MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 1 FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)

FINANCIAL STATEMENTS

JUNE 30, 2015

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 1 FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Citizens' Oversight Committee
of the Mountains Recreation and Conservation Authority
Community Facilities District No. 1
Los Angeles, California

Report on Financial Statements

We have audited the accompanying financial statements of the Mountains Recreation and Conservation Authority Community Facilities District No. 1 Fund (Open Space Protection and Fire Prevention) (District No. 1 Fund), of the Mountains Recreation and Conservation Authority (Authority), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District No. 1 Fund of the Authority, as of June 30, 2015, and the changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the District No. 1 Fund and do not purport to, and do not present fairly the financial position of the Authority as of June 30, 2015. Our opinion is not modified with respect to this matter.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
July 1, 2016

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 1 FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
BALANCE SHEET
June 30, 2015

ASSETS:	
Cash and investments	$ 338,538
Assessments receivable	16,543
Total assets	$ 355,081
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts payable	$ -
Due to other governments	266,609
Total liabilities	266,609
Fund Balance:	
Restricted	88,472
Total fund balance	88,472
Total liabilities and fund balance	$ 355,081

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 1 FUND
(OPEN SPACE PROTECTION AND FIRE PREVENTION)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015

Revenues:	
Special assessments	$ 681,240
Total revenues	681,240
Expenditures:	
Current:	
Acquisitions	278,500
Acquisition services	26,339
Supplies and maintenance services	327,506
Park Rangers services	153,782
Total expenditures	786,127
Net Change in Fund Balance	(104,887)
Fund Balance:	
Fund balance, July 1, 2014	193,359
Fund balance, June 30, 2015	$ 88,472

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

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. 1 (District No. 1) 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 East Santa Monica Mountains/Hollywood Hills Area. Also on August 7, 2012, the Governing Board ordered a special tax election (Measure HH) for November 6, 2012 to receive voter-approval of the District No. 1 and levy of the special tax. On November 6, 2012, the Measure HH was approved by the qualified registered voters within the boundaries of District No. 1 by receiving 76.18% support.

The special tax proceeds are 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 East Santa Monica Mountains/Hollywood Hills Area 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 of $24 per parcel and will generate approximately $681,000 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 District No. 1 Fund (District No. 1 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. 1 Fund are not accounted for in the financial statements of the District No.1 Fund 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash, Cash Equivalents, and Investments

The District No. 1 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. 1 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, 2015, The District No. 1 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 No. 1 Fund'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 No. 1 Fund'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. 1 Fund only had restricted fund balances in the amount of $88,472 at June 30, 2015.

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 District No. 1 Fund'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 the District No. 1 Fund; therefore, they do not present the financial position or results of operations of the Authority.

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2015, the District No. 1 Fund had the following cash and investments:

Cash:	
Demand deposits	$ 338,538
Total cash and investments	$ 338,538

Cash Deposits

The carrying amount of the District No. 1 Fund's demand deposits was $338,538 at June 30, 2015. Bank balances at June 30, 2015 were $338,538, which were fully insured or collateralized with securities held by the pledging financial institutions in the District No.1's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District No.1'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 No.1's name.

The fair value of pledged securities must equal at least 110% of the District No. 1 Fund's cash deposits. California law also allows institutions to secure the District No. 1 Fund's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District No. 1 Fund may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The District No. 1 Fund, however, has not waived the collateralization requirements.

At June 30, 2015, the District No. 1 Fund did not have any investments.

NOTE 3 – RELATED PARTY DISCLOSURES

A. Services Performed for the District

Role of the Authority

The District No. 1 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. 1 Fund. The Authority also makes payments to vendors on behalf of the District.

Role of the District No. 1 Fund

The District does not have employees. The District No. 1 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, 2015, the District No. 1 Fund was billed $26,339 for acquisition services, $327,506 for supplies and maintenance services, and $153,782 for Park Ranger patrol and fire prevention services for a total of $507,627.

NOTE 3 – RELATED PARTY DISCLOSURES (CONTINUED)

B. Land Purchases within the District

Role of the District No. 1 Fund

The District purchased various parcels of vacant land within the District for the purpose of preserving open space, which amounted to $286,752 since the District's inception through the fiscal year ended June 30, 2015.

The significant parcels of land purchased are as follows:

Property	Amount
Tax defaulted Purchases	$ 8,252
Laurel/Mulholland Lots	278,500
	$ 286,752

The parcels of land are not included in the accompanying District No. 1 Fund financial statements.

Role of the Authority

The parcels of land were purchased under the Authority's name. The Authority, therefore, legally holds the title for these parcels of land.

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. 1 Fund's financial position.

NOTE 5 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management of the Authority has evaluated subsequent events through July 1, 2016, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.