

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

For the Fiscal Year Ended  
June 30, 2016

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
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**For the Fiscal Year Ended June 30, 2016**

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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, 2016, 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 Agency as of June 30, 2016, 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.

## **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**

We have previously audited the Agency's basic financial statements as of and for the fiscal year ended June 30, 2015, and our report dated November 25, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year fiscal year ended June 30, 2015, 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 November 23, 2016, 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 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  
November 23, 2016

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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, 2016**

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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, 2016.

**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, 2016**

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**THE AGENCY AS A WHOLE**

**Financial Highlights of the Past Year**

- Revenues increased by \$9,798 over prior fiscal year to a total of \$1,577,714. Total revenues exceed expenses by \$89,343.
- Total assets increased by \$74,244 to \$470,340, while total liabilities decreased by \$(15,099) to \$144,064.
- Total net position increased by \$89,343 to \$326,276 as of June 30, 2016.

**Net Position**

The Agency's assets exceeded liabilities by \$326,276 for the fiscal year ended June 30, 2016. 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 SanGIS 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. The fiscal year ended with a \$89,343 increase 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>2016</u>	<u>2015</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>ASSETS</b>				
Current and other assets	\$ 470,340	\$ 396,096	\$ 74,244	19 %
<b>Total Assets</b>	<u>470,340</u>	<u>396,096</u>	<u>74,244</u>	19 %
<b>LIABILITIES</b>				
Current and other liabilities	128,886	148,655	(19,769)	-13 %
Non Current Liabilities	<u>15,178</u>	<u>10,508</u>	<u>4,670</u>	44 %
<b>Total Liabilities</b>	<u>144,064</u>	<u>159,163</u>	<u>(15,099)</u>	-9 %
<b>NET POSITION</b>				
Unrestricted	<u>326,276</u>	<u>236,933</u>	<u>89,343</u>	38 %
<b>Total Net Position</b>	<u>\$ 326,276</u>	<u>\$ 236,933</u>	<u>\$ 89,343</u>	38 %

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2016**

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**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.

**Table A-2**

	<u>2016</u>	<u>2015</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues:				
City	\$ 620,106	\$ 588,564	\$ 31,542	5 %
County	620,106	588,564	31,542	5 %
Product sales	45,890	29,097	16,793	58 %
Other revenues	288,500	358,843	(70,343)	-20 %
Non-operating Revenues:				
Interest revenue	<u>3,112</u>	<u>2,848</u>	<u>264</u>	9 %
Total Operating and Non-operating Revenues	1,577,714	1,567,916	9,798	1 %
Operating Expenses:				
General administrative	983,796	868,183	115,613	13 %
Technical services	<u>504,575</u>	<u>708,215</u>	<u>(203,640)</u>	-29 %
Total Operating Expenses	<u>1,488,371</u>	<u>1,576,398</u>	<u>(88,027)</u>	-6 %
Change in net position	89,343	(8,482)	97,825	-1,153 %
Beginning net position	<u>236,933</u>	<u>245,415</u>	<u>(8,482)</u>	-3 %
Ending net position	<u>\$ 326,276</u>	<u>\$ 236,933</u>	<u>\$ 89,343</u>	38 %



**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2016**

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**CAPITAL ASSETS**

At June 30, 2016, as shown in the table below, the Agency had \$0 invested in capital assets.

	2016	2015	Dollar Increase (Decrease)	Percent Increase (Decrease)
Equipment	\$ 48,904	\$ 48,904	\$ --	0%
Less accumulated depreciation	48,904	48,904	--	0%
Total capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

**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**  
**June 30, 2016 (with summarized financial information at June 30, 2015)**

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current:		
Cash and investments	\$ 396,455	\$ 352,179
Accounts receivable	44,335	10,093
Interest receivable	781	605
Prepaid expenses	<u>28,769</u>	<u>33,219</u>
Total current assets	470,340	396,096
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>--</u>	<u>--</u>
Total Assets	<u>470,340</u>	<u>396,096</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued expenses	65,221	85,170
Due to County of San Diego	<u>63,665</u>	<u>63,485</u>
Total current liabilities	128,886	148,655
Noncurrent:		
Compensated absences, due in more than one year	<u>15,178</u>	<u>10,508</u>
Total Liabilities	<u>144,064</u>	<u>159,163</u>
<b>NET POSITION</b>		
Unrestricted	<u>326,276</u>	<u>236,933</u>
Total Net Position	<u>\$ 326,276</u>	<u>\$ 236,933</u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016 (with summarized financial information for the fiscal year ended June 30, 2015)**

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	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
City	\$ 620,106	\$ 588,564
County	620,106	588,564
Product sales	45,890	29,097
Other revenues	<u>288,500</u>	<u>358,843</u>
Total operating revenues	<u>1,574,602</u>	<u>1,565,068</u>
<b>OPERATING EXPENSES:</b>		
General administrative	983,796	868,183
Technical services	<u>504,575</u>	<u>708,215</u>
Total operating expenses	<u>1,488,371</u>	<u>1,576,398</u>
Operating income (loss)	86,231	(11,330)
<b>NON-OPERATING REVENUES:</b>		
Interest revenue	<u>3,112</u>	<u>2,848</u>
Change in net position	89,343	(8,482)
Net position, July 1	<u>236,933</u>	<u>245,415</u>
Net position, June 30	<u>\$ 326,276</u>	<u>\$ 236,933</u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE****Statement of Cash Flows****For the Fiscal Year Ended June 30, 2016 (with summarized financial information for the fiscal year ended June 30, 2015)**

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	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers and users	\$ 1,540,361	\$ 1,563,467
Payments to suppliers for goods and services	(681,532)	(825,235)
Payments to employees	(817,489)	(722,504)
Net cash provided by operating activities	<u>41,340</u>	<u>15,728</u>
<b>Cash Flows from Investing Activities:</b>		
Interest received	<u>2,936</u>	<u>2,740</u>
Net increase in cash and cash equivalents	44,276	18,468
Cash and Cash Equivalents at beginning of fiscal year	<u>352,179</u>	<u>333,711</u>
Cash and Cash Equivalents at end of fiscal year	<u><u>\$ 396,455</u></u>	<u><u>\$ 352,179</u></u>
Reconciliation of Operating Income (Loss) to Net Cash provided (used) by Operating Activities:		
Operating income (loss)	<u>\$ 86,231</u>	<u>\$ (11,330)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase in accounts receivable	(34,242)	(1,601)
(Increase) decrease in prepaid expenses	4,450	(4,442)
Increase (decrease) in accounts payable and accrued liabilities	(19,949)	25,353
Increase in Due to County of San Diego	180	19,447
Increase (decrease) in compensated absences	<u>4,670</u>	<u>(11,699)</u>
Total adjustments	<u>(44,891)</u>	<u>27,058</u>
Net cash provided by operating activities	<u><u>\$ 41,340</u></u>	<u><u>\$ 15,728</u></u>

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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.

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, 2016**

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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 "net investment in capital assets" or "restricted net position".

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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.

**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.

**Future Accounting Pronouncements**

The following GASB Statements will be implemented in future financial statements:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures, is effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, is effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, is effect for periods beginning after June 15, 2016.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, is effective for periods beginning after December 15, 2016.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.



**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

Cash and investments as of June 30, 2016 consist of the following:

Equity in County of San Diego pool	<u>\$396,455</u>
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*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.

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest Agency funds deposited with the county 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:

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

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**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, 2016 :

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	\$ 396,455	\$ 396,455	\$ --	\$ --	\$ --	\$ --	\$ --
Total	<u>\$ 396,455</u>	<u>\$ 396,455</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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, 2016.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity in County Pool	\$ 396,455	N/A	\$ --	\$ 396,455	\$ --	\$ --	\$ --

The Agency categorizes its fair value measurements within the fair value hierarchy established generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are a significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency had investment in the San Diego County Investment pooled cash, however, this external pool is exempt from being measured under Level, 1, 2, or 3.

**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, 2016, the Agency's bank balance was not exposed to custodial credit risk as there were no deposits in any bank .

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 3. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2016, consists of the following:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Equipment, at historical cost	\$ 48,904	\$ --	\$ --	\$ 48,904
Less accumulated depreciation	(48,904)	--	--	(48,904)
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Depreciation expense was \$0 for the fiscal years ended June 30, 2016 and 2015, respectively.

**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, 2016 and 2015 was \$15,178 and \$10,508, respectively .

**Note 5. OPERATING LEASE**

On February 20, 2015, the County of San Diego's Department of Planning and Development Services (DPDS) and the Agency entered into a 72 month lease agreement allowing the Agency staff to occupy approximately 3,286 square feet of office space and 108 square feet of shared common areas, totalling 3,394 square feet within the DPDS Office Space and to use the conference rooms and break rooms in the DPDS Office Space located at 5510 Overland Avenue. The lease rate is \$2.88 per square foot per year, plus prorated utility and service contract charges (occupancy costs). No later than fifteen working days after DPDS presents the Agency copies of monthly invoices showing DPDS occupancy costs, as billed by General Services, the Agency shall reimburse DPDS 5.01% of all occupancy costs. The annual rate is subject to annual cost adjustments as determined by the County of San Diego's Department of General Services. Either party can terminate the lease agreement by providing sixty (60) days prior written notice to the other party.

The future minimum lease payments are as follows:

Fiscal year ending June 30,	
2017	\$ 9,775
2018	9,775
2019	9,775
2020	9,775
2021	6,517
	<u>\$ 45,617</u>