</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public Safety:				
Professional services	72,043	72,043	338,544	(266,501)
<b>Total Charges to Appropriations</b>	<b>72,043</b>	<b>72,043</b>	<b>338,544</b>	<b>(266,501)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,800,603</b>	<b>\$ 1,800,603</b>	<b>\$ 1,745,036</b>	<b>\$ (55,567)</b>