



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENTS

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on YOU



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Financial Statements

For the Year Ended June 30, 2025

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Financial Statements

For the Year Ended June 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, (hereafter, the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,



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

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.



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

Supplementary 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 for the Replacement Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information 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 December 8, 2025, 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 solely 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 effectiveness of the Agency's 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.

LSL, LLP

Irvine, California
December 8, 2025

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 4,527,763
Interest receivable	49,599
Due from other governments	52,045
Capital assets (not being depreciated/amortized)	361,395
Total assets	4,990,802
LIABILITIES	
Accounts payable	85,029
Due to the City of Brea	31,877
Unearned revenue	169,617
Total liabilities	286,523
NET POSITION	
Invested in capital assets	361,395
Unrestricted	4,342,884
Total net position	\$ 4,704,279

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
 Balance Sheet
 Governmental Funds
 June 30, 2025

	<u>Capital Projects Fund</u>		
	<u>General</u>	<u>Replacement Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 1,115,879	\$ 3,411,884	\$ 4,527,763
Interest receivable	-	49,599	49,599
Due from other governments	-	52,045	52,045
Total assets	\$ 1,115,879	\$ 3,513,528	\$ 4,629,407
LIABILITIES			
Accounts payable	\$ 46,246	\$ 38,783	\$ 85,029
Due to the City of Brea	-	31,877	31,877
Unearned revenue	-	169,617	169,617
Total liabilities	46,246	240,277	286,523
FUND BALANCES (DEFICITS)			
Assigned	-	3,273,251	3,273,251
Unassigned	1,069,633	-	1,069,633
Total fund balances (deficits)	1,069,633	3,273,251	4,342,884
Total liabilities and fund balances (deficits)	\$ 1,115,879	\$ 3,513,528	\$ 4,629,407

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		\$ 4,342,884
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Capital assets, not being depreciated	\$ 361,395	
Capital assets, being depreciated	5,984,943	
Less: accumulated depreciation	<u>(5,984,943)</u>	<u>361,395</u>
Net position of governmental activities		<u><u>\$ 4,704,279</u></u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	<u>Capital Projects Fund</u>		
	<u>General</u>	<u>Replacement Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Investment earnings	\$ 2,790	\$ 232,473	\$ 235,263
Contributions from member agencies	1,739,682	40,858	1,780,540
Other revenues	1,135,010	-	1,135,010
Total revenues	2,877,482	273,331	3,150,813
EXPENDITURES			
Current			
Public Safety			
Administration	223,342	-	223,342
Insurance	18,712	-	18,712
Professional services	103,189	34,538	137,727
Operating expenditures	2,695,291	23,809	2,719,100
Supplies	841	-	841
Travel and meetings	2,336	-	2,336
Capital outlay	260,175	101,220	361,395
Total expenditures	3,303,886	159,567	3,463,453
Excess (deficiency) of revenues over (under) expenditures	(426,404)	113,764	(312,640)
OTHER FINANCING SOURCES (USES)			
Transfers in	137,655	66,057	203,712
Transfers out	(66,057)	(137,655)	(203,712)
Total other financing sources (uses)	71,598	(71,598)	-
Net change in fund balances	(354,806)	42,166	(312,640)
Fund balances-beginning	1,424,439	3,231,085	4,655,524
Fund balances (deficit)-ending	\$ 1,069,633	\$ 3,273,251	\$ 4,342,884

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:		\$ (312,640)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlay	<u>361,395</u>	
Total adjustment		<u>361,395</u>
Change in net position of governmental activities		<u>\$ 48,755</u>

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**Notes to the Financial Statements
For the Year Ended June 30, 2025**

NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Integrated Law and Justice Agency for Orange County (the “Agency”) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency’s significant accounting policies are described below.

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":

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

The Agency has a twelve-member Board of Directors from the participating agencies. The Agency prepares an annual budget, which is submitted for approval to the Board of Directors.

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

Program revenues include contributions from member agencies to pay for operations and management of other public service agencies contracting with the Agency for law enforcement support services. 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 in the government-wide financial statements, rather than reported as expenses.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Notes to the Financial Statements For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, deferred inflows of resources, fund equity, revenues and expenditures, 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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Agency the right to use assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and subscription-based information technology arrangements are reported as other financing sources.

When both restricted and unrestricted resources are combined in a fund, expenditures 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 funds 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 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.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**Notes to the Financial Statements
For the Year Ended June 30, 2025**

NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Capital Assets

Capital assets are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at acquisition value on the date received. Generally, capital asset purchases in excess of \$10,000 are capitalized if they have an expected useful life of three years or more. 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.
- 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

F. Member Contributions

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

G. Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

Notes to the Financial Statements For the Year Ended June 30, 2025

NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net position consists of restricted assets reduced by certain liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

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.

H. Fund Balance

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

In the fund financial statements, governmental 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 a resolution.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Agency's Board of Directors or another designated official is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution. Fund balance within the capital projects fund are assigned for future capital replacement.

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

The Agency maintains a stabilization reserve which was formally established for the operating fund by the Board of Directors in March 2015. A stabilization reserve is maintained to buffer against steep member agency rate increases due to unexpected operational cost increases. The stabilization reserve was targeted at 25% of total annual member agency fees but may fluctuate to serve its purpose. If the stabilization reserve is utilized to balance operating fund expenditures in a given year, the Agency Board of Directors must be notified in writing along with a plan to replenish the reserve in a timely, but reasonable, time frame. Any excess fund balance greater than the 25% reserve within the General Fund, shall be transferred to the Replacement Capital Projects fund during the subsequent fiscal year upon Board approval. The stabilization reserve as of June 30, 2025, is \$445,136 for the General Fund which is approximately 13.5% of total expenditures. The reserve is expected to be replenished in the next year.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**Notes to the Financial Statements
For the Year Ended June 30, 2025**

NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position/Balance Sheet:

Local Agency Investment Fund (LAIF)	\$ 4,527,763
Total Cash and Investments	<u>\$ 4,527,763</u>

Investments Authorized by the California Government Code

The Agency maintains cash and investments within the City of Brea, California (City)'s investment pool. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an amortized cost basis. The investment policies and the risks related to cash and investments applicable to the Agency's deposits are those of the City, and are disclosed in the City's basic financial statements. The City's basic financial statements may be obtained through the City's website. The City's investment pool is not rated and not registered with the Securities Exchange Commission.

The Agency is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. LAIF is not registered with the Securities and Exchange Commission and is not rated. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis. Funds are accessible and transferable within 24-hour notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of the LAIF deposits as of June 30, 2025, was \$4,527,763 and had a weighted average maturity of 248 days. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

The Agency's deposits with the City and investment in LAIF are governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The Agency has not adopted an investment policy separate from that of the City.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

**Notes to the Financial Statements
For the Year Ended June 30, 2025**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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. 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 is provided by disclosures in the notes to the basic financial statements of the City's Annual Comprehensive Financial Report. The Agency's investment in the City's investment pool has a maturity date of 12 months or less.

Fair Value Measurements

The Agency categorizes its fair value of measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Deposits and withdrawals in the City's investment pool and LAIF are made on the basis of \$1 and not fair value. Accordingly, the Agency's cash and investments in both the City's investment pool and LAIF are based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

NOTE 3: CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2025, is as follows:

	Beginning	Additions	Deletions	Ending
Governmental Activities				
Capital assets, not being depreciated/amortized				
Software-in-progress	\$ -	\$ 361,395	\$ -	\$ 361,395
Total capital assets, not being depreciated/amortized	-	361,395	-	361,395
Capital Assets, being depreciated/amortized				
Equipment and software	5,984,943	-	-	5,984,943
Total capital assets, being depreciated/amortized	5,984,943	-	-	5,984,943
Less accumulated depreciation/amortization				
Equipment and software	(5,984,943)	-	-	(5,984,943)
Total accumulated depreciation/amortization	(5,984,943)	-	-	(5,984,943)
Total capital assets, being depreciated/amortized, net	-	-	-	-
Total governmental activities capital assets, net	\$ -	\$ 361,395	\$ -	\$ 361,395

NOTE 4: INSURANCE

The Agency 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 \$10,000 self-insured retention. There have been no significant changes in insurance coverage as compared to last year. Settlements have not exceeded coverage in each of the past three fiscal years.

NOTE 5: COMMITMENTS

Project	Expenditures to date as of June 30, 2025	Remaining Commitments
OC Juvenile Petition Software	\$ 264,563	\$ 128,692
OC Search Warrant Software	101,220	107,100
Accurant Virtual Crime Center	1,425,000	1,362,000
Cloud Scheduling & Electronic Court & Subpoena System	800,000	3,548,259

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2025

NOTE 6: RELATED PARTY

The Agency's financial transactions are recorded by the City of Brea. The Agency paid the City of Brea \$67,321 in administrative costs to the City of Brea and received \$21,468 in revenues.

INTEGRATED LAW AND JUSTICE FOR ORANGE COUNTY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 2,790	\$ 2,790
Contributions from member agencies	1,739,683	1,739,683	1,739,682	(1)
Other revenues	1,308,270	1,308,270	1,135,010	(173,260)
Total revenues	3,047,953	3,047,953	2,877,482	(170,471)
EXPENDITURES				
Current:				
Public Safety:				
Administration	222,763	222,763	223,342	(579)
Insurance	16,677	16,677	18,712	(2,035)
Professional services	115,655	115,655	103,189	12,466
Operating expenditures	2,686,426	3,737,328	2,695,291	1,042,037
Supplies	600	600	841	(241)
Travel and meetings	5,831	5,831	2,336	3,495
Capital outlay	-	-	260,175	(260,175)
Total expenditures	3,047,952	4,098,854	3,303,886	794,968
Excess (deficiency) of revenues over (under) expenditures	1	(1,050,901)	(426,404)	624,497
OTHER FINANCING SOURCES (USES)				
Transfers in	-	137,655	137,655	-
Transfers out	-	(66,057)	(66,057)	-
Total other financing sources (uses)	-	71,598	71,598	-
Net change in fund balances	\$ 1	\$ (979,303)	(354,806)	\$ 624,497
Fund balances-beginning			1,424,439	
Fund balances (deficit)-ending			\$ 1,069,633	

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY
Notes to the Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 1: BUDGETARY REPORTING

The Agency adopted an annual budget prepared on the modified accrual basis. 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. Transfers between funds require approval by the Agency Board unless explicitly authorized in the budget policy.

INTEGRATED LAW AND JUSTICE FOR ORANGE COUNTY
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Replacement Capital Projects Fund
For the Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ 5,000	\$ 5,000	\$ 232,473	\$ 227,473
Contributions from member agencies	40,860	40,860	40,858	(2)
Total revenues	45,860	45,860	273,331	227,471
EXPENDITURES				
Current:				
Public Safety:				
Professional services	-	300,883	34,538	266,345
Operating expenditures	-	60,000	23,809	36,191
Capital outlay	-	-	101,220	(101,220)
Total expenditures	-	360,883	159,567	201,316
Excess (deficiency) of revenues over (under) expenditures	45,860	(315,023)	113,764	428,787
OTHER FINANCING SOURCES (USES)				
Transfers in	-	66,057	66,057	-
Transfers out	-	(137,655)	(137,655)	-
Total other financing sources (uses)	-	(71,598)	(71,598)	-
Net change in fund balances	\$ 45,860	\$ (386,621)	42,166	\$ 428,787
Fund balances-beginning			3,231,085	
Fund balances (deficit)-ending			\$ 3,273,251	



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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Integrated Law and Justice Agency for Orange County, (hereafter, the Agency), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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 financial statements. 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*.



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

Integrated Law and Justice Agency for Orange County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Irvine, California
December 8, 2025



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

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number: 2025-001
Internally Generated Software Not Capitalized
Significant Deficiency

Condition

The Agency did not capitalize costs related to two internally generated software projects that commenced this year and are currently in progress.

Criteria

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets* defines an intangible asset as an asset that:

- Lacks physical substance
- Is nonfinancial in nature
- Has an initial useful life extending beyond a single reporting period

Intangible assets are classified as internally generated when they are developed or produced by the government, an entity under contract with the government, or acquired from a third party and require significant additional effort by the government to attain their intended service capacity. Computer software is a common type of intangible asset that is often internally generated. Computer software should be considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government.

The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

1. *Preliminary Project Stage* involves developing concepts, evaluating options, reviewing necessary technology, and selecting the best software development approach.
2. *Application Development Stage* covers solution design, software setup and configuration, coding, hardware installation, and thorough testing such as parallel processing.
3. *Post-Implementation/Operation Stage* includes application training and software maintenance.

Outlays associated with activities in the preliminary project stage should be expensed as incurred. Outlays related to activities in the application development stage should be capitalized. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational. Outlays associated with activities in the post-implementation/operation stage should be expensed as incurred.

Cause

The Agency recorded the costs related to the application development state of the two projects as expenses rather than capitalizing them.

Effect or Potential Effect

Capital assets and net position on the government-wide Statement of Net Position were understated. Functional expenses on the Statement of Activities were overstated.

Recommendation

We recommend that the Agency implement a process to review purchase orders and agreements to determine if any significant project meets the criteria of an intangible asset as per GASB Statement 51. The costs for such projects should be tracked and capitalized appropriately.

Management's Response

The Agency recognizes that these projects are not common. The Agency agrees with the finding and has implemented controls to prevent in the future. The Agency considers the finding resolved.