

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2014

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
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**For the Fiscal Year Ended June 30, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying basic 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, 2014, and the related notes to the financial statements, as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**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, 2014, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As discussed in Note 1 to the financial statements, effective July 1, 2013, the San Diego Geographic Information Source adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections 2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a required 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.

## **Report on Summarized Comparative Information**

Christy White Associates previously audited the Agency's basic financial statements as of and for the fiscal year ended June 30, 2013, and their report dated February 18, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the San Diego Geographic Information Source's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
January 15, 2015

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*Management's Discussion and Analysis*

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**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2014**

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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, 2014.

**OVERVIEW OF 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 Position
- (2) Statement of Revenues, Expenses, and Changes in Net Position
- (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.

**THE FINANCIAL STATEMENTS**

- The Statement of Net Position presents information on all SanGIS's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SanGIS is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position present information showing changes in SanGIS's net position during the most recent fiscal year. All changes in net position 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.
- The 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.

**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 12 - 18 of this report.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2014**

**THE AGENCY AS A WHOLE**

**Financial Highlights of the Past Year**

- Revenues decreased by \$296,802 over prior fiscal year to a total of \$1,182,644. Total expenses exceed revenues by \$87,828.
- Total assets decreased by \$115,367 to \$371,478, while total liabilities decreased by \$27,539 to \$126,063.
- Total net position decreased by \$87,828 to \$245,415 as of June 30, 2014.

**Net Position**

The Agency's assets exceeded liabilities by \$245,415 for the fiscal year ended June 30, 2014. The unrestricted portion of Net Position 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 San GIS does not generate a significant portion of its own service revenue, this sum and trend is indicative of SanGIS management's efforts to continually seek improvement, savings, and efficiencies in the organization. For the fiscal year ending June 30, 2014, the Board approved the use of excess fund balance with planned spending over budget up to \$90,000. The fiscal year ended with a \$87,828 decrease in net position total over the prior fiscal year. Our analysis below focuses on the net position (Table A-1) and changes in net position (Table A-2) of the Agency.

**Table A-1**

	<u>2014</u>	<u>2013</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>ASSETS</b>				
Current and other assets	\$ 371,478	\$ 485,623	\$ (114,145)	-24 %
Capital assets	--	1,222	(1,222)	-100 %
<b>Total Assets</b>	<u>371,478</u>	<u>486,845</u>	<u>(115,367)</u>	-24 %
<b>LIABILITIES</b>				
Current and other liabilities	103,856	108,139	(4,283)	-4 %
Non Current Liabilities	<u>22,207</u>	<u>45,463</u>	<u>(23,256)</u>	-51 %
<b>Total Liabilities</b>	<u>126,063</u>	<u>153,602</u>	<u>(27,539)</u>	-18 %
<b>NET POSITION</b>				
Invested in Capital Assets	--	1,222	(1,222)	-100 %
Unrestricted	<u>245,415</u>	<u>332,021</u>	<u>(86,606)</u>	-26 %
<b>Total Net Position</b>	<u>\$ 245,415</u>	<u>\$ 333,243</u>	<u>\$ (87,828)</u>	-26 %

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2014**

**Changes in Net Position**

The results of this fiscal year's operations for the Agency as a whole are reported in the Statement of Revenues, Expenses, and Changes in Net Position on page 10. The table below takes the information from the Statement, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the fiscal year. For the fiscal year ending June 30, 2014, the Board approved using up to \$200,000 of excess funds to reduce contributions from the City and County; therefore there was a one-time reduction of \$100,000 in contributions per agency.

**Table A-2**

	<u>2014</u>	<u>2013</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues:				
City	\$ 494,477	\$ 638,902	\$ (144,425)	-23 %
County	494,477	638,902	(144,425)	-23 %
Product sales	38,269	28,770	9,499	33 %
Other revenues	153,462	170,396	(16,934)	-10 %
Non-operating Revenues:				
Interest revenue	<u>1,959</u>	<u>2,476</u>	<u>(517)</u>	-21 %
Total Operating and Non-operating Revenues	<u>\$ 1,182,644</u>	<u>\$ 1,479,446</u>	<u>\$ (296,802)</u>	-20 %
Operating Expenses:				
General administrative	\$ 846,364	\$ 1,038,166	\$ (191,802)	-18 %
Technical services	422,886	424,422	(1,536)	- %
Depreciation expense	<u>1,222</u>	<u>3,975</u>	<u>(2,753)</u>	-69 %
Total Operating Expenses	<u>1,270,472</u>	<u>1,466,563</u>	<u>(196,091)</u>	-13 %
Change in net position	(87,828)	12,883	(100,711)	-782 %
Beginning net position	<u>333,243</u>	<u>320,360</u>	<u>12,883</u>	4 %
Ending net position	<u>\$ 245,415</u>	<u>\$ 333,243</u>	<u>\$ (87,828)</u>	-26 %

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2014**

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**CAPITAL ASSETS**

At June 30, 2014, as shown in the table below, the Agency had \$0 invested in capital assets. This amount represents a decrease of \$1,222, or approximately 100% from last fiscal year.

	2014	2013	Dollar Increase (Decrease)	Percent Increase (Decrease)
Equipment	\$ 48,904	\$ 48,904	\$ --	-%
Less accumulated depreciation	48,904	47,682	1,222	3%
Total capital assets, net	<u>\$ --</u>	<u>\$ 1,222</u>	<u>\$ (1,222)</u>	-100%

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

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 either of the following offices:

Office of Audits and Advisory Services  
 County of San Diego  
 5530 Overland Ave, Suite 330  
 San Diego, CA 92123

SanGIS Management Committee  
 San Diego Geographic Information Source  
 5510 Overland Ave, Suite 230  
 San Diego, CA 92123

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*Financial Section*

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**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE****Statement of Net Position****For the Fiscal Year Ended June 30, 2014 (with summarized financial information at June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current:		
Cash and investments	\$ 333,711	\$ 448,373
Accounts receivable	8,492	10,304
Interest receivable	498	493
Prepaid expenses	28,777	26,453
Total current assets	<u>371,478</u>	<u>485,623</u>
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>--</u>	<u>1,222</u>
Total Assets	<u><u>\$ 371,478</u></u>	<u><u>\$ 486,845</u></u>
 <b>LIABILITIES AND NET POSITION</b>		
Current:		
Accounts payable and accrued expenses	\$ 59,818	\$ 56,727
Due to County of San Diego	44,038	51,412
Total current liabilities	<u>103,856</u>	<u>108,139</u>
Noncurrent:		
Compensated absences, due in more than one year	<u>22,207</u>	<u>45,463</u>
Total Liabilities	<u>126,063</u>	<u>153,602</u>
 <b>NET POSITION</b>		
Net investment in capital assets	--	1,222
Unrestricted	<u>245,415</u>	<u>332,021</u>
Total Net Position	<u><u>\$ 245,415</u></u>	<u><u>\$ 333,243</u></u>

The notes to the financial statements are an integral part of this statement.  
Restricted for Management's Use Only

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2014 (with summarized financial information for the fiscal year ended June 30, 2013)**

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	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
City	\$ 494,477	\$ 638,902
County	494,477	638,902
Product sales	38,269	28,770
Other revenues	<u>153,462</u>	<u>170,396</u>
Total operating revenues	<u>1,180,685</u>	<u>1,476,970</u>
<b>OPERATING EXPENSES:</b>		
General administrative	846,364	1,038,166
Technical services	422,886	424,422
Depreciation expense	<u>1,222</u>	<u>3,975</u>
Total operating expenses	<u>1,270,472</u>	<u>1,466,563</u>
Operating income (loss)	(89,787)	10,407
<b>NON-OPERATING REVENUES:</b>		
Interest revenue	<u>1,959</u>	<u>2,476</u>
Change in net position	(87,828)	12,883
Net position, July 1	<u>333,243</u>	<u>320,360</u>
Net position, June 30	<u>\$ 245,415</u>	<u>\$ 333,243</u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE****Statement of Cash Flows****For the Fiscal Year Ended June 30, 2014 (with summarized financial information for the fiscal year ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers and users	\$ 1,190,989	\$ 1,471,999
Payments to suppliers for goods and services	(581,876)	(583,105)
Payments to employees	(725,729)	(866,970)
Loss on disposal of equipment	--	4,803
Net cash provided (used) by operating activities	<u>(116,616)</u>	<u>26,727</u>
<b>Cash Flows from Investing Activities:</b>		
Interest received	<u>1,954</u>	<u>2,478</u>
Net increase (decrease) in cash and cash equivalents	(114,662)	29,205
Cash and Cash Equivalents at beginning of fiscal year	<u>448,373</u>	<u>419,168</u>
Cash and Cash Equivalents at end of fiscal year	<u><u>\$ 333,711</u></u>	<u><u>\$ 448,373</u></u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (used in) Operating Activities:		
Operating income (loss)	<u>\$ (89,787)</u>	<u>\$ 10,407</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used) operating activities:		
Depreciation expense	1,222	3,975
Loss on disposal of equipment	--	4,803
(Increase) decrease in accounts receivable	1,812	(4,972)
Increase in prepaid expenses	(2,324)	(1,994)
Increase in accounts payable and accrued liabilities	3,091	2,060
Increase (decrease) in Due to County of San Diego	(7,374)	(6,488)
Increase (decrease) in compensated absences	<u>(23,256)</u>	<u>18,936</u>
Total adjustments	<u>(26,829)</u>	<u>16,320</u>
Net cash provided (used) by operating activities	<u><u>\$ (116,616)</u></u>	<u><u>\$ 26,727</u></u>

The notes to the financial statements are an integral part of this statement.  
Restricted for Management's Use Only

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The San Diego Geographic Information Source (the "Agency"), located in San Diego County, 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.

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 the liability is incurred. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position.

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.

**Capital Assets**

Capital assets are recorded at cost by the Agency. It is the policy of the Agency to capitalize all capital assets, except for software, with a cost of \$5,000 or greater. Software is capitalized when the cost is \$50,000 or greater. Depreciation is computed on the straight-line method over the estimated useful lives of 3 to 10 years.

Software	3 years
Servers/ Workstations/ Network Equipment	4 years
Printers	5 years
Furniture and fixtures	10 years

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts and deferred gain or loss on refunding are deferred and amortized over the life of the bonds.

**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, liabilities and disclosures 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, such as depreciation expense and the net book value of capital assets. Accordingly, 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**

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.

**Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net investment in Capital Assets - This amount consists of capital net of accumulated depreciation.

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

Unrestricted - This amount is all net position that do not meet the definition of "invested in capital assets" or "restricted net position".

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Accounting**

Budget Policies - An operating budget is adopted each fiscal year for the Agency by unanimous consent of its members. Budgetary control is achieved at the appropriate level.

**Subsequent Event Evaluation**

Management has evaluated its June 30, 2014 financial statements for subsequent events through January 15, 2015, the date of issuance of the financial statements. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**Comparative Data**

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the Agency's financial position, operations, and cash flows.

**Accrued Compensated Absences**

The Agency recognizes a liability for accrued compensated absences earned by employees of the City of San Diego and the County of San Diego. Accrued compensated absences are recorded as noncurrent liabilities on the Statement of Net Position.

**New Accounting Pronouncements**

*Governmental Accounting Standards Board Statement No. 65*

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements (continued)**

*Governmental Accounting Standards Board Statement No. 66*

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", regarding the reporting of certain operating lease transactions, and No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues", concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have impact on the Agency's financial statements of the fiscal year ended June 30, 2014.

*Governmental Accounting Standards Board Statement No. 67*

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trust) that meet certain criteria. The requirements of Statement No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of GASB Statement No. 67 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

*Governmental Accounting Standards Board Statement No. 70*

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and investments as of June 30, 2014 consist of the following:

Equity in County of San Diego pool	<u>\$333,711</u>
------------------------------------	------------------

*Cash in County Treasury* - The Agency is a voluntary participant in an external investment pool. The fair value of the Agency's investment in the pool is reported in the financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

**County Investment Policy**

The County of San Diego 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.

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest Agency funds deposited with the country treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table following identifies examples of the investment types permitted in the investment policy:

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	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 to changes in market interest rates.

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 at June 30, 2014 :

Investment Type	<u>Remaining Maturity (in Months)</u>						
	Totals	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More than 60 Months
Equity in County Pool	\$ 333,711	\$ 333,711	\$ --	\$ --	\$ --	\$ --	\$ --
Total	<u>\$ 333,711</u>	<u>\$ 333,711</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2014 (with summarized financial information at June 30, 2013)**

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**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

**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. 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 for each investment type as of June 30, 2014.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity in County Pool	\$ 333,711	N/A	\$ --	\$ 333,711	\$ --	\$ --	\$ --

**Cash in Bank**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2014, the Agency's bank balance was not exposed to custodial credit risk as there were no deposits in any bank .

**NOTE 3. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2014, consists of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Equipment, at historical cost	\$ 48,904	\$ --	\$ --	\$ 48,904
Less accumulated depreciation	(47,682)	(1,222)	--	(48,904)
	<u>\$ 1,222</u>	<u>\$ (1,222)</u>	<u>\$ --</u>	<u>\$ --</u>

Depreciation expense was \$1,222 for the fiscal year ended June 30, 2014.

**NOTE 4. LONG TERM LIABILITIES**

**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, 2014 and 2013 was \$22,207 and \$45,463, respectively .

**SAN DIEGO GEOGRAPHIC INFORMATION  
SOURCE**

**MANAGEMENT REPORT  
AND  
AUDITOR'S COMMUNICATION LETTER**

**June 30, 2014**

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
June 30, 2014

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# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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January 15, 2015

To the Honorable Board of Directors  
San Diego Geographic Information Source  
San Diego, California

We have audited the financial statements of the San Diego Geographic Information Source (Agency), a Joint Powers Agency formed by the City and the County of San Diego, as of and for the fiscal year ended June 30, 2014. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, four new accounting policies were adopted during the fiscal year. The new policies are Governmental Accounting Standards Board (GASB) Statement Nos. 65, 66, 67, and 70. We noted no transactions entered into by the Agency during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimates of the estimated historical cost and useful lives of capital assets. These estimates are based on historical data and industry guidelines. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, one of the misstatements detected as a result of audit procedures and corrected by management was material, either individually or in the aggregate to the financial statements taken as a whole. The adjustment was to adjust the accounts receivable to its actual balance at June 30, 2014.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2015.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

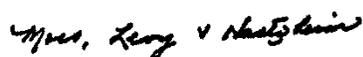
### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

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

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP  
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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 Honorable Board of Directors  
San Diego Geographic Information Source  
San Diego, 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 San Diego Geographic Information Source (Agency), a Joint Powers Agency formed by the City and the County of San Diego, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 15, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 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 that are required to be reported under *Government Auditing Standards*.

We did note one other matter that is reported in the current year recommendation section as #2014-01.

## **Agency's Response to the Finding**

The Agency's response to the finding identified in our audit is described in the current year recommendation section. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Moss, Levy & Hartzheim, LLP  
Culver City, California  
January 15, 2015

## CURRENT YEAR RECOMMENDATION

### Other Matter

2014-01

Finding – Lack of fraud reporting policy:

During our review of policies and procedures, it was noted that there is no fraud reporting policy for non-City or County employees. Also, the County ethics hotline poster is not posted in the office and it was noted that most employees are not aware of the hotlines that the County and City have in place.

Effect:

Without a formal fraud reporting policy and hotline poster in the office, there is less likely of a chance that employees or others will report their suspicions, which could cause fraud to occur and go undetected.

Recommendation:

We recommend that the Agency implement a policy for non-City or County employees to report suspected fraud and post notification of this policy and the County ethics hotline poster for all employees to see.

Management's Response:

SanGIS will propose a fraud reporting policy for employees to the Board of Directors. Posting of the County Ethics hotline poster is a County responsibility and SanGIS will work with that agency to have the poster prominently displayed.