

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
June 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Citizens' Oversight Committee
of the Mountains Recreation and Conservation Authority
Community Facilities District No. 2 – 2012-2 MM
Los Angeles, California

Report on Financial Statements

Opinion

We have audited the accompanying financial statements of the Mountains Recreation and Conservation Authority Community Facilities District No. 2 – 2012-2 MM Fund (Open Space Protection and Fire Prevention) (District No. 2 Fund) of the Mountains Recreation and Conservation Authority (Authority) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements as listed in the table of contents.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

For the fiscal year ending June 30, 2024, the Authority has implemented Government Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. The change has no material impact on financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2025, on our consideration of the Authority'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 solely 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 effectiveness of the Authority's 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 Plan's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
April 3, 2025

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 - 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
BALANCE SHEET
June 30, 2024

ASSETS:

Cash and investments	\$ 537,952
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Total assets	\$ 537,952
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LIABILITIES AND FUND BALANCE:

Liabilities:

Due to other governments	\$ 54,792
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Total liabilities	54,792
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Fund Balance:

Restricted	483,160
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Total fund balance	483,160
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Total liabilities and fund balance	\$ 537,952
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The accompanying notes are an integral part of these financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 - 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2024

Revenues:	
Special assessments	\$ 5,069
Total revenues	<u>5,069</u>
Expenditures:	
Current expenditures	<u>133,664</u>
Total expenditures	<u>133,664</u>
Net Change in Fund Balance	(128,595)
Fund Balance:	
Fund balance, July 1, 2023	<u>611,755</u>
Fund balance, June 30, 2024	<u><u>\$ 483,160</u></u>

The accompanying notes are an integral part of these financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On August 7, 2012, the Governing Board established Mountains Recreation and Conservation Authority Community Facilities District No. 2 (District No. 2) pursuant to Government Code Section 53311, et seq. for the purpose of funding open space protection and fire prevention by imposing a special tax on all taxable developed real property within the Woodland Hills, Encino and Tarzana Hillside Areas. Also on August 7, 2012, the Governing Board ordered a special tax election (Measure MM) for November 6, 2012 to receive voter-approval of the District No. 2 and levy of the special tax.

On November 6, 2012, the Measure MM was approved by the qualified registered voters within the boundaries of District No. 2 by receiving 68.67% support. The special tax proceeds will be used for the purpose of open space, parkland and wildlife corridor maintenance and preservation, fire prevention and park ranger safety and security services in the Woodland Hills, Encino and Tarzana Hillside Areas and to fund the acquisition of additional open space in this area and incidental costs. The special tax was approved by voters to be levied annually for a period not to exceed 10 years beginning in the 2013-2014 fiscal year, with a maximum special tax of \$19 per parcel and will generate approximately \$305,000 per year. The special tax is collected each fiscal year in the same manner and at the same time as ad valorem property taxes and are included in the County Auditor's annual billing for ad valorem taxes.

B. Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The Mountains Recreation and Conservation Authority Community Facilities District No. 2 Fund (District No. 2 Fund) is accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Thus, any capital assets and long-term liabilities associated with the District No. 2 Fund are not accounted for in the financial statements of the District and are not included in the accompanying financial statements.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Special assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash, Cash Equivalents, and Investments

The District No. 2 Fund's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments. All cash and investments of the District No. 2 Fund are held with City National Bank.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. As of June 30, 2024, The District No. 2 Fund did not have any investments.

D. Fund Balances

Nonspendable Fund Balance – This amount indicates that portion of fund balance which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance – This amount indicates that portion of fund balance that has been restricted for specific purposes by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance – This amount indicates that portion of fund balance which can only be used for specific purposes pursuant to formal action of the District's Citizens' Oversight Committee and can only be changed or lifted by the same formal action that imposed the constraint originally.

Assigned Fund Balance – This amount indicates that portion of fund balance that is constrained by the District's intent to be used for a specific purpose, but is neither restricted nor committed.

Unassigned Fund Balance – This amount indicates the residual portion of fund balance.

The District No. 2 only had restricted fund balances in the amount of \$483,160 at June 30, 2024.

E. Use of Restricted and Unrestricted Fund Balances

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Authority's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes for which unrestricted fund balances are available, the Authority uses the unrestricted resources in the following order: committed, assigned, and unassigned.

F. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

G. Financial Statement Presentation

The financial statements were prepared from only the accounts of District No. 2; therefore, they do not present the financial position or results of operations of the Authority.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2024, the District No. 2 Fund had the following cash and investments:

Cash:	
Demand deposits	\$ 537,952
Total cash and investments	\$ 537,952

Cash Deposits

The carrying amount of the District No. 2 Fund’s demand deposit was \$537,952 at June 30, 2024. Bank balances at June 30, 2024 were \$537,952, which were fully insured or collateralized with securities held by the pledging financial institutions in the District’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District’s name.

The fair value of pledged securities must equal at least 110% of the District No. 2 Fund’s cash deposits. California law also allows institutions to secure the District’s deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total cash deposits. The District may waive collateral requirements for cash deposits. The District, however has not waived the collateralization requirements. The District’s time and savings deposits and demand deposits are each separately fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The District No. 2 Fund, however, has not waived the collateralization requirements.

At June 30, 2024, the District No. 2 Fund did not have any investments.

NOTE 3 – RELATED PARTY DISCLOSURES

A. Services Performed for the District

Role of the Authority

The District No. 2 Fund is an Agency Fund of the Authority. The employees of the Authority perform work on behalf of the District and the actual cost of the time spent by these employees is charged to the District No. 2 Fund. The Authority also makes payments to vendors on behalf of the District.

Role of the District

The District does not have employees. The District No. 2 Fund is billed for the services performed by the Authority at cost plus an allocation of overhead, as well as for reimbursements for payments made to vendors by the Authority on behalf of the District. During the fiscal year ended June 30, 2024, the District No.2 Fund was billed \$13 for administration, \$18,540 for land acquisition, \$54,034 for operations, maintenance, and improvements, \$61,077 for ranger patrol and fire prevention for a total of \$133,664.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Authority is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District No. 2 Fund's financial position.

**MOUNTAINS RECREATION AND
CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)**

FINANCIAL STATEMENTS

JUNE 30, 2025

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
June 30, 2025**

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MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR’S REPORT

To the Citizens’ Oversight Committee
of the Mountains Recreation and Conservation Authority
Community Facilities District No. 2 – 2012-2 MM
Los Angeles, California

Report on Financial Statements

Opinion

We have audited the accompanying financial statements of the Mountains Recreation and Conservation Authority Community Facilities District No. 2 – 2012-2 MM Fund (Open Space Protection and Fire Prevention) (District No. 2 Fund) of the Mountains Recreation and Conservation Authority (Authority) as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements as listed in the table of contents.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, on our consideration of the Authority'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 solely 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 effectiveness of the Authority's 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 Plan's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 3, 2026

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 - 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
 BALANCE SHEET
 June 30, 2025

ASSETS:

Cash and investments	\$ 356,594
	<u>356,594</u>
Total assets	\$ <u><u>356,594</u></u>

LIABILITIES AND FUND BALANCE:

Liabilities:

Due to other governments	\$ 58,193
	<u>58,193</u>
Total liabilities	58,193

Fund Balance:

Restricted	298,401
	<u>298,401</u>
Total fund balance	298,401
Total liabilities and fund balance	\$ <u><u>356,594</u></u>

The accompanying notes are an integral part of these financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 - 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2025

Revenues:	
Special assessments	\$ 68,793
Total revenues	68,793
Expenditures:	
Current expenditures	253,552
Total expenditures	253,552
Net Change in Fund Balance	(184,759)
Fund Balance:	
Fund balance, June 30, 2024	483,160
Fund balance, June 30, 2025	\$ 298,401

The accompanying notes are an integral part of these financial statements.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On August 7, 2012, the Governing Board established Mountains Recreation and Conservation Authority Community Facilities District No. 2 (District No. 2) pursuant to Government Code Section 53311, et seq. for the purpose of funding open space protection and fire prevention by imposing a special tax on all taxable developed real property within the Woodland Hills, Encino and Tarzana Hillside Areas. Also on August 7, 2012, the Governing Board ordered a special tax election (Measure MM) for November 6, 2012 to receive voter-approval of the District No. 2 and levy of the special tax.

On November 6, 2012, the Measure MM was approved by the qualified registered voters within the boundaries of District No. 2 by receiving 68.67% support. The special tax proceeds will be used for the purpose of open space, parkland and wildlife corridor maintenance and preservation, fire prevention and park ranger safety and security services in the Woodland Hills, Encino and Tarzana Hillside Areas and to fund the acquisition of additional open space in this area and incidental costs. The special tax was approved by voters to be levied annually for a period not to exceed 10 years beginning in the 2013-2014 fiscal year, with a maximum special tax of \$19 per parcel and will generate approximately \$305,000 per year. The special tax is collected each fiscal year in the same manner and at the same time as ad valorem property taxes and are included in the County Auditor's annual billing for ad valorem taxes.

B. Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The Mountains Recreation and Conservation Authority Community Facilities District No. 2 Fund (District No. 2 Fund) is accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Thus, any capital assets and long-term liabilities associated with the District No. 2 Fund are not accounted for in the financial statements of the District and are not included in the accompanying financial statements.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Special assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash, Cash Equivalents, and Investments

The District No. 2 Fund's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments. All cash and investments of the District No. 2 Fund are held with City National Bank.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. As of June 30, 2025, The District No. 2 Fund did not have any investments.

D. Fund Balances

Nonspendable Fund Balance – This amount indicates that portion of fund balance which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance – This amount indicates that portion of fund balance that has been restricted for specific purposes by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance – This amount indicates that portion of fund balance which can only be used for specific purposes pursuant to formal action of the District's Citizens' Oversight Committee and can only be changed or lifted by the same formal action that imposed the constraint originally.

Assigned Fund Balance – This amount indicates that portion of fund balance that is constrained by the District's intent to be used for a specific purpose, but is neither restricted nor committed.

Unassigned Fund Balance – This amount indicates the residual portion of fund balance.

The District No. 2 only had restricted fund balances in the amount of \$298,401 at June 30, 2025.

E. Use of Restricted and Unrestricted Fund Balances

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Authority's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes for which unrestricted fund balances are available, the Authority uses the unrestricted resources in the following order: committed, assigned, and unassigned.

F. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

G. Financial Statement Presentation

The financial statements were prepared from only the accounts of District No. 2; therefore, they do not present the financial position or results of operations of the Authority.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025**

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2025, the District No. 2 Fund had the following cash and investments:

Cash:	
Demand deposits	\$ 356,594
Total cash and investments	\$ 356,594

Cash Deposits

The carrying amount of the District No. 2 Fund’s demand deposit was \$356,594 at June 30, 2025. Bank balances at June 30, 2025 were \$356,594, which were fully insured or collateralized with securities held by the pledging financial institutions in the District’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District’s name.

The fair value of pledged securities must equal at least 110% of the District No. 2 Fund’s cash deposits. California law also allows institutions to secure the District’s deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total cash deposits. The District may waive collateral requirements for cash deposits. The District, however has not waived the collateralization requirements. The District’s time and savings deposits and demand deposits are each separately fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The District No. 2 Fund, however, has not waived the collateralization requirements.

At June 30, 2025, the District No. 2 Fund did not have any investments.

NOTE 3 – RELATED PARTY DISCLOSURES

A. Services Performed for the District

Role of the Authority

The District No. 2 Fund is an Agency Fund of the Authority. The employees of the Authority perform work on behalf of the District and the actual cost of the time spent by these employees is charged to the District No. 2 Fund. The Authority also makes payments to vendors on behalf of the District.

Role of the District

The District does not have employees. The District No. 2 Fund is billed for the services performed by the Authority at cost plus an allocation of overhead, as well as for reimbursements for payments made to vendors by the Authority on behalf of the District. During the fiscal year ended June 30, 2025, the District No.2 Fund was billed \$19,998 for administration, \$55,366 for land acquisition, \$77,735 for operations, maintenance, and improvements, \$100,453 for ranger patrol and fire prevention for a total of \$253,552.

**MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2 – 2012-2 MM FUND
(OPEN SPACE PROECTION AND FIRE PREVENTION)
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NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Authority is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District No. 2 Fund's financial position.