City of Azusa – Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Bonds

Azusa, California

Financial Statements
and Independent Auditors' Reports

For the year ended June 30, 2024

City of Azusa – Community Facilities District No. 2002 – 1
(Mountain Cove) Special Tax Bonds

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BADAWI & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Azusa
Azusa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Bonds (Mountain Cove Bonds), as of and for the year ended June 30, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Mountain Cove Bonds of the City, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Mountain Cove Bonds of the City 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Mountain Cove Bonds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

The City's 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 Mountain Cove Bonds' 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 GAAS 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 GAAS, 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 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 Mountain Cove Bonds' 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 Mountain Cove Bonds' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025 on our consideration of the City'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 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 City's internal control over financial reporting and compliance.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
June 26, 2025

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FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Statement of Net Position
June 30, 2024

ASSETS	
Cash and investments	$ 462,717
Cash and investments with trustee	141,653
Receivables	10,469
Total assets	614,839
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	124,725
Total deferred outflows of resources	124,725
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	34,057
Long term debt - due within one year	467,475
Total current liabilities .	501,532
Noncurrent liabilities:	
Long term debt - due in more than one year	4,122,239
Total noncurrent liabilities	4,122,239
Total liabilities	4,623,771
NET POSITION	
Restricted for:	
Debt service	141,653
Unassigned	(4,025,860)
Total Net Position	$ (3,884,207)

See accompanying Notes to Basic Financial Statements.

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Statement of Activities
For the year ended June 30, 2024

	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
Governmental activities					
General government	$ 111,522	$ 582,545	$ -	$ 582,545	$ 471,023
Total governmental activities	$ 111,522	$ 582,545	$ -	$ 582,545	471,023
General Revenues:					
Unrestricted investment earnings					8,781
Total general revenues					8,781
Change in net position					479,804
Net position - beginning of year					(4,364,011)
Net position - end of year					$ (3,884,207)

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Balance Sheet - Governmental Funds
June 30, 2024

	Debt Service Fund
ASSETS	
Cash and investments	$ 462,717
Cash and investments with trustee	141,653
Receivables	10,469
Total assets	$ 614,839
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	$ 34,057
Total liabilities	34,057
Fund Balances:	
Restricted for:	
Debt service	141,653
Assigned for debt service	439,129
Total fund balances	580,782
Total liabilities and fund balances	$ 614,839

See accompanying Notes to Basic Financial Statements.

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the year ended June 30, 2024

Fund Balances of Governmental Funds	$	580,782
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred loss on refunding of debt is not recorded on the Governmental Funds Balance Sheet, however is recorded on the Statement of Net Position.		124,725
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.		
Long term debt due within one year		(467,475)
Long term debt due in more than one year		(4,122,239)
Net Position of Governmental Activities	$	(3,884,207)

See accompanying Notes to Basic Financial Statements.

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2024

	Debt Service Fund
REVENUES:	
Interest on investments	$ 8,781
Assessments	582,545
Total revenues	591,326
EXPENDITURES:	
General Government:	
Administrative cost	33,220
Debt service:	
Principal payment	457,591
Interest	100,785
Total expenditures	591,596
Net change in fund balances	(270)
FUND BALANCES:	
Beginning of year	581,052
End of year	$ 580,782

See accompanying Notes to Basic Financial Statements.

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	$	(270)
because:		
Deferred loss on refunding of debt is not recorded on the Governmental Funds Balance Sheet, however is recorded on the Statement of Net Position. This amount represents the amortization expense related to the deferred loss on debt refunding during the year.		(13,858)
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.		36,341
Change in Net Position of Governmental Activities	$	479,804

See accompanying Notes to Basic Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) (the District) was established by the City Council of the City of Azusa (the City) pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) to finance certain costs of acquisition and construction of certain water, sewer, reservoir, pump station and bike trail improvements generally related to development within the District as well as school and city impact fees associated with the development.

Bond indebtedness in the amount of $7,880,000 was issued by the District. The bonds are payable solely from the proceeds of a special tax to be levied annually on the land within the District. The bonds are not in any way a debt, liability or obligation of the City of Azusa.

In June 2021, the City of Azusa issued City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Refunding Bonds, Series 2021 in the principal amount of $5,468,564 for the purpose of refunding previously issued City of Azusa issued City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Refunding Bonds, Series 2011.

The financial statements presented in this report cover only the City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Bonds, Series 2002 A, the Special Tax Refunding Bonds, Series 2011, and the Special Tax Refunding Bonds, Series 2021, which are only a portion of the bonds issued by the City. Therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Azusa or the City of Azusa Community Facilities District No. 2002-1 (Mountain Cove).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the City of Azusa Community Facility District No. 2002-1 (Mountain Cove) Special Tax Bonds, Series 2011.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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 a liability is incurred, regardless of the timing of the related cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Government 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

D. Asset, Liabilities, and Net Position

- Investments

  Investments are reported at fair value. Increases and decreases in the fair value of investments, as well as interest earned on the investments, are reported as investment income.

- Receivables and Payables

  All trade receivables are shown net of an allowance for uncollectible.

- Long-Term Obligations

  In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond proceeds are reported as other financing sources.

2. CASH AND INVESTMENTS

As of June 30, 2024, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments held by the City of Azusa	$ 462,717
Cash and investments with fiscal agents	$ 141,653

2. CASH AND INVESTMENTS, Continued

A. Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the government agency's investment policy.

3. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following:

	Balance July 1, 2023	Payments	Balance June 30, 2024	Due Within One Year	Due In More Than One Year
Special Tax Refunding Bonds, Series 2021	5,047,305	(457,591)	4,589,714	467,475	4,122,239
	$ 5,047,305	$ (457,591)	$ 4,589,714	$ 467,475	$ 4,122,239

A. Special Tax Refunding Bonds, Series 2021

In June 7, 2021, the District issued $5,468,564 City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Refunding Bond, Series 2021 (2021 Bonds) to refund the outstanding Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Refunding Bonds Series 2011. The 2021 Bonds were acquired directly by First Foundation Public Finance, a Delaware statutory trust and wholly owned subsidiary of First Foundation Bank. The 2021 Bonds consist of $5,468,564 serial bonds maturing September 1, 2022, and bearing interest of 2.16%. The bonds are subject to optional call and redemption prior to their maturity. Interest is payable semiannually on September 1 and March 1 of each year. The outstanding balance at June 30, 2024, was $4,589,714.

The refunding resulted in an economic gain of $1,116,898, and a total aggregate cash flow savings of $1,543,910.

3. LONG-TERM LIABILITIES, Continued

A. Special Tax Refunding Bonds, Series 2021, Continued

The debt service to maturity is as follows:

	2021 Special Tax Refunding Bonds		
	Principal	Interest	Total
2025	$ 467,475	$ 94,089	$ 663,193
2026	477,573	83,882	669,803
2027	487,888	73,455	674,434
2028	498,427	62,803	669,803
2029	509,193	51,921	674,434
2030-2033	2,149,158	94,085	2,243,243
Totals	$ 4,589,714	$ 460,235	$ 5,594,910

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BADAWI & ASSOCIATES
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of Azusa
Azusa, California

We have audited, in accordance with the 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, the financial statements of the City of Azusa Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Bonds (Mountain Cove Bonds), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Mountain Cove Bond's basic financial statements, and have issued our report thereon dated June 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mountain Cove Bond's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mountain Cove Bond's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mountain Cove Bond's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mountain Cove Bond's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
June 26, 2025