

**City of Azusa -
Community Facilities
District No. 2005-1
(Rosedale)
Improvement Area No. 1
Special Tax Bonds**

Azusa, California

*Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2025

City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Improvement Area No. 1 Special Tax Bonds

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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. 2005-1 (Rosedale) Special Tax Bonds (Rosedale Bonds), as of and for the year ended June 30, 2025, 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 Rosedale Bonds of the City, as of June 30, 2025, 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 Rosedale 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 Rosedale Bonds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025, 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.

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 Rosedale 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:

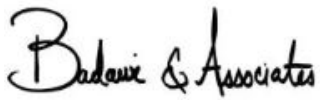
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Rosedale 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 Rosedale 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.

To the Honorable Mayor and Members of the City Council
of the City of Azusa
Azusa, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026 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.

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Badawi & Associates, CPAs
Emeryville, California
February 18, 2026

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FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Azusa - Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Statement of Net Position
June 30, 2025

ASSETS	
Current assets:	
Cash and investments	\$ 2,658,226
Cash and investments with trustee	28,306
Due from other government	53,809
Total current assets	<u>2,740,341</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>17,076,793</u>
Total noncurrent assets	<u>17,076,793</u>
Total assets	<u>19,817,134</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>420,503</u>
LIABILITIES	
Current liabilities:	
Accounts payable	443
Due to other government	1,798
Accrued interest payable	635,883
Long-term debt due within one year	<u>1,295,000</u>
Total current liabilities	<u>1,933,124</u>
Noncurrent liabilities:	
Long-term debt due in more than one year	<u>44,285,963</u>
Total noncurrent liabilities	<u>44,285,963</u>
Total liabilities	<u>46,219,087</u>
NET POSITION	
Net investment in capital assets	(4,341,886)
Restricted for:	
Debt service	3,203,449
Unassigned	<u>(24,843,013)</u>
Total Net Position	<u>\$ (25,981,450)</u>

City of Azusa - Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Statement of Activities
For the year ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
Governmental activities					
General government	\$ 2,612,996	\$ 3,479,492	\$ -	\$ 3,479,492	\$ 866,496
Total governmental activities	<u>\$ 2,612,996</u>	<u>\$ 3,479,492</u>	<u>\$ -</u>	<u>\$ 3,479,492</u>	<u>\$ 866,496</u>
General Revenues:					
					Unrestricted investment earnings
					208,495
					Total general revenues
					208,495
					Change in net position
					1,074,991
					Net position - beginning of year, previously reported
					(27,156,441)
					Restatement
					100,000
					Net position - beginning of year, as restated
					(27,056,441)
					Net position - end of year
					\$ (25,981,450)

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FUND FINANCIAL STATEMENTS

City of Azusa - Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Balance Sheet - Governmental Funds
June 30, 2025

	Debt Service Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 2,658,226	\$ -	\$ 2,658,226
Cash and investments with trustee	6,956	21,350	28,306
Accounts receivable	53,809	-	53,809
Due from other funds	486,699	-	486,699
Total assets	\$ 3,205,690	\$ 21,350	\$ 3,227,040
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 443	\$ -	\$ 443
Due to other funds	-	486,699	486,699
Due to other government	1,798	-	1,798
Total liabilities	2,241	486,699	488,940
Fund Balances:			
Restricted for:			
Debt service	3,203,449	-	3,203,449
Unassigned	-	(465,349)	(465,349)
Total fund balances	3,203,449	(465,349)	2,738,100
Total liabilities and fund balances	\$ 3,205,690	\$ 21,350	\$ 3,227,040

City of Azusa - Community Facilities District No. 2005-1

(Rosedale) Special Tax Bonds

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2025

Fund Balances of Governmental Funds	\$ 2,738,100
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	17,076,793
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Deferred amounts related to the refunding of long-term debt were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	420,503
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Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(635,883)
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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	(1,295,000)
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Long term debt due in more than one year	(44,285,963)
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Net Position of Governmental Activities	<u><u>\$ (25,981,450)</u></u>
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City of Azusa - Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2025

	Debt Service Fund	Capital Projects Fund	Total
REVENUES:			
Interest on investments	\$ 90,645	\$ 117,850	\$ 208,495
Assessments	3,479,492	-	3,479,492
Total revenues	3,570,137	117,850	3,687,987
EXPENDITURES:			
General Government:			
Administrative cost	210,029	-	210,029
Program cost	-	6,572,280	6,572,280
Debt service:			
Principal payment	1,215,000	-	1,215,000
Interest	1,937,225	-	1,937,225
Total expenditures	3,362,254	6,572,280	9,934,534
Net change in fund balances	207,883	(6,454,430)	(6,246,547)
FUND BALANCES:			
Beginning of year	2,995,566	5,989,081	8,984,647
End of year	\$ 3,203,449	\$ (465,349)	\$ 2,738,100

**City of Azusa - Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
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, 2025**

Net Change in Fund Balances - Total Governmental Funds	\$ (6,246,547)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds	(838,265)
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Governmental funds reported additions of capital assets as program expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets purchased in the current period.	6,572,280
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt related items:

Long-term debt repayments	1,215,000
Amortization of deferred amounts on refunding	(32,346)
Amortization of issuance premium	385,152

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.	19,717
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Change in Net Position of Governmental Activities	\$ 1,074,991
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NOTES TO FINANCIAL STATEMENTS

**City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Azusa Community Facility District No. 2005-1, (Rosedale) Improvement Area No. 1 (the “District”) was established on May 22, 2006, by the City Council of the City of Azusa 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 the costs of acquisition and construction of certain public facilities to be owned and maintained by the City as well as public facilities for the Azusa Unified School District, the Los Angeles Pasadena Metro Blue Line Construction Authority and the City of Glendora.

The City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No. 1 2007 Special Tax Bonds, (the “2007 Bonds”) dated January 1, 2007, were issued in the amount of \$71,125,000 by the City of Azusa (the “City”) for the District. In June 2019, the City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No. 1 2019 Special Tax Refunding Bonds, (the “2019 Bonds”) dated June 11, 2019, were issued in the amount of \$24,425,000 by the City for the District for the purpose of refunding the 2007 Bonds. The 2007 and 2019 Bonds were payable solely from revenues derived from certain annual Special Taxes to be levied on certain taxable land within the District and from certain other funds pledged under the Indenture. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City of Azusa and the qualified electors within the District.

In December 2019, the District issued \$71,125,000 City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No. 2, 2019 Special Tax Bonds (“2019 Special Tax Bonds”) to pay the costs of acquisition and construction of certain public improvements of the City of Azusa and certain public improvements of the Azusa Unified School District.

The financial statements presented in this report cover only the City of Azusa Community Facilities District No. 2005-1, (Rosedale) Special Tax Bonds, 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 Facility District No. 2005-1, (Rosedale) Improvement Area No. 1 and Improvement Area No. 2.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the City of Azusa Community Facility District No. 2005-1, (Rosedale) Improvement Area No. 1 and Improvement Area No. 2.

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.

**City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.
- Capital Assets - Capital assets, which include infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded), and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and structure	30-50 years
Machinery and equipment	8-30 years
Automotive equipment	5-15 years
Infrastructure	30-65 years

- 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.

**City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2025**

2. CASH AND INVESTMENTS

As of June 30, 2025, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments with City of Azusa	<u>\$ 2,658,226</u>
Cash and investments with fiscal agents	<u>\$ 28,306</u>

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. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Infrastructure	\$ 25,147,949	\$ 6,572,280	\$ -	\$ 31,720,229
Total capital assets being depreciated	<u>25,147,949</u>	<u>6,572,280</u>	<u>-</u>	<u>31,720,229</u>
Less accumulated depreciation				
Infrastructure	<u>13,805,171</u>	<u>838,265</u>	<u>-</u>	<u>14,643,436</u>
Total accumulated depreciation	<u>13,805,171</u>	<u>838,265</u>	<u>-</u>	<u>14,643,436</u>
Capital assets, net	<u>\$ 11,342,778</u>	<u>\$ 5,734,015</u>	<u>\$ -</u>	<u>\$ 17,076,793</u>

**City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2025**

4. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following:

	Balance July 1, 2024 (as restated)	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due In More Than One Year
2019 Special Tax Refunding Bonds	\$ 20,675,000	\$ -	\$ (1,055,000)	\$ 19,620,000	\$ 1,105,000	\$ 18,515,000
2019 Special Tax Bonds	19,860,000	-	(160,000)	19,700,000	190,000	19,510,000
2019 Refunding original issue premium	3,865,510	-	(276,108)	3,589,402	-	3,589,402
2019 Original issue premium	2,780,605	-	(109,044)	2,671,561	-	2,671,561
	<u>\$ 47,181,115</u>	<u>\$ -</u>	<u>\$ (1,600,152)</u>	<u>\$ 45,580,963</u>	<u>\$ 1,295,000</u>	<u>\$ 44,285,963</u>

A. 2019 Special Tax Refunding Bonds

In June 2019, the District issued \$24,425,000 City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No.1, 2019 Special Tax Refunding Bonds for the purpose of refunding the City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No. 1, 2007 Special Tax Bonds (“2007 Special Tax Bonds”). In January 2007, the District issued the 2007 Special Tax Bonds to pay the costs of acquisition and construction of certain public facilities to be owned and maintained by the City, as well as public facilities for the Azusa Unified School District, the Los Angeles Pasadena Metro Blue Line Construction Authority and the City of Glendora.

The refunding resulted in an economic gain of \$4.7 million and an accounting deferred loss on refunding of \$614,579.

The bonds are payable solely from revenues derived from certain annual special taxes to be levied and collected from the owners of the taxable land within Improvement Area No.1 of the District.

The debt service to maturity is as follows:

2019 Special Tax Refunding Bonds			
	Principal	Interest	Total
2026	\$ 1,105,000	\$ 953,375	\$ 2,058,375
2027	1,165,000	896,625	2,061,625
2028	1,220,000	837,000	2,057,000
2029	1,280,000	774,500	2,054,500
2030	1,345,000	708,875	2,053,875
2031-2035	7,815,000	2,437,375	10,252,375
2036-2038	5,690,000	436,000	6,126,000
Totals	<u>\$ 19,620,000</u>	<u>\$ 7,043,750</u>	<u>\$ 26,663,750</u>

**City of Azusa – Community Facilities District No. 2005-1
(Rosedale) Special Tax Bonds**
Notes to Financial Statements
For the year ended June 30, 2025

4. LONG-TERM LIABILITIES, Continued

A. 2019 Special Tax Refunding Bonds

In December 2019, the District issued \$71,125,000 City of Azusa Community Facilities District No. 2005-1 (Rosedale) Improvement Area No. 2, 2019 Special Tax Bonds (“2019 Special Tax Bonds”) to pay the costs of acquisition and construction of certain public improvements of the City of Azusa and certain public improvements of the Azusa Unified School District.

The bonds are payable solely from revenues derived from certain annual special taxes to be levied and collected from the owners of the taxable land within Improvement Area No. 2 of the District.

The debt service to maturity is as follows:

2019 Special Tax Refunding Bonds			
	Principal	Interest	Total
2026	\$ 190,000	\$ 922,850	\$ 1,112,850
2027	220,000	913,550	1,133,550
2028	250,000	901,800	1,151,800
2029	285,000	888,425	1,173,425
2030	325,000	873,175	1,198,175
2031-2035	2,285,000	4,073,200	6,358,200
2036-2040	3,550,000	3,456,850	7,006,850
2041-2045	5,140,000	2,546,750	7,686,750
2046-2050	7,455,000	985,125	8,440,125
Totals	<u>\$ 19,700,000</u>	<u>\$ 15,561,725</u>	<u>\$ 26,821,600</u>

5. RESTATEMENTS

The City recorded a restatement to long term debt to correct for a call option that should have reduced long term liabilities by \$100,000 and increased net position reported in Governmental Activities.

Net position previously reported	\$(27,156,441)
Correction of Error	<u>100,000</u>
Net position as restated	<u>\$(27,056,441)</u>

**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. 2005-1 (Rosedale) Special Tax Bonds (Rosedale Bonds), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Rosedale Bond's basic financial statements, and have issued our report thereon dated February 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rosedale 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 Rosedale Bond's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rosedale 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rosedale 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 determination of financial statement amounts. 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*.

To the Honorable Mayor and Members of the City Council

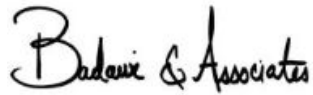
of the City of Azusa

Azusa, California

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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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs

Emeryville, California

February 18, 2026