

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

For the Fiscal Year Ended
June 30, 2020

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
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For the Fiscal Year Ended June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego Geographic Information Source (SanGIS), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SanGIS's basic 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 SANGIS'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 SANGIS'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, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited San Diego Geographic Information Source's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 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 San Diego Geographic Information Source's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
December 17, 2020

Management's Discussion and Analysis

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020**

As management of the San Diego Geographic Information Source (the Agency) Joint Powers Agency (JPA), we offer the readers of the Agency this narrative and analysis of the Agency's financial activities for the fiscal year ended June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The 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 the Agency'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 the Agency'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 the Agency was advised to discontinue the sale of digital records. As a result, revenues are now limited to monies received from the Agency JPA grantors and limited to third party contracts for services rendered by the Agency.

THE FINANCIAL STATEMENTS

- The Statement of Net Position presents information on all the Agency'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 the Agency is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position present information showing changes in the Agency'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 the Agency operations for the fiscal year identified and can be used to determine the Agency'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 the Agency'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, 2020

THE AGENCY AS A WHOLE

Financial Highlights of the Past Year

- Revenues increased by \$101,989 over prior fiscal year to a total of \$1,787,240. Total revenues exceeded expenses by \$167,787.
- Total assets decreased by \$12,665 to \$893,391, while total liabilities decreased by \$180,452 to \$237,989.
- Total net position increased by \$167,787 to \$655,402 as of June 30, 2020.

Net Position

The Agency's assets exceeded liabilities by \$655,402 for the fiscal year ended June 30, 2020. 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 \$167,787 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>2020</u>	<u>2019</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
ASSETS				
Current and Other Assets	\$ 871,618	\$ 900,803	\$ (29,185)	(3)%
Capital Assets	<u>21,773</u>	<u>5,253</u>	<u>16,520</u>	314 %
Total Assets	<u>893,391</u>	<u>906,056</u>	<u>(12,665)</u>	(1)%
LIABILITIES				
Current and Other Liabilities	230,945	413,064	(182,119)	(44)%
Non Current Liabilities	<u>7,044</u>	<u>5,377</u>	<u>1,667</u>	31 %
Total Liabilities	<u>237,989</u>	<u>418,441</u>	<u>(180,452)</u>	(43)%
NET POSITION				
Net Investment in Capital Assets	21,773	5,253	16,520	314 %
Unrestricted	<u>633,629</u>	<u>482,362</u>	<u>151,267</u>	31 %
Total Net Position	<u>\$ 655,402</u>	<u>\$ 487,615</u>	<u>\$ 167,787</u>	34 %

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

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 and expenses for the fiscal year.

Table A-2

	<u>2020</u>	<u>2019</u>	<u>Dollar Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues:				
City	\$ 719,376	\$ 719,926	\$ (550)	- %
County	720,196	720,326	(130)	- %
Product sales	250,683	35,553	215,130	605 %
Other revenues	75,362	199,571	(124,209)	(62)%
Non-operating Revenues:				
Interest revenue	12,530	9,875	2,655	27 %
Net increase in fair value of investments	<u>9,093</u>	<u>-</u>	<u>9,093</u>	N/A
Total Operating and Non-operating Revenues	<u>1,787,240</u>	<u>1,685,251</u>	<u>101,989</u>	6 %
Operating Expenses:				
General administrative	1,008,440	1,003,082	5,358	1 %
Technical services	604,200	516,855	87,345	17 %
Depreciation expense	<u>6,813</u>	<u>3,410</u>	<u>3,403</u>	100 %
Total Operating Expenses	<u>1,619,453</u>	<u>1,523,347</u>	<u>96,106</u>	6 %
Change in net position	167,787	161,904	5,883	4 %
Beginning net position	<u>487,615</u>	<u>325,711</u>	<u>161,904</u>	50 %
Ending net position	<u>\$ 655,402</u>	<u>\$ 487,615</u>	<u>\$ 167,787</u>	34 %

**SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020**

CAPITAL ASSETS

At June 30, 2020, as shown in the table below, the Agency had \$21,773 invested in capital assets.

	2020	2019	Dollar Increase (Decrease)	Percent Increase (Decrease)
Equipment	\$ 40,973	\$ 17,640	\$ 23,333	132%
Less accumulated depreciation	19,200	12,387	6,813	55%
Total capital assets, net	<u>\$ 21,773</u>	<u>\$ 5,253</u>	<u>\$ 16,520</u>	314%

OUTLOOK PARAGRAPH

The JPA, The Agency's appointed officials, considered many factors when setting the fiscal-year 2021 budget and fees that will be charged for the business-type activities.

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

Financial Section

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Statement of Net Position
June 30, 2020 (with summarized financial information at June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current:		
Cash and investments	\$ 707,256	\$ 379,869
Accounts receivable	26,868	475,596
Interest receivable	3,490	5,334
Prepaid expenses	<u>134,004</u>	<u>40,004</u>
Total current assets	871,618	900,803
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>21,773</u>	<u>5,253</u>
Total Assets	<u>893,391</u>	<u>906,056</u>
LIABILITIES		
Current:		
Accounts payable and accrued expenses	71,793	273,112
Due to County of San Diego	51,482	92,406
Unearned revenues	91,235	35,000
Compensated absences, due in less than one year	<u>16,435</u>	<u>12,546</u>
Total current liabilities	230,945	413,064
Noncurrent:		
Compensated absences, due in more than one year	<u>7,044</u>	<u>5,377</u>
Total Liabilities	<u>237,989</u>	<u>418,441</u>
NET POSITION		
Investment in capital assets	21,773	5,253
Unrestricted	<u>633,629</u>	<u>482,362</u>
Total Net Position	<u>\$ 655,402</u>	<u>\$ 487,615</u>

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020 (with summarized financial information for the fiscal year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
City	\$ 719,376	\$ 719,926
County	720,196	720,326
Product sales	250,683	35,553
Other revenues	<u>75,362</u>	<u>199,571</u>
Total operating revenues	<u>1,765,617</u>	<u>1,675,376</u>
OPERATING EXPENSES:		
General administrative	1,008,440	1,003,082
Technical services	604,200	516,855
Depreciation expense	<u>6,813</u>	<u>3,410</u>
Total operating expenses	<u>1,619,453</u>	<u>1,523,347</u>
Operating income	146,164	152,029
NON-OPERATING REVENUES:		
Net increase in fair value of investments	9,093	-
Interest revenue	<u>12,530</u>	<u>9,875</u>
Total non-operating revenues	<u>21,623</u>	<u>9,875</u>
Change in net position	167,787	161,904
Net position, July 1	<u>487,615</u>	<u>325,711</u>
Net position, June 30	<u><u>\$ 655,402</u></u>	<u><u>\$ 487,615</u></u>

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020 (with summarized financial information for the fiscal year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,805,680	\$ 1,710,376
Payments to suppliers for goods and services	(616,891)	(891,015)
Payments to employees	(861,536)	(855,138)
Net cash received (used) by operating activities	<u>327,253</u>	<u>(35,777)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	<u>(23,333)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest received	14,374	7,251
Net increase in fair value of investment	<u>9,093</u>	<u>-</u>
Net cash received by investing activities	23,467	7,251
Net increase (decrease) in cash and cash equivalents	327,387	(28,526)
Cash and cash equivalents at beginning of fiscal year	<u>379,869</u>	<u>408,395</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 707,256</u>	<u>\$ 379,869</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	<u>\$ 146,164</u>	<u>\$ 152,029</u>
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation expense	6,813	3,410
(Increase) decrease in accounts receivable	448,728	(454,740)
(Increase) decrease in prepaid expenses	(94,000)	13,137
Increase (decrease) in accounts payable and accrued liabilities	(201,319)	171,285
Increase (decrease) in due to County of San Diego	(40,924)	44,177
Increase (decrease) in compensated absences	5,556	(75)
Increase in unearned revenues	<u>56,235</u>	<u>35,000</u>
Total adjustments	<u>181,089</u>	<u>(187,806)</u>
Net cash received (used) by operating activities	<u>\$ 327,253</u>	<u>\$ (35,777)</u>

There were no noncash financing, capital, or investing activities for the fiscal years ended June 30, 2020 and 2019.

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020 (with summarized financial information for the fiscal year ended June 30, 2019)

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, 2020

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.

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. For the period ending June 30, 2020, the Agency paid the County \$1,699,617. As of June 30, 2020, the amount owed to and owed from the County is \$51,482 and \$10,696 respectively.

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 the portion of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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.

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Notes to the Financial Statements
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 current and noncurrent liabilities on the Statement of Net Position.

Future Accounting Pronouncements

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

GASB Statement No. 84, Fiduciary Activities, is effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 87, Leases, is effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period, is effective for periods beginning after December 15, 2020.

GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, is effective for periods beginning after December 15, 2019.

GASB Statement No. 91, Conduit Debt Obligations, is effective for periods beginning after December 15, 2021. Early application is permitted.

GASB Statement No. 92, Omnibus 2020. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, is effective for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, is effective for periods beginning after June 15, 2022. Earlier application is encouraged.

SAN DIEGO GEOGRAPHIC INFORMATION SOURCE
Notes to the Financial Statements
June 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements (continued)

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and investments as of June 30, 2020 consist of the following:

Equity in County of San Diego pool	<u>\$707,256</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, 2020

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
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Local Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	30%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	20%
Corporate Medium-Term Notes	5 years	30%	30%
Collateralized Certificate of Deposit	N/A	None	None
Money Market Mutual Funds	N/A	20%	10%
CalTRUST	N/A	None	None
Pass-Through Mortgage Securities	5 years	20%	20%
Supranationals	5 years	30%	30%

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, 2020:

Investment Type	Totals	<u>Remaining Maturity (in Months)</u>					
		12 Months Or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More than 60 Months
Equity in County Pool	\$ 707,256	\$ 707,256	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 707,256</u>	<u>\$ 707,256</u>	<u>\$ -</u>				

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NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2020.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Fiscal Year End			
				AAA	AA	A	Not Rated
Equity in County Pool	\$ 707,256	N/A	\$ -	\$ 707,256	\$ -	\$ -	\$ -
Total	<u>707,256</u>		<u>\$ -</u>	<u>\$ 707,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Agency categorizes its fair value measurements within the fair value hierarchy established by the 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 similar other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency had an 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, 2020, 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, 2020, consists of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Equipment, at historical cost	\$ 17,640	\$ 23,333	\$ -	\$ 40,973
Less accumulated depreciation	(12,387)	(6,813)	-	(19,200)
	<u>\$ 5,253</u>	<u>\$ 16,520</u>	<u>\$ -</u>	<u>\$ 21,773</u>

Depreciation expense was \$6,813 for the fiscal year ended June 30, 2020.

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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 total liability, including short and long term, at June 30, 2020 was \$23,479.

The following is a summary of changes in compensated absences for the year ended June 30, 2020.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due within</u> <u>one year</u>
Compensated Absence	\$ 17,923	\$ 40,125	\$ 34,569	\$ 23,479	\$ 16,435

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, totaling 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, 2021	\$ 6,517
	<u>\$ 6,517</u>