

**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, 2021

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mountain Cove Bonds as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mountain Cove Bonds' financial statements. The combining fund information is presented for purposes of additional analysis and are not a required part of the financial statements.

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

Required Supplementary Information

Management has omitted the management discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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.

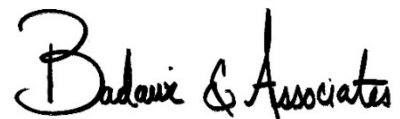
Emphasis of Matter

As discussed in Note 1, the financial statements of the Mountain Cove Bonds, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities and each major fund, and the aggregate remaining fund information of the City and Mountain Cove that is attributable to the transactions of the Mountain Cove Bonds. They do not purport to, and do not present fairly the financial position of the City of Azusa or Mountain Cove as of June 30, 2021, 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.

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 June 16, 2022, on our consideration of the Mountain Cove Bond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mountain Cove Bond's internal control over financial reporting and compliance.

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Badawi & Associates, CPAs
Berkeley, California
June 16, 2022

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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, 2021

ASSETS	
Cash and investments with trustee	\$ 151,654
Total assets	<u>151,654</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	166,299
Total deferred outflows of resources	<u>166,299</u>
LIABILITIES	
Current liabilities:	
Account payable	312
Due to City of Azusa	45,429
Accrued interest payable	9,588
Total current liabilities	<u>55,329</u>
Noncurrent liabilities:	
Long term debt - due in more than one year	5,468,564
Total noncurrent liabilities	<u>5,468,564</u>
Total liabilities	<u>5,523,893</u>
NET POSITION	
Restricted for:	
Debt service	151,654
Unassigned	(5,357,594)
Total Net Position	<u>\$ (5,205,940)</u>

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, 2021

	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
Governmental activities					
General government	\$ 366,132	\$ 1,183,086	\$ -	\$ 1,183,086	\$ 816,954
Total governmental activities	<u>\$ 366,132</u>	<u>\$ 1,183,086</u>	<u>\$ -</u>	<u>\$ 1,183,086</u>	<u>\$ 816,954</u>

General Revenues:

Unrestricted investment earnings	41
Total general revenues	<u>41</u>
Change in net position	816,995
Net position - beginning of year, as restated	<u>(6,022,935)</u>
Net position - end of year	<u>\$ (5,205,940)</u>

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, 2021

	<u>Debt Service Fund</u>
ASSETS	
Cash and investments with trustee	\$ 151,654
Total assets	<u>\$ 151,654</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 312
Due to City of Azusa	45,429
Total liabilities	<u>45,741</u>
Fund Balances:	
Restricted for:	
Debt service	151,654
Unassigned	(45,741)
Total fund balances	<u>105,913</u>
Total liabilities and fund balances	<u>\$ 151,654</u>

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, 2021

Fund Balances of Governmental Funds	\$ 105,913
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.	166,299
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.	(9,588)
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 in more than one year	<u>(5,468,564)</u>
Net Position of Governmental Activities	<u><u>\$ (5,205,940)</u></u>

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, 2021**

	Debt Service Fund
REVENUES:	
Interest on investments	\$ 41
Assessments	1,183,086
Total revenues	1,183,127
EXPENDITURES:	
General Government:	
Administrative cost	35,029
Debt service:	
Principal payment	305,000
Interest	359,454
Costs of issuance	77,500
Total expenditures	776,983
REVENUES UNDER(OVER)	
EXPENDITURES	406,144
OTHER FINANCING SOURCES	
Proceeds from refunding bonds	5,468,564
Payment to escrow agent	(6,111,299)
Total other financing sources	(642,735)
Net change in fund balances	(236,591)
FUND BALANCES:	
Beginning of year, as restated	342,504
End of year	\$ 105,913

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, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (236,591)

because:

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	305,000
Proceeds from issuance of refunding bonds	(5,468,564)
Payment to escrow agent	6,111,299

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.

105,851

Change in Net Position of Governmental Activities

\$ 816,995

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NOTES TO FINANCIAL STATEMENTS

**City of Azusa – Community Facilities District No. 2002-1
(Mountain Cove) Special Tax Bonds**
Notes to Financial Statements
For the year ended June 30, 2021

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.

**City of Azusa – Community Facilities District No. 2002-1
(Mountain Cove) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2021**

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, 2021, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments with fiscal agents	<u>\$ 151,654</u>
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**City of Azusa - Community Facilities District No. 2002-1
(Mountain Cove) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2021**

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, 2020	Additions	Repayments/ Refunded	Balance June 30, 2021	Due Within One Year	Due In More Than One Year
Special Tax Refunding Bonds, Series 2011	\$ 6,250,000	\$ -	\$ (6,250,000)	\$ -	\$ -	\$ -
Special Tax Refunding Bonds, Series 2021	-	5,468,564		5,468,564	-	5,468,564
	<u>\$ 6,250,000</u>	<u>\$ 5,468,564</u>	<u>\$ (6,250,000)</u>	<u>\$ 5,468,564</u>	<u>\$ -</u>	<u>\$ 5,468,564</u>

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, 2021, was \$5,468,454.

The defeased Community Facilities District No. 2002-1 (Mountain Cove) Special Tax Refunding Bonds Series 2011 had an outstanding balance of \$5,945,000 as of June 30, 2021.

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

**City of Azusa - Community Facilities District No. 2002-1
(Mountain Cove) Special Tax Bonds
Notes to Financial Statements
For the year ended June 30, 2021**

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
2022	\$ -	\$ 86,294	\$ 644,454
2023	421,259	113,571	659,719
2024	457,591	104,080	663,193
2025	467,475	94,089	669,803
2026	477,573	83,882	674,434
2027-2031	2,547,127	258,431	2,805,558
2032-2033	1,097,539	23,833	1,121,372
Totals	\$ 5,468,564	\$ 764,180	\$ 7,238,533

4. RESTATEMENT OF FUND BALANCE AND NET POSITION

The City recorded a prior period correction to account for administrative expense for fiscal year 2020 that resulted in a restatement (decrease) to beginning fund balance of the Debt Service Fund and beginning net position of Governmental Activities of \$20,0000.

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SUPPLEMENTARY INFORMATION

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Combining Balance Sheet
Debt Service Fund
June 30, 2021

	Reserve Fund	Principal	Interest Account	Special Tax Fund	Administrative Expense	Cost of Issuance	Total
ASSETS							
Cash and investments with trustee	\$ 141,653	\$ -	\$ -	\$ 1	\$ -	\$ 10,000	\$ 151,654
Total assets	\$ 141,653	\$ -	\$ -	\$ 1	\$ -	\$ 10,000	\$ 151,654
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 312	\$ -	\$ 312
Due to City of Azusa	-	-	-	-	45,429	-	45,429
Total liabilities	-	-	-	-	45,741	-	45,741
Fund Balances:							
Restricted for:							
Debt service	141,653	-	-	1	-	10,000	151,654
Unassigned	-	-	-	-	(45,741)	-	(45,741)
Total fund balances	141,653	-	-	1	(45,741)	10,000	105,913
Total liabilities and fund balances	\$ 141,653	\$ -	\$ -	\$ 1	\$ -	\$ 10,000	\$ 151,654

City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Fund
For the year ended June 30, 2021

	Reserve		Interest	Special	Administrative	Cost of	
	Fund	Principal	Account	Tax	Expense	Issuance	Total
REVENUES:							
Interest on investments	\$ 39	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ 41
Assessments	-	-	-	1,183,086	-	-	1,183,086
Total revenues	39	1	-	1,183,087	-	-	1,183,127
EXPENDITURES:							
General Government:							
Administrative cost	-	-	-	-	35,029	-	35,029
Debt service:							
Principal payment	-	305,000	-	-	-	-	305,000
Interest expense	-	-	339,454	-	20,000	-	359,454
Cost of issuance	-	-	-	-	-	77,500	77,500
Total expenditures	-	305,000	339,454	-	55,029	77,500	776,983
REVENUES UNDER(OVER)							
EXPENDITURES	39	(304,999)	(339,454)	1,183,087	(55,029)	(77,500)	406,144
OTHER FINANCING SOURCES(USES)							
Transfer in	-	305,000	339,454	373,221	40,000	-	1,057,675
Transfer out	(373,220)	(1)	-	(684,454)	-	-	(1,057,675)
Proceeds from refunding bonds	141,653	-	-	5,239,411	-	87,500	5,468,564
Payment to escrow agent	-	-	-	(6,111,299)	-	-	(6,111,299)
Total other financing sources (uses)	(231,567)	304,999	339,454	(1,183,121)	40,000	87,500	(642,735)
Net change in fund balances	(231,528)	-	-	(34)	(15,029)	10,000	(236,591)
FUND BALANCES:							
Beginning of year, as restated	373,181	-	-	35	(30,712)	-	342,504
End of year	\$ 141,653	\$ -	\$ -	\$ 1	\$ (45,741)	\$ 10,000	\$ 105,913

**City of Azusa - Community Facilities District No. 2002-1
Special Tax Bonds (Mountain Cove)
Combining Statement of Receipts, Disbursements, and Transfers
Debt Service Fund
For the year ended June 30, 2021**

	Reserve Fund	Principal	Interest Account	Special Tax Fund	Administrative Expense	Cost of Issuance	Total
Cash and Investments with Trustee:							
Balance - June 30, 2020	\$ 373,181	\$ -	\$ -	\$ 35	\$ 4,517	\$ -	\$ 377,733
RECEIPTS:							
Interest on investments	39	1	-	1	-	-	41
Assessments	-	-	-	1,183,086	-	-	1,183,086
Proceeds from debt issuance	141,653	-	-	5,239,411	-	87,500	5,468,564
Transfer in	-	305,000	339,454	373,221	40,000	-	1,057,675
Total receipts	141,692	305,001	339,454	6,795,719	40,000	87,500	7,709,366
DISBURSEMENTS:							
Administrative cost	-	-	-	-	24,517	-	24,517
Debt service:							
Principal	-	305,000	-	-	-	-	305,000
Interest payments	-	-	339,454	-	20,000	-	359,454
Cost of issuance	-	-	-	-	-	77,500	77,500
Payment to escrow agent	-	-	-	6,111,299	-	-	6,111,299
Transfer out	373,220	1	-	684,454	-	-	1,057,675
Total disbursements	373,220	305,001	339,454	6,795,753	44,517	77,500	7,935,445
Cash and Investments with Trustee:							
Balance - June 30, 2021	\$ 141,653	\$ -	\$ -	\$ 1	\$ -	\$ 10,000	\$ 151,654



**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, 2021, 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 16, 2022.

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.

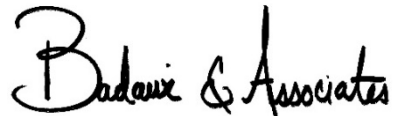
To the Honorable Mayor and Members of the City Council
of the City of Azusa
Azusa, California
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Compliance and Other Matters

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.

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

Badawi & Associates, CPAs
Berkeley, California
June 16, 2022