



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

BASIC FINANCIAL STATEMENTS

Years Ended June 30, 2010

(With Independent Auditors' Reports Thereon)



**Mayer
Hoffman
McCann P.C.**
An Independent CPA Firm

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BASIC FINANCIAL STATEMENTS

Years Ended June 30, 2010

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Board of Directors
Integrated Law and Justice Agency for Orange County
Newport Beach, California

INDEPENDENT AUDITORS' REPORT

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, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Agency for the year ended June 30, 2009 and in our report dated February 1, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency at June 30, 2010, and the respective changes in financial position of the Agency for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented *management's discussion and analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Agency has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The information identified in the accompanying table of contents as required supplementary information is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental schedules are presented for purposes for the purpose of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2011 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McLean P. C.

Irvine, California
January 18, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Statement of Net Assets

June 30, 2010

(with comparative information for the prior year)

	Governmental Activities	
	2010	2009
Assets:		
Cash and investments (note 2)	\$ 1,489,262	985,980
Intergovernmental receivables	88,344	80,000
Prepaid items	95,888	132,345
Capital assets, net of accumulated depreciation (note 3)	2,302,680	2,591,203
Total assets	<u>\$ 3,976,174</u>	<u>3,789,528</u>
Liabilities:		
Accounts payable	\$ 2,710	85
Accrued liabilities	103,274	30,124
Total liabilities	<u>105,984</u>	<u>30,209</u>
Net assets:		
Invested in capital assets	2,302,680	2,591,203
Unrestricted	1,567,510	1,168,116
Total net assets	<u>\$ 3,870,190</u>	<u>3,759,319</u>

See accompanying notes to the basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Statement of Activities

Year Ended June 30, 2010

(with comparative information for the prior year)

Function/Programs	Expenses	Program Revenues			Net (Expense Revenue and Changes in Net Assets)	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2010	2009
Public safety	\$ 1,154,580	-	401,828	-	(752,752)	(968,386)
Total governmental activities	\$ 1,154,580	-	401,828	-	(752,752)	(968,386)
General revenues:						
Member contributions					830,730	830,730
Investment income					32,893	38,617
Total general revenues					863,623	869,347
Changes in net assets					110,871	(99,039)
Net assets at beginning of year					3,759,319	3,858,358
Net assets at end of year					\$ 3,870,190	3,759,319

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Governmental Funds

Balance Sheet

June 30, 2010

(with comparative information for the prior year)

	Special Revenue			Totals	
	Operating	Replacement	Grants	2010	2009
	Fund	Fund	Fund		
<u>Assets</u>					
Cash and investments	\$ 287,390	1,201,872	-	1,489,262	985,980
Intergovernmental receivables	196	-	88,148	88,344	80,000
Due from other funds (note 4)	23,148	-	-	23,148	80,000
Prepaid expenses	75,085	-	-	75,085	2,194
 Total assets	 \$ 385,819	 1,201,872	 88,148	 1,675,839	 1,148,174
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 2,710	-	-	2,710	85
Accrued liabilities	38,274	-	65,000	103,274	30,124
Due to other funds (note 4)	-	-	23,148	23,148	80,000
Deferred revenue	-	-	88,148	88,148	-
 Total liabilities	 40,984	 -	 176,296	 217,280	 110,209
Fund balances:					
Reserved:					
Encumbrances	49,412	-	-	49,412	-
Changes in Fair Value	4,192	12,490	-	16,682	-
Prepaid items	75,085	-	-	75,085	2,194
Designated:					
Rate stabilization	216,146	-	-	216,146	166,145
Enhancements	-	276,222	-	276,222	8,640
Capital replacement	-	706,033	-	706,033	860,986
Undesignated:	-	207,127	(88,148)	118,979	-
 Total fund balances	 344,835	 1,201,872	 (88,148)	 1,458,559	 1,037,965
 Total liabilities and fund balances	 \$ 385,819	 1,201,872	 88,148	 1,675,839	 1,148,174

See accompanying notes to the basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2010

Fund balances of governmental funds	\$ 1,458,559
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets have not been included as financial resources in governmental fund activity:

Capital assets, being depreciated	4,456,673
Accumulated depreciation	(2,153,993)

Deferred revenues is recognized on the governmental funds balance sheet for certain revenues which do not meet the criteria for availability, and are thus deferred under modified accrual basis. This criteria is not applicable on the statement of net assets.

88,148

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.

Prepaid items	<u>20,803</u>
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Net assets of governmental activities	<u>\$ 3,870,190</u>
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See accompanying notes to the basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Years Ended June 30, 2010

(with comparative information for the prior year)

	Special Revenue			Totals	
	Operating Fund	Replacement Fund	Grants Fund	2010	2009
Revenues:					
Intergovernmental	\$ -	-	313,680	313,680	104,681
Investment Income	8,265	24,628	-	32,893	38,617
Contributions from member agencies	533,479	297,251	-	830,730	830,730
Total revenues	541,744	321,879	313,680	1,177,303	974,028
Expenditures:					
Public safety:					
Administration	137,913	-	-	137,913	139,435
Insurance	10,632	-	-	10,632	9,885
Professional services	10,435	-	255,147	265,582	15,000
Consulting	-	-	146,681	146,681	104,681
Equipment	-	1,734	-	1,734	-
Operating expenses	190,273	-	-	190,273	112,318
Supplies	538	-	-	538	252
Travel and meetings	3,356	-	-	3,356	3,425
Total expenditures	353,147	1,734	401,828	756,709	384,996
Excess (deficiency) of revenues over (under) expenditures	188,597	320,145	(88,148)	420,594	589,032
Other financing sources (uses):					
Transfer in	-	9,907	-	9,907	166,142
Transfer out	(9,907)	-	-	(9,907)	(166,142)
Total other financing sources (uses)	(9,907)	9,907	-	-	-
Net change in fund balances	178,690	330,052	(88,148)	420,594	589,032
Fund balances at beginning of year	166,145	871,820	-	1,037,965	448,933
Fund balances at end of year	\$ 344,835	1,201,872	(88,148)	1,458,559	1,037,965

See accompanying notes to the basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year Ended June 30, 2010

Changes in fund balances of governmental funds	\$ 420,594
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Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlay as expenditures. However, in
the statement of activities, the cost of these assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by
which capital outlay exceeded depreciation in the current period.

Capital expenditures	351,481
Depreciation of capital assets	(640,004)

Some revenues reported in the statement of activities do not increase current financial resources and therefore are not reported as revenues in governmental funds.	88,148
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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.

Prepaid items	<u>(109,348)</u>
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Changes in net assets of governmental activities	<u>\$ 110,871</u>
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See accompanying notes to the basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2010

(1) Summary of Significant Accounting Policies

The accounting policies of Integrated Law and Justice Agency for Orange County (hereinafter referred to as 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 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 CA
Costa Mesa	La Habra	County of Orange
Cypress	La Palma	Tustin
Fountain Valley	Laguna Beach	Westminster
Los Alamitos	Orange	

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 and Basis of Accounting

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

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus and Basis of Accounting, (Continued)

Government-wide Financial Statements, (Continued)

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.

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.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus and Basis of Accounting, (Continued)

Governmental Funds, (Continued)

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.

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:

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classification, (Continued)

Operating Fund – The operating 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.

Replacement Fund – The Replacement 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.

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

(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 or 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 3 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:

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Capital Assets, (Continued)

- a) Determination that an objective for the project is to create a specific internally generated intangible asset.
- b) Determination of the nature of the service capacity that is expected to be provided by the asset upon its completion.
- c) Demonstration of the technical or technological feasibility for completing the project so that the asset will provide its expected service capacity.
- d) 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

(h) Charges to Other Agencies

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

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	<u>\$1,489,262</u>
Total cash and investments	<u>\$1,489,262</u>

Cash and investments as of June 30, 2010 consist of the following:

Investments	<u>\$1,489,262</u>
Total cash and investments	<u>\$1,489,262</u>

Investments Authorized by the California Government Code

The Agency's cash and investments are maintained in an investment pool managed by the City of Newport Beach. 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 Newport Beach. The Agency has not adopted an investment policy separate from that of the City of Newport Beach. 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 Newport Beach 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 Newport Beach is provided by disclosures in the notes to the basic financial statements of the City of Newport Beach's Comprehensive Annual Financial Report that shows the distribution of the City's investments by maturity.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments, (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 36 Months</u>	<u>36 to 60 Months</u>	<u>More Than 60 Months</u>
City investment pool	<u>\$1,489,262</u>	<u>1,489,262</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,489,262</u>	<u>1,489,262</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 Newport Beach'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 Newport Beach's Comprehensive Annual Financial Report.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
City investment pool	<u>\$1,489,262</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,262</u>
Total	<u>\$1,489,262</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,262</u>

Concentration of Credit Risk

Investments in any one 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 nonmajor funds in the aggregate) are disclosed in the notes to the basic financial statements of the City of Newport Beach'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).

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(3) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2010 is as follows:

Governmental Activities:

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance at June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2010</u>
Capital assets being depreciated:				
Equipment and software	<u>\$4,105,192</u>	<u>351,481</u>	<u>-</u>	<u>4,456,673</u>
Total capital assets being depreciated	<u>4,105,192</u>	<u>351,481</u>	<u>-</u>	<u>4,456,673</u>
Less accumulated depreciation for:				
Equipment and software	<u>(1,513,989)</u>	<u>(640,004)</u>	<u>-</u>	<u>(2,153,993)</u>
Total accumulated depreciation	<u>(1,513,989)</u>	<u>(640,004)</u>	<u>-</u>	<u>(2,153,993)</u>
Total capital assets being depreciated, net	<u>2,591,203</u>	<u>(288,523)</u>	<u>-</u>	<u>2,302,680</u>
Governmental activities capital assets, net	<u>\$2,591,203</u>	<u>(288,523)</u>	<u>-</u>	<u>2,302,680</u>

Depreciation expense is \$640,004 for June 30, 2010.

(4) Interfund Receivables, Payables and Transfers

Transfers in and out for the year ended June 30, 2010 were as follows:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Operating Fund	Replacement Fund	<u>\$ 9,907 (a)</u>
	Total	<u>\$ 9,907</u>

(a) Transferred member agencies contributions designated for replacement reserves.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(4) Interfund Receivables, Payables and Transfers, (Continued)

The compensation of interfund balances as of June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Fund	Grants Fund	<u>\$23,148</u> (a)
	Total	<u>\$23,148</u>

- (a) The Operating Fund provided the Grants Fund money to finance expenses paid prior to the receipt of grant reimbursement. The Operating Fund is expected to be repaid in fiscal year 2011.

REQUIRED SUPPLEMENTARY INFORMATION

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Operating Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)	<u>Prior Year Actual</u>
Revenues:					
Contributions from member agencies	\$ 514,842	514,842	533,479	18,637	533,482
Investment Income	<u>3,696</u>	<u>3,696</u>	<u>8,265</u>	<u>4,569</u>	<u>12,180</u>
Total revenues	<u>518,538</u>	<u>518,538</u>	<u>541,744</u>	<u>23,206</u>	<u>545,662</u>
Expenditures:					
Public safety:					
Administration	140,485	140,485	137,913	2,572	139,435
Insurance	11,000	11,000	10,632	368	9,885
Professional services	16,301	16,301	10,435	5,866	15,000
Operating expenses	343,968	343,968	190,273	153,695	103,678
Supplies	500	500	538	(38)	252
Travel and meetings	<u>2,588</u>	<u>2,588</u>	<u>3,356</u>	<u>(768)</u>	<u>3,425</u>
Total expenditures	<u>514,842</u>	<u>514,842</u>	<u>353,147</u>	<u>161,695</u>	<u>271,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,696</u>	<u>3,696</u>	<u>188,597</u>	<u>184,901</u>	<u>273,987</u>
Other financing sources (uses):					
Transfer out	<u>(22,334)</u>	<u>(22,334)</u>	<u>(9,907)</u>	<u>(12,427)</u>	<u>(166,142)</u>
Total other financing sources (uses)	<u>(22,334)</u>	<u>(22,334)</u>	<u>(9,907)</u>	<u>(12,427)</u>	<u>(166,142)</u>
Net change in fund balances	(18,638)	(18,638)	178,690	172,474	107,845
Fund balance at beginning of year	<u>166,145</u>	<u>166,145</u>	<u>166,145</u>	<u>-</u>	<u>58,300</u>
Fund balance at end of year	<u>147,507</u>	<u>147,507</u>	<u>344,835</u>	<u>172,474</u>	<u>166,145</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Replacement Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)	<u>Prior Year Actual</u>
Revenues:					
Contributions from member agencies	\$ 297,250	297,250	297,251	1	297,248
Investment Income	<u>20,666</u>	<u>20,666</u>	<u>24,628</u>	<u>3,962</u>	<u>26,437</u>
Total revenues	<u>317,916</u>	<u>317,916</u>	<u>321,879</u>	<u>3,963</u>	<u>323,685</u>
Expenditures:					
Public safety:					
Equipment	30,000	30,000	1,734	28,266	-
Operating Expenses	<u>82,169</u>	<u>82,169</u>	<u>-</u>	<u>82,169</u>	<u>8,640</u>
Total expenditures	<u>112,169</u>	<u>112,169</u>	<u>1,734</u>	<u>110,435</u>	<u>8,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,747</u>	<u>205,747</u>	<u>320,145</u>	<u>114,398</u>	<u>315,045</u>
Other financing sources (uses):					
Transfer in	<u>22,334</u>	<u>22,334</u>	<u>9,907</u>	<u>12,427</u>	<u>166,142</u>
Total other financing sources (uses)	<u>22,334</u>	<u>22,334</u>	<u>9,907</u>	<u>12,427</u>	<u>166,142</u>
Net change in fund balances	228,081	228,081	330,052	126,825	481,187
Fund balance at beginning of year	<u>871,820</u>	<u>871,820</u>	<u>871,820</u>	<u>-</u>	<u>390,633</u>
Fund balance at end of year	<u>1,099,901</u>	<u>1,099,901</u>	<u>1,201,872</u>	<u>126,825</u>	<u>871,820</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)	<u>Prior Year Actual</u>
Revenues:					
Intergovernmental	\$ <u>1,560,126</u>	<u>1,560,126</u>	<u>313,680</u>	<u>(1,246,446)</u>	<u>104,681</u>
Total revenues	<u>1,560,126</u>	<u>1,560,126</u>	<u>313,680</u>	<u>(1,246,446)</u>	<u>104,681</u>
Expenditures:					
Public safety:					
Professional services	533,660	533,660	255,147	-	-
Consulting	<u>1,026,466</u>	<u>1,026,466</u>	<u>146,681</u>	<u>879,785</u>	<u>104,681</u>
Total expenditures	<u>1,560,126</u>	<u>1,560,126</u>	<u>401,828</u>	<u>879,785</u>	<u>104,681</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(88,148)	(366,661)	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>(88,148)</u>	<u>(366,661)</u>	<u>-</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Years Ended June 30, 2010

(1) Budgetary Reporting

The Agency adopted an annual budget prepared on the modified accrual basis for the Operating Fund, Replacement Fund, and Grants 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 Board. Increasing total fund appropriations and transfers between funds requires approval by the Agency Board unless explicitly authorized in the budget policy.



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Board of Directors
Integrated Law and Justice Agency for Orange County
Newport Beach, California

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

We have audited the financial statements of the governmental activities, and each major fund, of the Integrated Law and Justice Agency for Orange County ("Agency") as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 18, 2011. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Board of Directors
Integrated Law and Justice Agency of Orange County
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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman Melton A.C.

Irvine, California
January 18, 2011