Joint Powers Agency - El Granada Quarry Park

Financial Statements
With Auditor's Report Thereon
For The Five-Year Period Ended
June 30, 2008

Joint Powers Agency - El Granada Quarry Park

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Office of Controller

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Independent Auditor's Report

To the Board of Directors
Joint Powers Agency –
El Granada Quarry Park

We have audited the accompanying basic financial statements of Joint Powers Agency – El Granada Quarry Park (JPA) as of and for the five-year period ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the JPA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 JPA as of and for the five-year period ended June 30, 2008, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the JPA implemented the following Governmental Accounting Standards Board (GASB) Statements during fiscal year 2004: a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted as of July 1, 2003; GASB Statement No. 38, *Certain Financial Statement Note Disclosures;* GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*; and GASB Statement No. 40, *Deposit and Investment Risk Disclosure - an amendment to GASB No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009, on our consideration of the JPA'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 conjunction with this report in considering the results of our audits.

The JPA has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board had determined to supplement, although not required to be a part of, the basic financial statements.

County of San Mateo Controller

Redwood City, California
June 24, 2009

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

Joint Powers Agency - El Granada Quarry Park

Statements of Net Assets

June 30, 2004 through 2008

	Governmental Activities				
ASSETS	**2004**	**2005**	**2006**	**2007**	**2008**
Cash and cash equivalents (Note 2)	$ 18,143	$ 18,637	$ 19,256	$ 20,069	$ 20,997
Securities lending collateral (Note 2 (g))	3,106	3,380	2,982	3,688	2,088
Interest receivable (Note 3)	114	144	193	233	165
Capital assets (Note 4)					
Nondepreciable	220,607	220,607	220,607	220,607	220,607
Depreciable, net	19,602	19,124	18,646	18,168	37,899
Total Assets	261,572	261,892	261,684	262,765	281,756
LIABILITIES					
Securities lending collateral due (Note 2 (g))	3,106	3,380	2,982	3,688	2,088
Deferred rent credit (Note 5)	13,593	12,198	11,147	6,347	1,547
Total Liabilities	16,699	15,578	14,129	10,035	3,635
NET ASSETS					
Invested in capital assets	240,209	239,731	239,253	238,775	258,506
Unrestricted	4,664	6,583	8,302	13,955	19,615
Total Net Assets	$ 244,873	$ 246,314	$ 247,555	$ 252,730	$ 278,121

The notes to the financial statements are an integral part of this statement.

Joint Powers Agency - El Granada Quarry Park
Statements of Activities
For Five Years Ended June 30, 2008

	Governmental Activities				
	2004	**2005**	**2006**	**2007**	**2008**
EXPENSES					
Insurance	$ 3,993	$ 3,405	$ 3,749	$ -	$ -
Depreciation	478	478	478	478	604
Total Expenses	4,471	3,883	4,227	478	604
PROGRAM REVENUES (Note 6)					
Charges for services:					
Rental income	2,400	4,800	4,800	4,800	4,800
Capital grants and contributions:					
County of San Mateo	-	-	-	-	20,335
Total Program Revenues	2,400	4,800	4,800	4,800	25,135
Net Program Revenue (Expense)	(2,071)	917	573	4,322	24,531
GENERAL REVENUE (Note 6)					
Investment earnings	499	524	668	853	860
Total General Revenue	499	524	668	853	860
Change in Net Assets	(1,572)	1,441	1,241	5,175	25,391
Net Assets - Beginning	246,445	244,873	246,314	247,555	252,730
Net Assets - Ending	$ 244,873	$ 246,314	$ 247,555	$ 252,730	$ 278,121

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

Joint Powers Agency - El Granada Quarry Park

Balance Sheets

Governmental Fund

June 30, 2004 through 2008

	2004	2005	2006	2007	2008
ASSETS					
Cash and cash equivalents (Note 2)	$ 18,143	$ 18,637	$ 19,256	$ 20,069	$ 20,997
Securities lending collateral (Note 2 (g))	3,106	3,380	2,982	3,688	2,088
Interest receivable (Note 3)	114	144	193	233	165
Total Assets	$ 21,363	$ 22,161	$ 22,431	$ 23,990	$ 23,250
LIABILITIES AND FUND BALANCE					
Liabilities					
Securities lending collateral due (Note 2 (g))	$ 3,106	$ 3,380	$ 2,982	$ 3,688	$ 2,088
Deferred rent credit (Note 5)	13,593	12,198	11,147	6,347	1,547
Total Liabilities	16,699	15,578	14,129	10,035	3,635
Fund Balance					
Unreserved	4,664	6,583	8,302	13,955	19,615
Total Fund Balance	4,664	6,583	8,302	13,955	19,615
Total Liabilities and Fund Balance	$ 21,363	$ 22,161	$ 22,431	$ 23,990	$ 23,250

	2004	2005	2006	2007	2008
Reconciliation of Fund Balance Sheets to the Statements of Net Assets:					
Total Fund Balance - Governmental Fund	$ 4,664	$ 6,583	$ 8,302	$ 13,955	$ 19,615
Amounts reported for *governmental activities* in the statement of net assets (page 3) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.					
Land	220,607	220,607	220,607	220,607	220,607
Structures and Improvements	19,602	19,124	18,646	18,168	37,899
Total Net Assets - Governmental Activities	$ 244,873	$ 246,314	$ 247,555	$ 252,730	$ 278,121

The notes to the financial statements are an integral part of this statement.

Joint Powers Agency - El Granada Quarry Park

Statements of Revenues, Expenditures, and Changes in Fund Balance

Governmental Fund

For Five Years Ended June 30, 2008

	2004	2005	2006	2007	2008
REVENUES (Note 6)					
Rental Income	$ 2,400	$ 4,800	$ 4,800	$ 4,800	$ 4,800
Investment earnings	499	524	668	853	860
Total Revenues	2,899	5,324	5,468	5,653	5,660
EXPENDITURES					
Insurance	3,993	3,405	3,749	-	-
Capital outlay:					
Structures and Improvements	-	-	-	-	20,335
Total Expenditures	3,993	3,405	3,749	-	20,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,094)	1,919	1,719	5,653	(14,675)
OTHER FINANCING SOURCE (Note 6)					
Capital contributions	-	-	-	-	20,335
Total Other Financing Source	-	-	-	-	20,335
Net Change in Fund Balance	(1,094)	1,919	1,719	5,653	5,660
Fund Balance - Beginning, as restated (Note 9)	5,758	4,664	6,583	8,302	13,955
Fund Balance - Ending	$ 4,664	$ 6,583	$ 8,302	$ 13,955	$ 19,615

The notes to the financial statements are an integral part of this statement.

Joint Powers Agency - El Granada Quarry Park

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statements of Activities

For Five Years Ended June 30, 2008

	2004	2005	2006	2007	2008
Net Change in Fund Balance (page 6)	$ (1,094)	$ 1,919	$ 1,719	$ 5,653	$ 5,660
Amount reported for *governmental activities* in the statement of activities are different because:					
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.					
Capital outlay	-	-	-	-	20,335
Depreciation expense	(478)	(478)	(478)	(478)	(604)
Change in Net Assets of Governmental Activities (page 4)	$ (1,572)	$ 1,441	$ 1,241	$ 5,175	$ 25,391

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

Note 1 - Summary of Significant Accounting Policies

(a) Reporting Entity

The County of San Mateo (the County) entered into an agreement on October 19, 1993 to purchase real property commonly known as the El Granada Quarry Property. The terms of the agreement required that a public entity be formed to which the County would convey the property for ownership, development and operation as a day use park open to the general public with no admission cost. To satisfy this requirement, a public entity known as the Joint Powers Agency – El Granada Quarry Park (JPA) was formed on October 17, 1995 by a Joint Exercise of Powers Agreement (the Agreement) between the County and the Cabrillo Unified School District (the District). As noted in the Agreement, the parties may designate a non-profit corporation to administer the Agreement under Government Code Section 6506.

The JPA is governed by a Board of Directors, which consists of the five members of the County Board of Supervisors. According to the Agreement, the County is to provide all funding for the acquisition, development, maintenance and operation of park and recreation facilities on the property and the debts, liabilities and obligations of the JPA are solely the debts, liabilities and obligations of the County. The District is not required to but may contribute funds to the JPA.

As stated under Note 10, in October 2008, a resolution was passed by the County Board of Supervisors giving notice for the termination of the Agreement effective October 17, 2009.

On August 17, 1999, the JPA entered into a lease agreement with Midcoast Park Lands for the development, operation and maintenance of the El Granada Quarry Park property with a purchase option exercisable anytime during the thirty-year lease term. Midcoast Park Land is a California non-profit corporation formed for the purpose of acquiring, developing, operating and maintaining park and recreation lands and facilities. See Note 5 for detail.

The JPA's financial transactions are accounted for in a Special Revenue Fund as monies received by it are legally restricted to specific use. JPA monies can only be expended for purposes authorized by the Agreement.

(b) Implementation of Governmental Accounting Standards Board (GASB) Statements

These financial statements are prepared under GASB's new reporting model and include recent accounting changes prescribed by GASB as explained below.

GASB Statement No. 28

During the year, the JPA implemented the provisions of GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, and records its share of the securities lending transactions in the County Investment Pool including the related revenue and transaction costs.

Note 1 - Summary of Significant Accounting Policies (continued)

As a result of this accounting change, securities lending collateral is recorded as an asset and a corresponding liability, increasing the JPA's total assets and total liabilities as of June 30, 2008 by $2,088 (2007: $3,688; 2006: $2,982; 2005: $3,380; 2004: $3,106). The related revenue and transaction costs were insignificant and not recorded. See Note 2 (g) for additional information on securities lending.

GASB Statement Nos. 34, 37 and 38

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* In June 2001 the GASB issued Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus,* and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements provide for the most significant change in financial reporting in over twenty years and were scheduled for a phased implementation (based on the size of government) starting with fiscal year ending 2002. As required by the standards, the JPA has adopted these statements beginning in fiscal year ended June 30, 2004 financial statements.

GASB Statement No. 40

During the year, the JPA implemented GASB Statement No. 40 – *Deposit and Investment Risk Disclosure – an amendment to GASB No 3.* This statement adds to and changes some of the financial statement disclosures required for cash and investments. See Note 2 for detail.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the JPA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents: Cash is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. The JPA considers its equity in the County's investment pool to be cash equivalents.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets: Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are defined by the JPA as assets with an initial unit cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements. Structures and improvements over $5,000 are capitalized and depreciated over a useful life of 50 years.

Fund Balance: The unreserved fund balance represents the amount available for future operations. Any reservations of fund balance for amounts not available for appropriation are separately reported.

(d) Non-Current Governmental Assets

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide *statement of nets assets.*

(e) Five-Year Presentation

In accordance with Government Code Section 26909(f), the County Board of Supervisors passed a resolution on June 6, 2000 authorizing that the audit of the JPA cover a five-year period so long as the JPA's annual budget does not exceed $50,000.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Budgetary Information

No budgets are prepared by the JPA due to the very limited number of transactions. JPA transactions are accounted for in the JPA El Granada Quarry Park Fund.

Note 2 – Cash and Cash Equivalents

(a) Cash and Cash Equivalents

Cash reported in the *statement of net assets* is pooled with other funds in the County Pool, which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee, comprised of local government officials and various participants, provide oversight to the management of the fund. The JPA is a voluntary participant in the County Pool.

Cash and cash equivalents in the County Pool are reported at fair value, as required by GASB 31. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer. The fair values of cash and cash equivalents at the fiscal year-ends presented approximate book values.

(b) Authorized Investments of the County Pool

The County Pool's Investment Policy and the California Government Code allow the County Pool to invest in the following, provided the credit ratings of the issuers are acceptable to the County Pool. The following also identifies certain requirements of the County Pool and California Government Code that address interest rate risk, credit risk, and concentrations of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
U.S. Treasury Obligations	15 years	-	100	100
Obligations of U.S. Agencies or government sponsored enterprises	15 years	-	100	100
Bankers acceptances	180 days	A-1/P-1	15	10
Collateralized time deposits within the state of California	1 year	-	30	10
Negotiable certificates of deposit	5 years	-	30	5
Commercial paper/Floating rate notes	270 days or less	A-1/P-1	40	10

Note 2 – Cash and Cash Equivalents (continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
Repurchase agreements	1 year	-	100	50
Reverse repurchase agreements	92 days	-	20	20
Corporate bonds and medium term notes	5 years	A	30	10
Local Agency Investment Fund (LAIF)	-	-	Up to the current state limit	-
Shares of beneficial interest	-	-	10	5
Mortgage backed securities	5 years	A	20	5

At June 30, 2008, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
U.S. government securities:				
Not on securities loan	3.125-3.50%	9/15/08-5/31/13	4.72	Exempt
Loaned securities for cash collateral	2.50-3.50%	9/15/08-5/31/13	3.83	Exempt
U.S. government agency securities:				
Not on securities loan	2.27-3.875%	9/15/08-4/21/11	1.52	AAA
Loaned securities for cash collateral	2.375-3.75%	9/15/08-5/29/13	2.36	AAA
U.S. government agency securities: floating rate	2.310-2.747%	12/1/08-7/28/09	.75	AAA
Asset-backed securities	5.20%	2/16/10	1.63	AAA
Negotiable certificates of deposit	2.44-3.22%	7/7/08-6/12/09	.15	AA+, AA-, A+
Repurchase agreements	1.60%	7/1/08	-	AAA
Commercial paper – discount	2.15-3.08%	7/1/08-8/4/08	.02	A-1+, A-1
Corporate bonds	2.875-5.625%	8/1/08-5/20/13	1.88	AAA, AA, AA-, A+, A
Floating rate securities	2.478-4.778%	7/25/08-5/21/12	1.26	AAA, AA+, AA, AA,- AA+, A, A-, BBB+
Money market funds	2.31%	7/31/08	.08	Not rated
Local Agency Investment Fund (LAIF)	4.00%	On Demand	.08	Not rated

Note 2 – Cash and Cash Equivalents (continued)

(c) County Pool: Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the San Mateo County's Investment Policy limit County Pool investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moody's Investors Service. State law and the San Mateo County's Investment Policy also limit County Pool investments in corporate bonds to the rating of A or higher by both Standards & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S Treasuries.

(d) County Pool: Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County Pool's investment in a single issuer of securities. State law restricts the County Pool's investments in commercial paper to 40% of its investment pool and to 10% per issuer. State law also limits the County's investments in corporate bonds and medium term notes to 30% of its investment pool and 10% per issuer, and the bankers' acceptances to 15% of its investment pool and to 10% per issuer.

At June 30, 2008, the County Pool had 12.97% of its investment pool in Federal Home Loan Mortgage Corporation, 3.93% in Federal Home Loan Bank, 4.77% in Federal National Mortgage Association, .67% in Federal Farm Credit Bank, 30.35% in corporate bonds, 14.19%in commercial paper, 15.23% in U. S. Treasuries, .27% in Asset-backed securities, 1.81% in repurchase agreements, 12.83% in certificates of deposit, 1.71% in money market funds, and 1.27% in LAIF. The investment pool has five percent or more of its total investment with the following issuers: 13% in Federal Home Loan Mortgage Corporation, 11% in Lehman Brothers Holdings (commercial paper and corporate bonds), 11% in Wells Fargo & Company (negotiable certificate of deposit, commercial paper and corporate bonds), 9% in Deutsche Bank (negotiable certificate of deposit and commercial paper) and 5% in Morgan Stanley (corporate bonds and commercial paper).

(e) County Pool: Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. The County investment policy does not include specific provisions to address foreign currency risk.

Note 2 – Cash and Cash Equivalents (continued)

(f) County Pool: Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. Duration is calculated as the weighted average time to receive interest and principle payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. The County Pool manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2008, the County Pool had a weighted average maturity of 1.33 years and its floating rate securities were $730 million. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

(g) Securities Lending Transactions

State Statutes and San Mateo County's Investment Policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank (Custodian) to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the Custodian to loan securities in the County Pool. The loaned securities represent securities on loan to brokers or dealers by the County Pool. The County receives a fee from the borrower for the use of the loaned securities. If loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers.

The loaned securities as of June 30, 2008 consisted of U.S. Treasury notes and bonds, U.S. government agency securities. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. As of June 30, 2008, all of the cash collateral was invested in repurchase agreements, certificates of deposit and commercial paper with a weighted average maturity of 22 days (2007: 8 days; 2006: 3 days; 2005: 15.4 days; 2004: 1 day). Commercial paper and certificate of deposits were rated at least A1 by Standards and Poor's and P-1 by Moody's. The repurchase agreements are held by Bank of New York Mellon Corporation in the County's name and were unrated by Standards and Poor's at June 20, 2008.

The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine. Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower.

Note 2 – Cash and Cash Equivalents (continued)

Total cash collateral at June 30, 2008 amounted to $2,088 (2007: $3,688; 2006: $2,982; 2005: $3,380; 2004: $3,106). The value of underlying securities loaned by the County Pool as of June 30, 2008 amounted to $2,049 (2007: $3,620; 2006: $2,926; 2005: $3,315; 2004: $3,043). The JPA did not have any exposure to credit risk related to the securities lending transactions for the fiscal year-ends presented because the market value of cash collateral exceeded that of the borrowed securities.

Note 3 – Receivables

The interest receivable balances represent fourth quarter investment earnings due from the County Treasurer.

Note 4 – Capital Assets

Capital assets activity for the five-year period ended June 30, 2008 was as follows:

	Balance 7/1/2003	Additions	Retirements	Balance 6/30/2004
Capital assets, not being depreciated				
Land	$ 220,607	$ -	$ -	$ 220,607
Total Capital Assets, not being depreciated, net	220,607	-	-	220,607
Capital assets, being depreciated				
Structures and Improvements	23,897	-	-	23,897
Less: accumulated depreciation	-	(4,295)	-	(4,295)
Total Capital assets, being depreciated, net	23,897	(4,295)	-	19,602
Governmental activities, capital assets, net	$ 244,504	$ (4,295)	$ -	$ 240,209

At July 1, 2003, the JPA made the following restatement to capital assets:

Governmental activities capital assets as reported in the general fixed assets account group – June 30, 2003	$ 244,504
Record accumulated depreciation for structures and improvements	(3,817)
Governmental activities capital assets as restated – July 1, 2003	$ 240,687

Note 4 - Capital Assets (continued)

	Balance 7/1/2004	Additions	Retirements	Balance 6/30/2005
Capital assets, not being depreciated				
Land	$ 220,607	$ -	$ -	$ 220,607
Total Capital Assets, not being depreciated, net	220,607	-	-	220,607
Capital assets, being depreciated				
Structures and Improvements	23,897	-	-	23,897
Less: accumulated depreciation	(4,295)	(478)	-	(4,773)
Total Capital assets, being depreciated, net	19,602	(478)	-	19,124
Governmental activities, capital assets, net	$ 240,209	$ (478)	$ -	$ 239,731

	Balance 7/1/2005	Additions	Retirements	Balance 6/30/2006
Capital assets, not being depreciated				
Land	$ 220,607	$ -	$ -	$ 220,607
Total Capital Assets, not being depreciated, net	220,607	-	-	220,607
Capital assets, being depreciated				
Structures and Improvements	23,897	-	-	23,897
Less: accumulated depreciation	(4,773)	(478)	-	(5,251)
Total Capital assets, being depreciated, net	19,124	(478)	-	18,646
Governmental activities, capital assets, net	$ 239,731	$ (478)	$ -	$ 239,253

Joint Powers Agency – El Granada Quarry Park
Notes to the Financial Statements
Five-Year Period Ended
June 30, 2008

Note 4 - Capital Assets (continued)

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
Capital assets, not being depreciated				
Land	$ 220,607	$ -	$ -	$ 220,607
Total Capital Assets, not being depreciated, net	220,607	-	-	220,607
Capital assets, being depreciated				
Structures and Improvements	23,897	-	-	23,897
Less: accumulated depreciation	(5,251)	(478)	-	(5,729)
Total Capital assets, being depreciated, net	18,646	(478)	-	18,168
Governmental activities, capital assets, net	$ 239,253	$ (478)	$ -	$ 238,775

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
Capital assets, not being depreciated				
Land	$ 220,607	$ -	$ -	$ 220,607
Total Capital Assets, not being depreciated, net	220,607	-	-	220,607
Capital assets, being depreciated				
Structures and Improvements	23,897	20,335	-	44,232
Less: accumulated depreciation	(5,729)	(604)	-	(6,333)
Total Capital assets, being depreciated, net	18,168	19,731	-	37,899
Governmental activities, capital assets, net	$ 238,775	$ 19,731	$ -	$ 258,506

Note 4 - Capital Assets (continued)

The land was purchased by the County in 1993 and was conveyed to the JPA on November 14, 1995 together with some architectural services capitalized under structures and improvements. The structures and improvements comprise of pathways, fencing, playground equipment, picnic tables, and restroom that were acquired after the formation of the JPA. Depreciation expense of $478 was charged for governmental activities for the fiscal years ended June 30, 2004 though June 30, 2007 and $604 for the fiscal year ended June 30, 2008.

Note 5 – Deferred Rent Credit

On August 17, 1999, the JPA entered into a lease agreement with Midcoast Park Lands (Midcoast), a California non-profit corporation, for the purpose of developing, operating and maintaining the El Granada Quarry Park. The lease is for a period of thirty years commencing on July 1, 1999. Under the terms of the agreement, Midcoast is required to assume all operations and maintenance of the park, maintain insurance, submit an annual operating and maintenance plan and budget to the County Board of Supervisors for approval, and use the park and any improvements made to it exclusively as a day use park.

Under the terms of the lease agreement, the JPA gives Midcoast credit towards the monthly rent to the extent of rental and other income received by the JPA and the County from the Park property since its acquisition and any general liability insurance payments made by Midcoast, except that no credit will be given after the seventh year of the lease.

The deferred rent credit as of June 30, 2008 was computed as follows:

Deferred rent from Midcoast at June 30, 2003	$ 12,000
Credit for insurance paid by Midcoast during the lease term through June 30, 2008	11,147
	$ 23,147
Less: Amount credited toward rent receivable from Midcoast during five years of lease term through June 20, 2008	(21,600)
	$ 1,547

Note 6 – Revenues

(a) Charges for Services

Charges for services include rental income from Midcoast per the terms of their agreement. See Note 5 above for detail.

Note 6 – Revenues (continued)

(b) Capital Grants and Contributions

Capital grants and contributions comprise of capital asset contributions from the County.

(c) Investment Earnings

Investment earnings comprise of quarterly interest received from the County Treasurer on investments made by the JPA in the County Pool. Interest is recorded in the year it is earned and is available to pay current liabilities.

Note 7 - Risk Management

Under the terms of the lease agreement between the JPA and Midcoast, Midcoast is required to maintain the requisite insurance at its cost and indemnify and hold harmless the JPA and its officers and employees from any claims relating to its occupation and use of the Park property.

Note 8 - Contingency

The Grant Deed that conveyed the El Granada Quarry Property to the JPA is subject to the restrictions set forth in the purchase agreement dated October 19, 1993 between the County and the seller of the property. The purchase agreement provides that, subject to certain terms and conditions, the seller or his heirs have the power to terminate the fee estate held by the JPA if any time, during the period commencing with the transfer of the property to the JPA and ending thirty years after the date of the purchase agreement, the property ceases to be used as a day use park open to the general public with no admission fee. The park is currently being used as a day use park with no admission fee.

Note 9 – Restatement of Beginning Fund Balance

The beginning fund balance reported in the *statements of revenue, expenditures and changes in fund balance* for fiscal year 2004 was restated to correct prior year GASB Statement No. 31 calculation.

Beginning fund balance for fiscal year 2004, as previously reported	$ 8,797
Correct prior year GASB 31 calculations	(3,039)
Beginning fund balance for fiscal year 2004, as restated	$ 5,758

Note 10 – Subsequent Events

Subsequent to June 30, 2008, the financial markets experienced a significant decline in value that has been attributed to the credit crisis initiated by the sub-prime mortgage meltdown. The markets remain dynamic and fluid, and any judgment of the financial statements must be based on current information rather than fiscal year-end. As of October 1, 2008, the San Mateo County Investment Pool incurred a charge of $155 million associated with investments relating to Lehman Brothers Holdings Inc. (Lehman), which in September 2008 had filed a petition under Chapter 11 of the U.S. Bankruptcy Code. The $155 million charge for the Lehman investments write-off was shared among the pool participants based on their respective average daily cash balance relative to that of the County Pool. The JPA's pro-rated share of this one-time charge was $1,186, which was recorded as an investment loss on October 1, 2008.

Subsequent to the five-year period ended June 30, 2008, the JPA lease agreement with Midcoast was terminated and the property was transferred to the County. In October 2008, a resolution was passed by the County Board of Supervisors giving notice for the termination of the JPA Agreement effective October 17, 2009.