

INTEGRATED LAW AND JUSTICE AGENCY
FOR ORANGE COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2012

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

TABLE OF CONTENTS

June 30, 2012

Page
Number

Independent Auditors' Report	1
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	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 Assets	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



CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

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

We have audited the 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, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 and each major fund of the Agency as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the *General Fund and the Grants Special Revenue Fund* 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 June 27, 2013, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The Budgetary Comparison Schedule Replacement Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

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 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.

Lance, Soll & Lingham, LLP

Brea, California
June 27, 2013

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 1,780,106
Receivables:	
Accounts	35,900
Due from other governments	990,900
Capital assets not being depreciated	823,526
Capital assets, net of depreciation	<u>1,418,366</u>
Total Assets	<u>5,048,798</u>
Liabilities:	
Accounts payable	691,497
Due to other governments	<u>6,276</u>
Total Liabilities	<u>697,773</u>
Net Assets:	
Invested in capital assets	2,241,892
Restricted for:	
Public safety	1,864,114
Unrestricted	<u>245,019</u>
Total Net Assets	<u>\$ 4,351,025</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Governmental Activities:				Governmental Activities	
Primary Government:					
Governmental Activities:					
Public safety	\$ 1,717,504	\$ -	\$ -	\$ 1,217,524	\$ (499,980)
Total Governmental Activities	\$ 1,717,504	\$ -	\$ -	\$ 1,217,524	(499,980)
General Revenues:					
Member contributions					948,162
Investment earnings					20,974
Total General Revenues, Contributions, Extraordinary Items and Transfers					969,136
Change in Net Assets					469,156
Net Assets at Beginning of Year					3,881,869
Net Assets at End of Year					\$ 4,351,025

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Grants Special Revenue Fund</u>	<u>Replacement Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 285,665	\$ -	\$ 1,494,441	\$ 1,780,106
Receivables:				
Accounts	14,360	-	21,540	35,900
Due from other governments	-	990,900	-	990,900
Due from other funds	-	-	441,213	441,213
Total Assets	<u>\$ 300,025</u>	<u>\$ 990,900</u>	<u>\$ 1,957,194</u>	<u>\$ 3,248,119</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 68,032	\$ 551,925	\$ 71,540	\$ 691,497
Deferred revenues	14,360	683,929	21,540	719,829
Due to other governments	-	6,276	-	6,276
Due to other funds	14,360	426,853	-	441,213
Total Liabilities	<u>96,752</u>	<u>1,668,983</u>	<u>93,080</u>	<u>1,858,815</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	1,864,114	1,864,114
Unassigned				
General fund	203,273	-	-	203,273
Special revenue fund	-	(678,083)	-	(678,083)
Total Fund Balances	<u>203,273</u>	<u>(678,083)</u>	<u>1,864,114</u>	<u>1,389,304</u>
Total Liabilities and Fund Balances	<u>\$ 300,025</u>	<u>\$ 990,900</u>	<u>\$ 1,957,194</u>	<u>\$ 3,248,119</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds		\$	1,389,304
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.			
Capital assets, being depreciated	\$	5,816,616	
Less: accumulated depreciation		<u>(3,574,724)</u>	2,241,892
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.			
			<u>719,829</u>
Net assets of governmental activities		\$	<u>4,351,025</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Grants Special Revenue Fund	Replacement Capital Projects Fund	Total Governmental Funds
Revenues:				
Intergovernmental	\$ -	\$ 549,091	\$ -	\$ 549,091
Investment earnings	5,845	-	15,129	20,974
Contributions from member agencies	765,319	-	182,843	948,162
Total Revenues	771,164	549,091	197,972	1,518,227
Expenditures:				
Current:				
Public Safety:				
Administration	138,195	-	-	138,195
Insurance	12,032	-	-	12,032
Professional services	40,427	283,189	169,059	492,675
Operating expenses	320,049	-	-	320,049
Supplies	1,932	-	-	1,932
Travel and meetings	5,285	-	-	5,285
Capital outlay	-	905,626	-	905,626
Total Expenditures	517,920	1,188,815	169,059	1,875,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	253,244	(639,724)	28,913	(357,567)
Other Financing Sources (Uses):				
Transfers in	-	13,037	275,822	288,859
Transfers out	(275,822)	-	(13,037)	(288,859)
Total Other Financing Sources (Uses)	(275,822)	13,037	262,785	-
Fund Balances, Beginning of Year	225,851	(51,396)	1,572,416	1,746,871
Fund Balances, End of Year	\$ 203,273	\$ (678,083)	\$ 1,864,114	\$ 1,389,304

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, 2012**

Net change in fund balances - total governmental funds \$ (357,567)

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	\$ 905,626	
Depreciation	<u>(691,289)</u>	214,337

Certain items were recorded as expenditures in the fund statements under the current financial resources measurement focus, but are reported as assets in the Statement of Net Assets under the economic resources measurement focus. (56,047)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 668,433

Change in net assets of governmental activities \$ 469,156

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 225,851	\$ 225,851	\$ 225,851	\$ -
Resources (Inflows):				
Investment earnings	4,273	4,273	5,845	1,572
Contributions from member agencies	780,315	780,315	765,319	(14,996)
Amounts Available for Appropriations	1,010,439	1,010,439	997,015	(13,424)
Charges to Appropriations (Outflow):				
Current:				
Public Safety:				
Administration	138,195	138,195	138,195	-
Insurance	11,406	11,406	12,032	(626)
Professional services	235,433	235,433	40,427	195,006
Operating expenses	411,729	411,729	320,049	91,680
Supplies	551	551	1,932	(1,381)
Travel and meetings	3,000	3,000	5,285	(2,285)
Transfers out	-	-	275,822	(275,822)
Total Charges to Appropriations	800,314	800,314	793,742	6,572
Budgetary Fund Balance, June 30	\$ 210,125	\$ 210,125	\$ 203,273	\$ (6,852)

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**BUDGETARY COMPARISON STATEMENT
GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (51,396)	\$ (51,396)	\$ (51,396)	\$ -
Resources (Inflows):				
Intergovernmental	1,303,507	1,303,507	549,091	(754,416)
Transfers in	-	-	13,037	13,037
Amounts Available for Appropriations	1,252,111	1,252,111	510,732	(741,379)
Charges to Appropriations (Outflow):				
Current:				
Public Safety:				
Professional services	397,881	397,881	283,189	114,692
Capital outlay	905,626	905,626	905,626	-
Total Charges to Appropriations	1,303,507	1,303,507	1,188,815	114,692
Budgetary Fund Balance, June 30	\$ (51,396)	\$ (51,396)	\$ (678,083)	\$ (626,687)

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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, 2012

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, 2012

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 Assets

In the Government-Wide Financial Statements, net assets are classified as follows:

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

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

i. Fund Balance

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

Nonspendable include 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 include 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.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted and unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Agency's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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.

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.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments

Cash and investments at June 30, 2012, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	<u>\$1,780,106</u>
Balance Sheet:	
Governmental Funds	<u>\$1,780,106</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 \$1,780,106 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 nationally recognized statistical rating organization. Minimum ratings required by (where applicable) 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 \$1,780,106 in the City of Brea's investment pool is not required to be rated.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Concentration of Credit Risk

Investments in anyone issuer (other than US. 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, 2012, is as follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	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	-	823,526
Capital assets, being depreciated:						
Equipment and software	4,819,002	91,988	4,910,990	82,100	-	4,993,090
Total capital assets, Being depreciated	4,819,002	91,988	4,910,990	82,100	-	4,993,090
Less accumulated depreciation:						
Equipment and software	2,791,447	91,988	2,883,435	691,289	-	3,574,724
Total accumulated depreciation	2,791,447	91,988	2,883,435	691,289	-	3,574,724
Total capital assets, Being depreciated, net	2,027,555	-	2,027,555	(609,189)	-	1,418,366
Governmental activities capital assets, net	\$ 2,027,555	\$ -	\$ 2,027,555	\$ 214,337	\$ -	\$ 2,241,892

*Adjustment was made to correct historical costs recorded in prior years.

Depreciation expense of \$691,289 was charged to public safety for the year ended June 30, 2012.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/From Other Funds

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
	<u>Replacement Capital Projects Fund</u>
General Fund	\$ 14,360
Grants Special Revenue Fund	426,853
Total	<u>\$ 441,213</u>

The interfund balances were the result of routine interfund transactions due to eliminating temporary deficit cash balances, expenditures for administrative costs and capital improvements not cleared prior to year end.

Transfers In/Out from Other Funds

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>Grants Special Revenue Fund</u>	<u>Replacement Capital Projects Fund</u>	<u>Total Transfers In</u>
General Fund	\$ -	\$ 275,822	\$ 275,822
Replacement Capital Projects Fund	13,037	-	13,037
Total Transfers Out	<u>\$ 13,037</u>	<u>\$ 275,822</u>	<u>\$ 288,859</u>

Per the fiscal policy, the amount of \$275,822 transferred from the General Fund to the Replacement Capital Projects Fund represents the remaining balance upon meeting the Rate Stabilization Reserve in the General Fund.

Note 6: 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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$1,572,416	\$ 1,572,416	\$ 1,572,416	\$ -
Resources (Inflows):				
Investment earnings	29,510	29,510	15,129	(14,381)
Contributions from member agencies	182,843	182,843	182,843	-
Transfers in	-	-	275,822	275,822
Amounts Available for Appropriations	1,784,769	1,784,769	2,046,210	261,441
Charges to Appropriations (Outflow):				
Current:				
Public Safety:				
Professional services	222,836	222,836	169,059	53,777
Transfers out	-	-	13,037	(13,037)
Total Charges to Appropriations	222,836	222,836	182,096	40,740
Budgetary Fund Balance, June 30	\$1,561,933	\$ 1,561,933	\$ 1,864,114	\$ 302,181