

# **SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended June 30, 2009

# **SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**

For the Fiscal Year Ended June 30, 2009

## Table of Contents

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 7
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 18
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	19



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
San Diego Geographic Information Source  
San Diego, CA

We have audited the accompanying financial statements of the San Diego Geographic Information Source (Agency), a Joint Powers Agency formed by the City and County of San Diego, as of and for the fiscal year ended June 30, 2009, 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 an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Agency's June 30, 2008 financial statements, which were audited by another auditor, and whose report dated June 29, 2009 expressed an unqualified opinion on the Agency's basic 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 as to 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 San Diego Geographic Information Source as of June 30, 2009, and the respective changes in financial position, and cash flows, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2008, the Agency adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards*.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2010, 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 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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
April 21, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

As management of the San Diego Geographic Information Source (SanGIS) Joint Powers Agency (JPA), we offer the readers of SanGIS this narrative and analysis of the SanGIS financial activities for the fiscal year ended June 30, 2009.

**OVERVIEW OF REQUIRED FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to SanGIS's basic financial statements. The basic financial statements include:

- (1) Statement of Net Assets
- (2) Statement of Revenues, Expenses, and Changes in Net Assets
- (3) Statement of Cash Flows
- (4) Notes to the Financial Statements

The financial statements are designed to provide the readers with a broad overview of SanGIS's government and managed finances. These finances are predominantly sourced from the City of San Diego and the County of San Diego. Historically, some of SanGIS's business functions operated like a private sector business operation until the California Attorney General opined on the nature of GIS data and public records access, thus SanGIS was advised to discontinue that sale of digital records. As a result, revenues are now limited to monies received from the SanGIS JPA grantors and limited to third party contracts for services rendered by SanGIS.

**(1) STATEMENT OF NET ASSETS**

The Statement of Net Assets presents information on all SanGIS's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SanGIS is improving or deteriorating.

**(2) STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

This Statement of Revenues, Expenses, and Changes in Net Assets present information showing changes in SanGIS's assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement reflects the results for SanGIS operations for the fiscal year identified and can be used to determine SanGIS's credit worthiness and its ability to successfully cover all of its costs through revenue received from its JPA grantors. Revenues continue to be predominantly sourced from the JPA grantors and have remained constant, allowing a contingency reserve to be accrued by reducing overhead costs. As inferred above, fiscal year costs were reduced by outsourcing services and staffing without causing a reduction in service levels.

**(3) THE STATEMENT OF CASH FLOWS**

This Statement of Cash Flows presents information about SanGIS's cash receipts and cash payments during the most recent fiscal year. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations and/or investing in financing activities. The financial and legal conditions that first were presented in 2006 are still present in this fiscal year. This situation is where the California Attorney General opined that GIS data is a public record and cannot be charged for beyond what the limits of the California public records act allows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 11 - 18 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, the "Independent Auditor's 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*" can be found on page 19 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

**FINANCIAL ANALYSIS**

As noted in previous statements, net assets have been used as a useful indicator of government's financial position. In the case of SanGIS, assets exceeded liabilities by \$150,315 at June 30, 2009. The unrestricted portion of Net Assets represents resources that are available to finance SanGIS's services and obligations to JPA member agencies and its creditors. However, this sum is not profit. Since SanGIS does not generate a significant portion of its own revenue, this sum and trend is indicative of SanGIS management's efforts to continually seek improvement, savings, and efficiencies in the organization. For example, this year has a \$65,969 decrease in net assets total over last year. This trend is expected to continue for one or two more years as SanGIS focuses to better serve the GIS needs of the SanGIS JPA members.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NET ASSETS**  
**JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>ASSETS</b>				
Current and other assets	\$ 275,922	\$ 527,648	\$ (251,726)	-48%
Capital assets	<u>28,119</u>	<u>46,314</u>	<u>(18,195)</u>	-39%
<b>Total Assets</b>	<u>304,041</u>	<u>573,962</u>	<u>(269,921)</u>	-47%
<b>LIABILITIES</b>				
Current and other liabilities	137,245	338,138	(200,893)	-59%
Non Current Liabilities	<u>16,481</u>	<u>19,540</u>	<u>(3,059)</u>	-16%
<b>Total Liabilities</b>	<u>153,726</u>	<u>357,678</u>	<u>(203,952)</u>	-57%
<b>NET ASSETS</b>				
Invested in Capital Assets	28,119	46,314	(18,195)	-39%
Unrestricted	<u>122,196</u>	<u>169,970</u>	<u>(47,774)</u>	-28%
<b>Total Net Assets</b>	<u>\$ 150,315</u>	<u>\$ 216,284</u>	<u>\$ (65,969)</u>	-31%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**CHANGES IN NET ASSETS**  
**FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues:				
City	\$ 752,830	\$ 761,896	\$ (9,066)	-1%
County	752,830	761,896	(9,066)	-1%
Product sales	36,767	35,422	1,345	4%
Other revenues	16,000	16,160	(160)	-1%
Non-operating Revenues				
Interest revenue	<u>10,071</u>	<u>23,064</u>	<u>(12,993)</u>	-56%
Total Operating and Non-operating				
Revenues	<u>\$ 1,568,498</u>	<u>\$ 1,598,438</u>	<u>\$ (29,940)</u>	-2%
	<u>2009</u>	<u>2008</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Expenses:				
General administrative	\$ 1,092,230	\$ 1,011,151	\$ 81,079	8%
Technical services	524,042	419,118	104,924	25%
Depreciation expense	<u>18,195</u>	<u>26,747</u>	<u>(8,552)</u>	-32%
Total Expenses	<u>1,634,467</u>	<u>1,457,016</u>	<u>177,451</u>	12%
Change in net assets	(65,969)	141,422	(207,391)	-147%
Beginning net assets	216,284	82,089	134,195	163%
Prior period adjustment	<u>-</u>	<u>(7,227)</u>	<u>7,227</u>	-100%
Ending net assets	<u>\$ 150,315</u>	<u>\$ 216,284</u>	<u>\$ (65,969)</u>	-31%

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2009**

**CAPITAL ASSETS**

SanGIS's investment in capital assets as of June 30, 2009 amounts to \$28,119 (net of accumulated depreciation). The total changes in capital assets is (\$18,195), or approximately -39%.

	2009	2008	Dollar Increase (Decrease)	Percent Increase (Decrease)
Equipment	\$ 28,119	\$ 46,314	\$ (18,195)	-39%

**REQUEST FOR INFORMATION**

This financial report will provide a general overview of SanGIS's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report, or request for additional information, should be addressed to:

Office of Audits and Advisory Services  
County of San Diego  
5555 Overland Drive, - Building 2, Suite 282  
San Diego, California 92123

Or

SanGIS Management Committee  
San Diego Geographic Information Source  
5201 Ruffin Road, Suite E MS 16  
San Diego, California 92123

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**  
**(Comparative totals as of June 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and investments	\$ 265,565	\$ 522,050
Interest receivable	1,251	5,598
Prepaid expenses	9,106	
Capital assets, net of accumulated depreciation	<u>28,119</u>	<u>46,314</u>
Total Assets	<u>304,041</u>	<u>573,962</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current:		
Accounts payable and accrued expenses	80,823	240,249
Due to County of San Diego	56,422	82,912
Current portion of long-term liabilities		<u>14,977</u>
Total current liabilities	137,245	338,138
Noncurrent:		
Compensated absences, due in more than one year	<u>16,481</u>	<u>19,540</u>
Total Liabilities	<u>153,726</u>	<u>357,678</u>
 <b>NET ASSETS</b>		
Invested in capital assets	28,119	46,314
Unrestricted	<u>122,196</u>	<u>169,970</u>
Total net assets	<u>\$ 150,315</u>	<u>\$ 216,284</u>

See Notes to the financial statements

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**  
**(Comparative totals for the fiscal year ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES:</b>		
City	\$ 752,830	\$ 761,896
County	752,830	761,896
Product sales	36,767	35,422
Other revenues	<u>16,000</u>	<u>16,160</u>
Total operating revenues	<u>1,558,427</u>	<u>1,575,374</u>
<b>OPERATING EXPENSES:</b>		
General administrative	1,092,230	1,011,151
Technical services	524,042	419,118
Depreciation expense	<u>18,195</u>	<u>26,747</u>
Total operating expenses	<u>1,634,467</u>	<u>1,457,016</u>
Operating income (loss)	(76,040)	118,358
<b>NON-OPERATING REVENUES:</b>		
Interest revenue	<u>10,071</u>	<u>23,064</u>
Changes in net assets	<u>(65,969)</u>	<u>141,422</u>
Net assets at beginning of fiscal year	216,284	82,089
Prior period adjustment	<u>-</u>	<u>(7,227)</u>
Net assets at beginning of fiscal year, restated	<u>216,284</u>	<u>74,862</u>
Net assets at end of fiscal year	<u>\$ 150,315</u>	<u>\$ 216,284</u>

See Notes to the financial statements

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**  
**(Comparative totals for the fiscal year ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,558,427	\$ 1,591,374
Payments to suppliers for goods and services	(755,884)	(506,218)
Payments to employees	<u>(1,073,446)</u>	<u>(907,908)</u>
Net cash provided (used) by operating activities	<u>(270,903)</u>	<u>177,248</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	<u>                    </u>	<u>(11,186)</u>
Cash Flows from Investing Activities:		
Interest received	<u>14,418</u>	<u>22,273</u>
Net increase (decrease) in cash and cash equivalents	(256,485)	188,335
Cash and Cash Equivalents at beginning of fiscal year	<u>522,050</u>	<u>333,715</u>
Cash and Cash Equivalents at end of fiscal year	<u>\$ 265,565</u>	<u>\$ 522,050</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	\$ (76,040)	\$ 118,358
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	18,195	26,747
(Increase) decrease in accounts receivable		16,000
(Increase) decrease in prepaid expenses	(9,106)	
Increase (decrease) in accounts payable and accrued liabilities	(159,426)	95,971
Increase (decrease) in Due to County of San Diego	(26,490)	(54,771)
Increase (decrease) in compensated absences	<u>(18,036)</u>	<u>(25,057)</u>
Total adjustments	<u>(194,863)</u>	<u>58,890</u>
Net cash provided (used) by operating activities	<u>\$ (270,903)</u>	<u>\$ 177,248</u>

See Notes to the financial statements

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the San Diego Geographic Information Source (Agency) conform to accounting principles generally accepted in the United States of America (USGAAP) applicable to governmental units. The following is a summary of the more significant of such policies:

***Organization and Purpose***

The San Diego Geographic Information Source (Agency) was created in July 1997 by a Joint Powers Agreement between the City of San Diego (City) and the County of San Diego (County) and commenced operations in September 1997. The Agency was created to assist member agencies by providing and/or continuing the operations, maintenance, enhancement, and implementation of a geographic information system. The computerized mapping system permits the City and the County to provide compiled digital geographic data to themselves, other public agencies, and to the private sector.

***Reporting Entity***

Since neither the City nor the County appoint a voting majority of the Agency's governing board, it is not considered a component unit of the City or the County.

***Basis of Presentation***

The Agency operates as an Enterprise Fund. Enterprise fund financial statements are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued before November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental users.

When both *restricted* and *unrestricted* resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Capital assets are recorded at cost by the Agency. It is the policy of the Agency to capitalize all capital assets with a cost of \$5,000 or greater. Depreciation is computed on the straight-line method over the estimated useful lives of 4 to 10 years.

Servers/ Workstations/ Network Equipment	4 years
Printers	5 years
Furniture and fixtures	10 years

***Long-term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, deferred loss on refundings, and issuance costs, are deferred and amortized over the life of the bonds. These items are reported as deferred charges and amortized over the term of the related debt.

***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 amount of certain assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the related reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

***Related Party Transactions***

The Agency has entered into agreements with the City and County. Under the agreements, the City and County provide auditor, treasurer, legal, management, administrative and other necessary services until the Board appoints others to fulfill those functions. The Agency reimburses the City and the County at intervals based on the City's and County's accounting periods in an amount equal to the actual cost of salaries, and fringe benefits (computed at the City's and the County's then prevailing rate) and other necessary expenses.

***Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***New GASB Standards***

In fiscal year 2009, the Agency implemented the following GAS statements:

GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations.*" This Statement addresses accounting and financial reporting standards for pollution remediation obligations. There was no current effect on the financial statements as a result of implementing this Statement.

GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments.*" This Statement requires endowments to report their land and other real estate investments at fair value. While the provisions of Statement No. 52 are effective in fiscal year 2009, there is presently no impact on the Agency's financial statements.

GASB Statement No. 55, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this statement is to incorporate the GAAP for state and local governments into the GASB's authoritative literature. There was no change in current practice as a result of implementing this Statement.

GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations, and subsequent events. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GAS standards.

***Net Assets***

Net Assets are divided into three captions under GASB Statement No. 34. They are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these capital assets. As of June 30, 2009, \$28,119 of the Agency's net assets was invested in capital assets, net of related debt.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements. None of the net assets are restricted by enabling legislation.

*Unrestricted* describes the portion of Net Assets which is not restricted as to use.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 2. EQUITY IN POOLED CASH AND INVESTMENTS**

Cash resources of the Agency are combined with the cash resources of the County to form a pool of cash that is managed by the County Treasurer. As provided for by the Government Code, the cash balance of substantially all County funds and certain entities are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The Agency's net share of the total pooled cash and investments is included in the accompanying statement of net assets under the caption "Cash and Investments." Interest earned on investments is deposited to certain participating County funds and entities, including the Agency, based upon their average daily cash balance during the allocation month.

The Agency's cash in the County pool is presented on the accompanying Statement of Net Assets at June 30, 2009 as follows:

Cash and investments	<u>\$265,565</u>
----------------------	------------------

Cash and investments as of June 30, 2009 consist of the following:

Equity in County pool	<u>\$265,565</u>
-----------------------	------------------

Further disclosures regarding the County's cash and investment pool including investment policy are included in the notes to the County's Comprehensive Annual Financial Report for fiscal year ended June 30, 2009.

**County Investment Policy**

The County may transact business only with banks, savings and loans, and investment security dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the County Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the County's own written investment policy. Within the context of these limitations, permissible investments include: (1) obligations of the U.S. government and federal agencies with a maximum maturity of five years, (2) commercial paper rated A-1 by Standard & Poor's, P-1 by Moody's Commercial Paper Record or F-1 by Fitch, (3) Bankers acceptances, (4) negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the State Treasurer, (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation, (8) government agency mortgage securities with a maximum maturity of five years, (9) medium term corporate notes of maximum of three years maturity issued by corporations operating as defined in Section 23701(m) of the Revenue and Taxation Code, and (10) non-negotiable time deposits collateralized in accordance with the California Government Code.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Investments Authorized by the California Government Code**

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	25%
Local Agency Obligations	5 years	15%	10%
Bankers Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%-10%
Medium Term Notes	5 years	30%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreement	1 year	40%	10%-15%
Reverse Repurchase Agreement	92 days	20%	10%
Collateralized Certificates of Deposit	1 year	10%	None
Covered Call Option/Put Option	90 days	10%	None
Money Market Mutual Fund	N/A	15%	10%
Local Agency Investment Fund (State Pool)	N/A	10%	None
Pass-through Securities	5 years	20%	5%
County Pool	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in the 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 is to changes in market interest rates.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					More than 60 Months
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	
Equity in County Pool	\$ 265,565	\$ 265,565	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 265,565	\$ 265,565	\$ -	\$ -	\$ -	\$ -	\$ -

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The Agency's investments include no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity in County Pool	\$ 265,565	N/A	\$ -	\$ -	\$ -	\$ -	\$ 265,565

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state laws (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Note 3. CAPITAL ASSETS**

Summary of changes in capital assets for the period of July 1, 2008 to June 30, 2009:

	<u>Balance July 01, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Equipment & machinery	\$ 599,715	\$ -	\$ -	\$ 599,715
Accumulated depreciation: Equipment & machinery	<u>(553,401)</u>	<u>(18,195)</u>	<u>                    </u>	<u>(571,596)</u>
	<u>\$ 46,314</u>	<u>\$ (18,195)</u>	<u>\$ -</u>	<u>\$ 28,119</u>

Depreciation expense for capital assets for the fiscal year ended June 30, 2009 was \$18,195.

**Note 4. LONG TERM DEBT**

The following is the schedule of long term debt for the fiscal year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Amount Due within one year</u>
Compensated absence payable	<u>\$ 34,517</u>	<u>\$ -</u>	<u>\$ (18,036)</u>	<u>\$ 16,481</u>	<u>\$ -</u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Note 4. LONG TERM DEBT** (Continued)

***Compensated Absences***

The Agency recognized the accumulated and vested unpaid employee vacation leave benefits as a liability and it is recorded as compensated absences payable. The liability, at June 30, 2009: was \$16,481.

**Note 5. OPERATING LEASE**

In January 2005, the Agency entered into a non-cancelable operating lease with Seville Plaza for office space. The lease term commenced on January 26, 2005 for a term of 62 months ending on March 31, 2010, with second and third month rent abatement provided that the Agency faithfully performs all of the terms and conditions of the lease. Rent expenses associated with this lease were \$97,690 for fiscal year ended June 30, 2009.

At June 30, 2009 the future minimum lease payments were as follows:

2010	<u>\$ 76,206</u>
	<u>\$ 76,206</u>

The Agency began leasing a suite at the Ruffin Road Facility in March 2010. The Agency is paying \$0.66 to \$0.70 per square foot, which will total approximately \$14,000 to \$15,000 per year. The lease term is currently on a month to month basis.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S 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  
San Diego Geographic Information Source  
San Diego, CA

We have audited the accompanying financial statements of the San Diego Geographic Information Source as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated April 21, 2010. 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.

**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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify 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.

We noted certain other matters involving the internal control over financial reporting, which we reported to management of the Agency in a separate letter, dated April 21, 2010.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Geographic Information Source'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 report under *Government Auditing Standards*.

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

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
April 21, 2010