

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Financial Statements**  
**June 30, 2008**

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SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

## 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 year ended June 30, 2008, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009, 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.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Macias Gini & O'Connell LLP*

San Diego, California  
June 29, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2008**

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, 2008.

**OVERVIEW OF THE 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 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 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) THE 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 presented in 2006 are still present in this fiscal year. This situation is where the California Attorneys General opined that GIS data is a public record and cannot be charged for beyond the limits of the California public records act allows.

The basic financial statements are found on pages 7-9 of the financial statement report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2008**

**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 10-16 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 17 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2008**

**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 \$216,284 at June 30, 2008. 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 is has a \$134,195 increase in net assets total over last year. This trend is expected to continue for one to two more years as SanGIS focuses to better serve the GIS needs of the SanGIS JPA members.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NET ASSETS**

	2008	2007	Dollar Increase (Decrease)	Percent Increase (Decrease)
SanGIS Net Assets				
Current and Other Assets	\$ 527,648	\$ 354,522	\$ 173,126	49%
Capital Assets	46,314	69,102	(22,788)	-33%
Total Assets	<u>\$ 573,962</u>	<u>\$ 423,624</u>	<u>\$ 150,338</u>	35%
Current Liabilities	\$ 338,138	\$ 281,961	\$ 56,177	20%
Non Current Liabilities	19,540	59,574	(40,034)	-67%
Total Liabilities	<u>\$ 357,678</u>	<u>\$ 341,535</u>	<u>\$ 16,143</u>	5%
Net Assets:				
Invested in Capital Assets	\$ 46,314	\$ 69,102	\$ (22,788)	-33%
Unrestricted	169,970	12,987	156,983	1209%
Total Net Assets	<u>\$ 216,284</u>	<u>\$ 82,089</u>	<u>\$ 134,195</u>	163%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2008**

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**CHANGES IN NET ASSETS**

	<u>2008</u>	<u>2007</u>	Dollar Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Operating Revenues				
City	\$ 761,896	\$ 885,445	\$ (123,549)	-14%
County	761,896	734,700	27,196	4%
Product Sales	35,422	35,230	192	1%
Other	16,160	16,013	147	1%
General Revenues				
Interest Income	23,064	13,991	9,073	65%
Total Operating and General Revenues	<u>\$ 1,598,438</u>	<u>\$ 1,685,379</u>	<u>\$ (86,941)</u>	-5%
	<u>2008</u>	<u>2007</u>	Dollar Increase (Decrease)	Percent Increase (Decrease)
<b>Expenses:</b>				
General Administrative	\$ 1,011,151	\$ 1,209,273	\$ (198,122)	-16%
Technical Services	419,118	363,683	55,435	15%
Depreciation Expense	26,747	64,827	(38,080)	-59%
Total Expenses	<u>1,457,016</u>	<u>1,637,783</u>	<u>(180,767)</u>	-11%
Changes in Net Assets	141,422	47,596	93,826	197%
Net Assets at Beginning of Fiscal Year	82,089	34,493	47,596	138%
Prior Period Adjustment	(7,227)		(7,227)	-100%
Net Assets at End of Fiscal Year	<u>\$ 216,284</u>	<u>\$ 82,089</u>	<u>\$ 134,195</u>	163%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2008**

**CAPITAL ASSETS**

SanGIS's investment in capital assets as of June 30, 2008 amounts to \$46,314 (net of accumulated depreciation). The total change in capital assets is -\$22,788, or approximately -33%.

	<u>2008</u>	<u>2007</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Equipment	\$ 46,314	\$ 69,102	\$ (22,788)	-33%

**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  
 5469 Kearny Villa Road, Suite 102  
 San Diego, California 92119

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	2008
<b>ASSETS</b>	
Cash and investments	\$ 522,050
Accounts receivable	-
Interest receivable	5,598
Capital assets, net of accumulated depreciation	46,314
Total Assets	573,962
<b>LIABILITIES</b>	
Current:	
Accounts payable and accrued liabilities	240,249
Due to County of San Diego	82,912
Current portion of long-term liabilities	14,977
Total current liabilities	338,138
Noncurrent:	
Compensated Absences, due in more than one year	19,540
Total Liabilities	357,678
<b>NET ASSETS</b>	
Invested in capital assets	46,314
Unrestricted	169,970
Total Net Assets	\$ 216,284

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2008**

	2008
<b>OPERATING REVENUES:</b>	
City	\$ 761,896
County	761,896
Product sales	35,422
Other revenue	16,160
	1,575,374
<b>OPERATING EXPENSES:</b>	
General administrative	1,011,151
Technical services	419,118
Depreciation expense	26,747
	1,457,016
Operating income	118,358
<b>NON-OPERATING REVENUES:</b>	
Interest revenue	23,064
Changes in net assets	141,422
Net assets at beginning of fiscal year	82,089
Prior period adjustment	(7,227)
	74,862
Net assets at beginning of fiscal year, restated	74,862
Net assets at end of fiscal year	\$ 216,284

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2008**

	2008
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 1,591,374
Payments to suppliers for goods and services	(506,218)
Payments to employees	(907,908)
Net cash provided by operating activities	177,248
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(11,186)
Cash Flows from Investing Activities:	
Interest received	22,273
Net increase in cash and cash equivalents	188,335
Cash and Cash Equivalents at Beginning of Fiscal Year	333,715
Cash and Cash Equivalents at End of Fiscal Year	\$ 522,050
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 118,358
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	26,747
Decrease in accounts receivable	16,000
Increase in accounts payable and accrued liabilities	95,971
Increase (decrease) in Due to County of San Diego	(54,771)
Increase (decrease) in compensated absences	(25,057)
Total adjustments	58,890
Net cash provided by operating activities	\$ 177,248

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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:

**a. 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.

**b. The 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.

**c. 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 present 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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Agency has elected not to apply the FASB standards issued subsequent to 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, 2008**

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

**d. 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.

<u>Assets</u>	<u>Years</u>
Server/ Workstation/ Network Equipment	4
Printers	5
Furniture	10

**e. 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.

**f. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**g. Related Party Transactions**

The Agency has entered into agreements with the City and County. Under the agreements, the City and the 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 the County's accounting periods in an amount equal to the actual cost of salaries, any fringe benefits (computed at the City's and the County's then prevailing rate) and other necessary expenses.

**h. Cash and Cash Equivalents**

For the 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.

**i. Net Assets**

Net Assets are divided into three captions under GASB Statement No. 34. 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, 2008, \$46,314 of the Agency's net assets was invested in capital assets, net of related debt.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

*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.

**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, 2008 as follows:

Cash and investments	<u>\$ 522,050</u>
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Cash and investments as of June 30, 2008 consist of the following:

Equity in County Pool	<u>\$ 522,050</u>
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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 the fiscal year ended June 30, 2008.

**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

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2. EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)**

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.

**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' 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 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:

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2. EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)**

Investment Type	Totals	Remaining Maturity (in Months)					
		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	\$ 522,050	\$ 522,050	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 522,050	\$ 522,050	\$ -	\$ -	\$ -	\$ -	\$ -

**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 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 as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity in County Pool	\$ 522,050	N/A	\$ -	\$ -	\$ -	\$ -	\$ 522,050

**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.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3. CAPITAL ASSETS**

	Balance July 1, 2007	Prior Period Adjustment *	Additions	Disposals	Balance June 30, 2008
Capital assets, being depreciated:					
Equipment & machinery	\$ 771,741	\$ (183,212)	\$ 11,186	\$ -	\$ 599,715
Less accumulated depreciation:					
Equipment & machinery	(702,639)	175,985	(26,747)	-	(553,401)
Capital assets, being depreciated, net	<u>\$ 69,102</u>	<u>\$ (7,227)</u>	<u>\$ (15,561)</u>	<u>\$ -</u>	<u>\$ 46,314</u>

The depreciation expense of the capital assets for the fiscal year ended June 30, 2008 was \$26,747.

**NOTE 4. LONG TERM DEBT**

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due in One Year
Compensated absences payable	<u>\$ 59,574</u>	<u>\$ -</u>	<u>\$ (25,057)</u>	<u>\$ 34,517</u>	<u>\$ 14,977</u>

The following is a description of the composition of long-term debt at June 30, 2008:

**Compensated Absences**

The Agency recognizes 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, 2008, was \$34,517.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5. OPERATING LEASES**

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 perform all of the terms and conditions of the lease. Rent expenses associated with this lease were \$102,231 for fiscal year ended June 30, 2008.

Fiscal Year ending June 30,	Future Minimum Payment
2009	\$ 98,861
2010	76,206
Total	\$ 175,067

On June 6, 2005, the Agency entered into a 60-month licensing agreement with Eagle Aerial Imaging for digital aerial ortho photography. Payments commenced on June 6, 2005 and are made annually beginning March 1, 2006 and end on March 1, 2009. License expense was \$55,214 for the fiscal year ended June 30, 2008, which included a discount of \$9,185.

Fiscal Year ending June 30,	Future Minimum Payment
2009	\$ 64,399
Total	\$ 64,399

**NOTE 6. PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements reflect a restatement of beginning net assets. The Agency reported a correction of an error in the amount of \$7,227 for an overstatement of net capital assets in the prior fiscal year.

	2008
Net assets at beginning of fiscal year	\$ 82,089
Prior period adjustment	(7,227)
Net assets at beginning of fiscal year, restated	74,862



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

We have audited the 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 year ended June 30, 2008, which collectively comprise the Agency's financial statements and have issued our report thereon dated June 29, 2009. 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 opinion 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City and County of San Diego management, Board of Directors of the Agency and, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Fini & O'Connell LLP*  
San Diego, California  
June 29, 2009