ROSE BOWL OPERATING COMPANY
(A COMPONENT UNIT OF THE
CITY OF PASADENA, CALIFORNIA)

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

ROSE BOWL OPERATING COMPANY
(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)
YEAR ENDED JUNE 30, 2011

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rose Bowl Operating Company

We have audited the accompanying basic financial statements of the Rose Bowl Operating Company (the Company), component unit of the City of Pasadena, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative data has been derived from the financial statements of the Company for the year ended June 30, 2010, which we did not audit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the partial comparative data that has been derived, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of the Company'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Pasadena, California
November 1, 2011

As management of the Rose Bowl Operating Company (RBOC), we offer readers of the RBOC's financial statements this narrative overview and analysis of the financial activities of the RBOC for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by $26,491,513 (net assets). Of this amount, $1,073,143 is unrestricted net assets, of which $5,803,436 are further authorized for the golf course master plan, capital improvements, and the stadium Strategic Plan.

The RBOC's total bonded debt increased by $157,600,869 during the current fiscal year. The key factors are the increase of $156,780,794 from the sale of the 2010 "Renovation Project" Bonds. In addition, part of the financing generated a corresponding Derivative Deferred Borrowing Amount of $2,592,087. Existing bonded activity included $52,903 in payment of principal on the 2001 Bonds and a $1,795,000 payment on the 2006 Variable Rate Demand Lease Revenue bonds (Locker Rooms & Media Center), net of $75,891 in amortization of the bond discount and refunding costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the RBOC's basic financial statements. The RBOC's financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The ***statement of net assets*** presents information on all of the RBOC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the RBOC is improving or deteriorating.

The ***statement of revenues, expenses, and changes in net assets*** presents information showing how the RBOC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.*

The ***statement of cash flows*** presents information on the cash inflows and outflows of cash during the fiscal year, directly attributing cash flows to types of sources and uses and reconciling those cash flows to the changes in net assets for the fiscal year.

The basic financial statements can be found on pages 8-11 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the RBOC, assets exceeded liabilities by $26,491,513 at the close of the most recent fiscal year. However, the RBOC's overall financial position decreased this fiscal year, largely due to increased interest expense coupled with lower revenues.

By far the largest portion of the RBOC's net assets (86 percent) reflects its investment in capital assets (e.g., buildings and improvements, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The RBOC uses these capital assets to provide services to the public that use the facilities; consequently, these assets are not available for future spending. Although the RBOC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt may be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Rose Bowl Operating Company's Net Assets

	June 30, 2011	June 30, 2010
Assets:		
Current and other assets	$ 157,038,203	$ 16,908,743
Capital assets	73,571,301	51,401,554
Total assets	230,609,504	68,310,297
Liabilities:		
Long-term liabilities outstanding	187,586,111	31,680,281
Other liabilities	16,531,880	7,176,965
Total liabilities	204,117,991	38,857,246
Net assets:		
Invested in capital assets, net of related debt	22,901,211	22,699,826
Restricted	136,091,370	-
Unrestricted	(132,501,068)	6,753,225
Total net assets	$ 26,491,513	$ 29,453,051

At the end of the current fiscal year, the RBOC is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

The RBOC's net assets decreased by $2,961,538 during the current fiscal year. This is due principally to the ongoing operating revenues net of operating expenses were lower than the previous fiscal year, which included three more major events and higher golf revenue. Nonoperating revenues (expenses), which include investment income interest expense, and capital contributions make-up the remaining balance. Due to the 2010 bonds, interest expense was much higher than the previous year. Conversely, investment income also increased due to the various debt service reserve funds and unspent bond proceeds corresponding to these same bonds. Contribution income was much higher mostly due to the second of two $2,000,000 payments from the Pasadena Tournament of Roses Association.

Rose Bowl Operating Company
Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2011	June 30, 2010
Revenues:		
Green fees and other golf revenues	$ 1,727,046	$ 1,900,520
Parking revenue	1,014,221	1,896,870
Advertising revenue	974,518	956,320
Television revenue	129,138	107,787
Facility rentals and admission tax	4,744,230	6,696,503
Concessions	1,659,208	2,668,526
Pro Shop	44,495	50,564
Restaurant	374,916	335,974
Cost recoveries	2,031,566	2,547,195
Investment earnings	1,564,159	270,814
Other nonoperating revenues	761,268	492,930
Capital contributions	2,359,773	724,471
Total revenues	17,384,538	18,648,474
Expenses:		
Salaries and benefits	2,149,909	2,200,417
General and administrative	2,396,802	2,471,886
Depreciation	3,240,537	3,129,895
Events	4,844,392	6,965,064
Interest expense	7,714,436	1,440,828
Total expenses	20,346,076	16,208,090
Increase (decrease) in net assets	(2,961,538)	2,440,384
Net assets at beginning of year	29,453,051	27,012,667
Net assets at end of year	$ 26,491,513	$ 29,453,051

There was an overall decrease of $4,460,921 in total operating revenues for the most recent fiscal year due mostly to lower facility rentals, admission tax, cost recoveries, concessions, and parking revenue. These lower figures were due to fact that there was no BCS National Championship Game held at the Rose Bowl in 2011 in addition to the regular New Year's Rose Bowl Game. The BCS National Championship Game currently is rotating sites and has been separated from regularly scheduled bowl games, including the Rose Bowl. The January 2011 New Year's Game was very successful because it featured Texas Christian University, a first time participant, versus Wisconsin, a perennially strong team from the Big-10 conference. Additionally, there were three soccer games during the fiscal year, two of them major. The first major game featured Real Madrid vs. The Galaxy and the second was the Men's Gold Cup Final which featured the national teams of both the U.S. and of Mexico. For the third consecutive year, the revenue generated by the golf course decreased after increasing three years in a row prior to that. This was largely due to economic conditions. Conversely, restaurant revenue increased from the previous year, reversing the direction from fiscal year 2009 to fiscal year 2010, when there was a decrease for the first time in four years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The RBOC's investment in capital assets for its activities as of June 30, 2011, totals $73,571,301 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements and machinery and equipment. The total increase in the RBOC's investment in capital assets for the current fiscal year was $22,169,747, or 43 percent.

Major capital asset events and additions during the current fiscal year included the following:

• Fairways and Bunkers - Golf Course	$	432,417
• Clubhouse Maintenance	$	109,683
• Major Maintenance - Stadium	$	295,971
• Strategic Plan - Stadium	$	19,855,026
• Concessions Upgrades - Stadium	$	272,195

Rose Bowl Operating Company's Capital Assets

	June 30, 2011	June 30, 2010
Buildings and improvements	$ 69,872,590	$ 69,619,112
Machinery and equipment	5,386,220	5,076,796
Construction in progress	29,332,164	4,484,781
Sub-total	104,590,974	79,180,689
Less accumulated depreciation	(31,019,673)	(27,779,136)
Total	$ 73,571,301	$ 51,401,553

Additional information on the RBOC's capital assets can be found in Note 3 on page 19 of this report.

Long-term debt

At the end of the current fiscal year, the RBOC had total debt outstanding of $189,281,150. All debt is backed by lease revenues. The aforementioned 2010 bonds for the Rose Bowl renovation project are split into four series. The largest series (2010B) are taxable "Build America Bonds" which include a cash subsidy from the United States Treasury representing 45% of the interest payable on the bonds. Series 2010D are also taxable, but are Recovery Zone Economic Development Bonds. These bonds are also subsidized by payments from the United States Treasury amounting to 35% of the interest payable. The interest subsidies do not offset interest expense and are not pledged as security for the bonds. The RBOC's debt is as follows:

Rose Bowl Operating Company's Debt

	June 30, 2011	June 30, 2010
2010 Revenue Bonds	$ 156,780,794	$ -
Derivative Deferred Borrowing Amount	2,592,087	-
2006 Revenue Bond	29,908,269	31,627,378
2001 Certificates of Participation	-	52,903
Total	$ 189,281,150	$ 31,680,281

The RBOC's total debt increased by $157,600,869 during the current fiscal year. As mentioned on Page 3 above, the key factors in this increase include the $156,780,794 in the 2010 "Renovation Project" Bonds along with the corresponding Derivative Deferred Borrowing Amount of $2,592,087, the $52,903 pay-off of the principal on the 2001 Bond, and the $1,795,000 pay-down of the 2006 Variable Rate Demand Lease Revenue bond (Locker Rooms and Media Center), net of $75,891 in amortization of the bond discount and refunding costs.

Additional information on the RBOC's long-term debt can be found in Notes 4 and 5 on pages 20-24 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Rose Bowl Operating Company's finances for all those with an interest in the RBOC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the *Office of the Chief Financial Officer,* Rose Bowl Operating Company, 1001 Rose Bowl Drive, Pasadena, CA 91103.

ROSE BOWL OPERATING COMPANY
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	Rose Bowl	Golf Course	Totals 2011	Totals 2010
Assets:				
Current assets:				
Cash and investments (Note 2)	$ 9,241,279	$ 2,945,509	$ 12,186,788	$ 9,732,084
Cash and investments restricted (Note 2)	132,979,245	-	132,979,245	-
Accounts receivable, net	1,873,989	434,949	2,308,938	590,262
Prepaid assets	81,210	-	81,210	41,520
Due from other funds	1,060,549	-	1,060,549	16,127
Other receivable	-	-	-	55,397
Total current assets	145,236,272	3,380,458	148,616,730	10,435,390
Noncurrent assets:				
Cash and investments with fiscal agent (Note 2)	3,112,125	-	3,112,125	2,978,553
Other receivable	-	-	-	9,233
Unamortized bond issuance costs	2,379,016	-	2,379,016	211,520
Deferred outflow (Note 5)	2,930,332	-	2,930,332	3,274,047
Capital assets (Note 3):				
Construction in progress	28,579,498	752,666	29,332,164	4,484,782
Other capital assets, net	40,158,513	4,080,624	44,239,137	46,916,772
Total noncurrent assets	77,159,484	4,833,290	81,992,774	57,874,907
Total assets	222,395,756	8,213,748	230,609,504	68,310,297
Liabilities:				
Current liabilities:				
Accounts payable and other liabilities	7,067,584	11,128	7,078,712	1,847,997
Accrued salaries and benefits	111,250	6,974	118,224	41,125
Interest payable	3,286,277	-	3,286,277	149,947
Due to other funds	-	1,060,549	1,060,549	16,127
Due to the City of Pasadena (Note 12)	1,315,017	10,074	1,325,091	430,255
Deposits	33,518	-	33,518	170,808
Deferred revenue	1,443,480	-	1,443,480	1,086,248
Current portion of compensated absences (Note 4)	44,786	7,202	51,988	1,251
Current portion of long-term debt (Note 4)	1,875,000	-	1,875,000	1,847,904
Total current liabilities	15,176,912	1,095,927	16,272,839	5,591,662
Noncurrent liabilities:				
Compensated absences (Note 4)	110,243	17,730	127,973	159,160
Derivative instrument liability (Note 5)	311,029	-	311,029	3,274,047
Long-term debt (Note 4)	187,406,150	-	187,406,150	29,832,377
Total noncurrent liabilities	187,827,422	17,730	187,845,152	33,265,584
Total liabilities	203,004,334	1,113,657	204,117,991	38,857,246
Net assets (Note 5):				
Invested in capital assets, net of related debt	18,067,921	4,833,290	22,901,211	22,699,826
Restricted	136,091,370	-	136,091,370	-
Unrestricted	(134,767,869)	2,266,801	(132,501,068)	6,753,225
Total net assets	$ 19,391,422	$ 7,100,091	$ 26,491,513	$ 29,453,051

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	Rose Bowl	Golf Course	Totals 2011	Totals 2010
Operating revenues:				
Green fees and other golf revenues	$ -	$ 1,727,046	$ 1,727,046	$ 1,900,520
Parking revenues	1,014,221	-	1,014,221	1,896,870
Advertising revenue	974,518	-	974,518	956,320
Television revenue	129,138	-	129,138	107,787
Facility rentals	4,362,035	-	4,362,035	6,058,278
Concessions	1,659,208	-	1,659,208	2,668,526
Pro shop	-	44,495	44,495	50,564
Restaurant	-	374,916	374,916	335,974
Admission tax	382,195	-	382,195	638,225
Cost recoveries	2,013,361	18,205	2,031,566	2,547,195
Total operating revenues	10,534,676	2,164,662	12,699,338	17,160,259
Operating expenses:				
Salaries and benefits	1,883,614	266,295	2,149,909	2,200,417
General and administrative	1,949,884	446,918	2,396,802	2,471,886
Depreciation	3,022,739	217,798	3,240,537	3,129,895
Events	4,844,392	-	4,844,392	6,965,064
Total operating expenses	11,700,629	931,011	12,631,640	14,767,262
Operating income (loss)	(1,165,953)	1,233,651	67,698	2,392,997
Nonoperating revenues (expenses):				
Investment gain	1,397,833	166,326	1,564,159	270,814
Interest expense	(7,714,436)	-	(7,714,436)	(1,440,828)
Other nonoperating revenues	428,959	332,309	761,268	492,930
Total nonoperating revenues (expenses)	(5,887,644)	498,635	(5,389,009)	(677,084)
Income (loss) before transfers and capital contributions	(7,053,597)	1,732,286	(5,321,311)	1,715,913
Transfers in (out)	1,060,549	(1,060,549)	-	-
Capital contributions (Note 13)	2,359,773	-	2,359,773	724,471
Increase (decrease) in net assets	(3,633,275)	671,737	(2,961,538)	2,440,384
Net assets at beginning of year	23,024,697	6,428,354	29,453,051	27,012,667
Net assets at end of year	$ 19,391,422	$ 7,100,091	$ 26,491,513	$ 29,453,051

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	Rose Bowl	Golf Course	Totals 2011	Totals 2010
Cash flows from operating activities:				
Cash received from customers	$ 9,675,856	$ 2,350,646	$ 12,026,502	$ 17,991,079
Cash paid to employees for services	(1,791,019)	(262,241)	(2,053,260)	(2,178,044)
Cash paid to suppliers of goods and services	(558,655)	(596,678)	(1,155,333)	(9,220,595)
Net cash provided by operating activities	7,326,182	1,491,727	8,817,909	6,592,440
Cash flows from noncapital financing activities:				
Cash (paid) received to/from other funds	(16,127)	16,127	-	-
Transfers (to) from the City of Pasadena, net	-	-	-	5,813
Net cash provided by (used for) noncapital financing activities	(16,127)	16,127	-	5,813
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(24,832,848)	(577,436)	(25,410,284)	(4,161,929)
Capital contributions	2,359,773	-	2,359,773	724,471
Proceeds from issuance of long-term debt	154,626,790	-	154,626,790	-
Principal payments on long-term debt	(1,812,720)	-	(1,812,720)	(1,845,808)
Interest payments on long-term debt	(4,578,106)	-	(4,578,106)	(1,781,212)
Net cash provided by (used for) capital and related financing activities	125,762,889	(577,436)	125,185,453	(7,064,478)
Cash flows from investing activities:				
Proceeds from the sale of investments	-	-	-	36,353
Purchase of investments	(133,572)	-	(133,572)	(62,659)
Investment income	1,397,833	166,326	1,564,159	270,814
Net cash provided by investing activities	1,264,261	166,326	1,430,587	244,508
Net increase (decrease) in cash and cash equivalents	134,337,205	1,096,744	135,433,949	(221,717)
Cash and cash equivalents at beginning of year	7,883,319	1,848,765	9,732,084	9,953,801
Cash and cash equivalents at end of year	$ 142,220,524	$ 2,945,509	$ 145,166,033	$ 9,732,084

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

			Totals	
	Rose Bowl	Golf Course	2011	2010
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:				
Cash and investments	$ 9,241,279	$ 2,945,509	$ 12,186,788	$ 9,732,084
Cash and investments restricted	132,979,245	-	132,979,245	-
Cash and investments with fiscal agent	3,112,125	-	3,112,125	2,978,553
Total reported on Statement of Net Assets	145,332,649	2,945,509	148,278,158	12,710,637
Less non-cash equivalents	(3,112,125)	-	(3,112,125)	(2,978,553)
Cash and cash equivalents at end of year	$ 142,220,524	$ 2,945,509	$ 145,166,033	$ 9,732,084
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (1,165,953)	$ 1,233,651	$ 67,698	$ 2,392,997
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Other nonoperating revenues	428,959	332,309	761,268	492,930
Depreciation	3,022,739	217,798	3,240,537	3,129,895
(Increase) decrease in accounts receivable	(1,507,721)	(210,955)	(1,718,676)	573,474
Increase in prepaid assets	(39,690)	-	(39,690)	(12,990)
Decrease in other receivable	-	55,397	55,397	-
Decrease in other receivable - noncurrent	-	9,233	9,233	55,398
Increase (decrease) in accounts payable and and other liabilities	5,249,684	(18,969)	5,230,715	229,344
Increase in accrued salaries and benefits	74,775	2,324	77,099	9,656
Increase (decrease) in Due to the City of Pasadena	1,025,627	(130,791)	894,836	-
Increase in compensated absences	17,820	1,730	19,550	12,717
Increase (decrease) in deposits	(137,290)	-	(137,290)	62,008
Increase (decrease) in deferred revenue	357,232	-	357,232	(352,989)
Net cash provided by operating activities	$ 7,326,182	$ 1,491,727	$ 8,817,909	$ 6,592,440

Noncash investing, capital, and financing activities

There were no significant noncash investing, capital, and financing activities for the years ended June 30, 2011 or 2010.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Rose Bowl Operating Company (the Company) was incorporated on January 18, 1994, as a legally separate entity with the primary purpose of returning economic and civic value to the City of Pasadena, California, (City) by managing a world class stadium and a professional quality golf course complex in a residential open-space environment. An fourteen-member board governs the Company. The board consists of the City Manager, two members from the City Mayor's office, seven members appointed by the City, one member from the Pasadena Tournament of Roses Foundation (a separate not-for-profit entity unrelated either to the City or the Company), one member from UCLA, one member from the joint City Council, and one non-voting member from the Pasadena Center Operating Company. These operations constitute part of the overall financial reporting entity of the City and are accounted for as a discretely presented component unit in the City's Comprehensive Annual Financial Report consistent with accounting principles generally accepted in the United States of America. Revenues and expenses of the Company include direct revenues and expenses and certain allocations from the City.

B. Basis of Accounting

The Company is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Company utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The Company applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

C. Classification of Revenues

Operating revenues consist of charges to customers for sales and use of the facilities. *Nonoperating revenues* consist of investment earnings and other nonoperating income. Capital contributions consist of contributed capital assets.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use unrestricted resources first, and then restricted resources as they are needed.

D. Capital Assets

Capital assets are recorded at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The Company capitalizes all assets with a historical cost of at least $10,000 consistent with City of Pasadena practice. The cost of normal maintenance and reports that do not add value to the assets or materially extend asset lives are not capitalized. Interest is capitalized on construction in progress in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.* Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

The estimated useful lives of the assets are as follows:

Buildings and improvements	20-45 years
Machinery and equipment	4-10 years

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

F. Investments

Investments are reported in the accompanying statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during the fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Compensated Absences

Only full-time employees accrue vacation. Vacation time is accrued two to four weeks per year, depending on how long an employee has been with the Company. The Company also grants employees personal paid time off. Regular full-time and part-time (25 hours per week minimum) employees are eligible to accrue personal time off with pay. Full-time employees may accrue up to 20 personal days per calendar year. Part-time employees who work 24 hours per week or more are eligible to accrue personal paid time off on a pro rata basis. It is the Company's policy to permit employees to accumulate earned but unused vacation benefits from year to year up to a maximum of two times a full-time employee's annual vacation amount. Personal paid time off is not accumulated from year to year.

All accumulated compensated absences are recorded as an expense and a liability at the time the benefit is earned.

H. Transfer Policy

The Company transfers unrestricted Golf Course Fund revenues to the Rose Bowl Fund each year to cover cash shortfalls and net asset deficits in the Rose Bowl Fund. The transfer is not required to be paid back to the Golf Course Fund.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's prior year financial statements, from which this selected financial data was derived.

K. Accounting Standards Update

During the fiscal year ended June 30, 2011, the Company implemented the following GASB standards:

GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* was effective this fiscal year. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The hierarchy segregates fund balance in the governmental funds from the former reserved and unreserved (or undesignated and designated) to nonspendable, restricted, committed, or assigned balances in funds other than the General Fund with positive fund balances and unassigned balances in the General Fund. The overall impact of implementation of GASB Statement No. 54 had no effect on the Company, which is solely an enterprise fund.

GASB Statement No. 59 - *Financial Instruments Omnibus* updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments for which significant issues have been identified in practice. Changes in practice that effect the plan include the amendment of current disclosure practices for certain financial guarantees. The statement also removes the fair value exemption for unallocated insurance contracts. The effect of this change is that investments in unallocated insurance contracts and annuities are now reported as interest-earning investment contracts at fair value. Allocated insurance contracts and annuities are excluded from fair value as they have named beneficiaries. Also, current practice on deposit and investment risk disclosures is also amended to indicate that interest rate risk information should be disclosed only for debt investment pools, such as bond mutual funds and external bond investment pools, that do not meet the requirements to be reported as a 2a7-like pool. Disclosure practices for derivatives and similar financial instruments are also amended by redefining a derivative instrument to exclude contract provisions for a penalty payments for nonperformance and to provide that that financial guarantee contracts included in the scope of current practice are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit. Contracts based on specific volumes of sales or service revenues are also excluded from the scope of current derivatives disclosure. The overall effect of the implementation of GASB Statement No. 59 for the Company was additional disclosure of the fair value of insurance contracts and annuities that are unallocated.

Additional standards were released by GASB during the fiscal year.

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. The Company has not fully judged the effect of the implementation of GASB Statement No. 60 as of the date of the basic financial statements.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. As of the date of the basic financial statements, the Company has not made an assessment of any changes that will occur upon this statement's implementation.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accounting Standards Update (Continued)

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the Compnay's accounting or financial reporting upon the statement's implementation.

GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net (Plan if retirement entity) Assets with a Statement of Net (Plan) Position and a Statement of Changes in Net Position instead of the current Statement of Changes in (Plan) Net Assets upon implementation for periods beginning after December 15, 2011. The Company will implement this change for the fiscal year ended June 30, 2012.

GASB Statement No. 64 - *Derivative instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. As of the date of the basic financial statements, the Company has not made an assessment of any changes that will occur upon this statement's implementation.

During 2011, GASB also released a mid-year supplement to the *Comprehensive Implementation Guide* that clarifies a number of reporting and accounting issues with regard to financial instruments and investments. The effect of these changes on the Company include segregation of disclosure of different types of United States Treasury and Agency investments. Investments that have an explicit federal guarantee contain different disclosure than those that have an implicit guarantee. Note 2 to the basic financial statements include these updated disclosures.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 12,186,788
Cash and investments restricted	132,979,245
Cash and investments held by fiscal agent	3,112,125
Total cash and investments	$ 148,278,158

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2011, consist of the following:

Cash on hand	$ 1,000
Deposits with financial institutions	4,813,196
Investment in City of Pasadena investment pool	140,351,837
Investments held by fiscal agent	3,112,125
Total cash and investments	$ 148,278,158

Investments Authorized by the California Government Code and the Company's Investment Policy

The table below identifies the investment types that are authorized for the Company by the California Government Code and the Company's investment policy. The table also identifies certain provisions of the California Government Code (or the Company's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Company, rather than the general provisions of the California Government Code or the Company's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	* Maximum Maturity	* Maximum Percentage of Portfolio	* Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Company's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity *	Minimum Rating
U.S. Treasury Obligations	None	N/A
U.S. Agency Securities	None	N/A
State and Local Agency Bonds	None	Aa
Banker's Acceptances	180 days	N/A
Commercial Paper	270 days	Aa
Negotiable Certificates of Deposit	None	Aa
Repurchase Agreements	None	Aa
Money Market Mutual Funds	N/A	Aaa
Investment Contracts	None	Aa

* All maturity dates are limited by the maturity date of the related debt.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Company manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Company's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Company's investments by maturity:

		Remaining Maturity (in Months)		
Investment Type		12 Months or Less	13 to 60 Months	More than 60 Months
City of Pasadena Pool	$ 140,351,837	$ 140,351,837	$ -	$ -
Held by fiscal agent:				
Federal agency securities	3,057,264	-	3,057,264	-
Money market funds	54,861	54,861	-	-
Total	$ 143,463,962	$ 140,406,698	$ 3,057,264	$ -

NOTE 2 – <u>CASH AND INVESTMENTS</u> (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Company's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year-End AAA	AA	Not Rated
City of Pasadena Pool	$ 140,351,837	N/A	$ -	$ -	$ 140,351,837
Held by fiscal agent:					
Federal agency securities	3,057,264	N/A	3,057,264	-	-
Money market funds	54,861	A	54,861	-	-
Total	$ 143,463,962		$ 3,112,125	$ -	$ 140,351,837

Concentration of Credit Risk

The investment policy of the Company contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. Investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Company investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	$ 3,057,264

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Company's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Company deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 3 – CAPITAL ASSETS

Rose Bowl

Capital asset activity for the year ended June 30, 2011, is as follows:

	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011
Buildings and improvements	$ 64,253,362	$ 79,312	$ -	$ 64,332,674
Machinery and equipment	4,767,667	309,424	-	5,077,091
Total cost of depreciable assets	69,021,029	388,736	-	69,409,765
Less accumulated depreciation:				
Buildings and improvements	(22,847,514)	(2,798,308)	-	(25,645,822)
Machinery and equipment	(3,380,999)	(224,431)	-	(3,605,430)
Total accumulated depreciation	(26,228,513)	(3,022,739)	-	(29,251,252)
Net depreciable assets	42,792,516	(2,634,003)	-	40,158,513
Capital assets not depreciated:				
Construction in progress	4,135,386	24,716,307	(272,195)	28,579,498
Capital assets, net	$ 46,927,902	$ 22,082,304	$ (272,195)	$ 68,738,011

Depreciation expense for the year was $3,022,739.

Golf Course

Capital asset activity for the year ended June 30, 2011, is as follows:

	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011
Buildings and improvements	$ 5,365,750	$ 174,166	$ -	$ 5,539,916
Machinery and equipment	309,129	-	-	309,129
Total cost of depreciable assets	5,674,879	174,166	-	5,849,045
Less accumulated depreciation:				
Buildings and improvements	(1,295,807)	(205,540)	-	(1,501,347)
Machinery and equipment	(254,816)	(12,258)	-	(267,074)
Total accumulated depreciation	(1,550,623)	(217,798)	-	(1,768,421)
Net depreciable assets	4,124,256	(43,632)	-	4,080,624
Capital assets not depreciated:				
Construction in progress	349,395	574,362	(171,091)	752,666
Capital assets, net	$ 4,473,651	$ 530,730	$ (171,091)	$ 4,833,290

Depreciation expense for the year was $217,798.

NOTE 4 – LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2011, are as follows:

	Balance at June 30, 2010	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2011	Due in One Year
2001 Certificates of Participation (Refunding and Capital Project)	$ 52,903	$ -	$ (52,903)	$ -	$ -
2006 Variable Rate Demand Lease Revenue Bonds	31,790,000	-	(1,795,000)	29,995,000	1,875,000
2010A Tax-Exempt Lease Revenue Bonds	-	37,214,857	-	37,214,857	-
2010B Taxable Build America Lease Revenue Bonds	-	106,660,000	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	-	5,005,000	-	5,005,000	-
2010D Taxable Recovery Zone Economic Development Lease Revenue Bonds	-	7,400,000	-	7,400,000	-
Derivative Instrument Deferred Borrowing Amount	-	2,619,308	(27,221)	2,592,087	-
Unamortized Premium	-	514,424	(13,487)	500,937	
Unamortized Discounts and Refunding Costs	(162,622)	-	75,891	(86,731)	
Subtotal - Bonded Long-Term Liabilities	31,680,281	159,413,589	(1,812,720)	189,281,150	1,875,000
Compensated Absences	160,411	65,890	(46,340)	179,961	51,988
Total Long-Term Liabilities	$ 31,840,692	$ 159,479,479	$ (1,859,060)	$ 189,461,111	$ 1,926,988

NOTE 4 – LONG-TERM DEBT (Continued)

2001 Refunding and Capital Project

Certificates of participation were issued to refund outstanding 1992 Certificates of Participation. Proceeds of the new certificates were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. The advance refunding met the criteria of an in-substance defeasance and the 1992 Certificates were removed from the Company's financial statements. The 2001 Certificates were payable in varying amounts ranging from $38,430 in January 2003 to $52,903 in January 2011. Interest was payable semiannually at rates ranging from 2.5% to 4.0%. The final principal was paid in January 2011, leaving outstanding certificates at June 30, 2011, at $0.

2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds

On February 1, 2006, the City of Pasadena issued the 2006 Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects) in the amount of $47,300,000. The Rose Bowl Operating Company received $36,945,000 of the proceeds from the bonds. The bonds were issued to refund the 1991 and 1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects) and to finance improvements to the Rose Bowl Stadium, the City's City Hall, and related facilities. The reacquisition price exceeded the net carrying amount of the old debt by $412,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

Principal is payable in annual installments ranging from $2,100,000 to $3,600,000 commencing December 1, 2007, and ending December 1, 2023. The legal reserve requirement is $2,814,496. The balance held in the reserve account as of June 30, 2011, was $2,970,917.

The annual debt service requirements for the 2006 Revenue Bonds as of June 30, 2011, are as follows:

June 30	Principal Payment	Interest Payment	Hedging Derivative, Net	Total
2012	$ 1,875,000	$ 262,207	$ 723,128	$ 2,860,335
2013	1,955,000	245,817	677,925	2,878,742
2014	2,030,000	228,727	630,794	2,889,521
2015	2,110,000	210,981	581,854	2,902,835
2016	2,185,000	192,536	530,985	2,908,521
2017	2,185,000	173,435	478,309	2,836,744
2018	2,265,000	154,335	425,632	2,844,967
2019	2,345,000	134,535	371,027	2,850,562
2020	2,420,000	114,035	314,493	2,848,528
2021	2,500,000	92,881	256,151	2,849,032
2022	2,580,000	71,026	195,880	2,846,906
2023	2,735,000	48,473	133,681	2,917,154
2024	2,810,000	24,564	67,744	2,902,308
Total	$ 29,995,000	$ 1,953,552	$ 5,387,603	$ 37,336,155

The above table incorporates the net receipts/payments of the hedging derivative instrument associated with this debt issue. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. Refer to Note 5 for additional information regarding the derivative instrument with the debt of the Company.

NOTE 4 – LONG-TERM DEBT (Continued)

2010 Rose Bowl Lease Revenue Bonds

On November 18, 2010, the City of Pasadena issued four series of lease revenue bonds, Series 2010A through D (Rose Bowl Renovation Project) in the aggregate amount of $155,873,265. Series A in the amount of $36,808,265 contain $25,220,000 of current interest bonds maturing between fiscal year 2019-2020 and fiscal year 2026-2027, with the remaining $11,588,265 in the form of capital appreciation bonds maturing serially from fiscal year 2026-2027 to 2032-2033. Series B contained $106,660,000 of taxable Build America Bonds. These bonds are in two coupons, the initial series maturing during fiscal year 2033-2034 and the final maturing during fiscal year 2042-2043. Series C contained $5,005,000 of taxable bonds. These bonds mature serially from fiscal year 2014-2015 to fiscal year 2019-2020. Finally, Series D contained $7,400,000 of taxable Recovery Zone Economic Development Bonds that have one maturity during fiscal year 2042-2043. Bonds, except for the capital appreciation bonds in Series 2010A, commenced interest payments on March 1, 2011, and are payable semiannually. The Company received $154,878,301 of the proceeds from the bonds. The bonds were issued to finance improvements to the Rose Bowl Stadium, to fund capitalized interest on a portion of the 2010 Bonds, to fund a Bond Reserve Fund, and to pay the costs of issuance of the 2010 Bonds. Renovations of the existing Rose Bowl Stadium are proposed to continue to allow use by the UCLA Bruins football team, the Rose Bowl Game, Bowl Championship Series ("BCS") games, soccer matches, concerts, and special events as well as to bring certain building systems up to current City Building Code requirements and improve public safety.

The 2010B bonds were issued for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the City on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United State Government, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the City do not constitute revenues that can offset interest expense and are not pledged under the indenture to secure the 2010 bonds.

The 2010D bonds were issued for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable by the City on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United State Government, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the City do not constitute revenues that can offset interest expense and are not pledged under the indenture to secure the 2010 bonds

The total annual debt service requirements for the 2010 Lease Revenue Bonds including accretion as of June 30, 2011, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2012	$ -	$ -	$ -	$ -	$ 604,779	$ 9,611,632	$ 10,216,411
2013	-	-	-	-	856,469	9,611,632	10,468,101
2014	-	-	-	-	914,787	9,611,632	10,526,419
2015	-	-	280,000	-	977,019	9,611,632	10,868,651
2016	-	-	605,000	-	1,043,540	9,603,413	11,251,953
2017-2021	1,835,000	-	4,120,000	-	6,383,337	47,500,047	59,838,384
2022-2026	19,615,000	-	-	-	8,870,945	45,019,957	73,505,902
2027-2031	32,295,000	-	-	-	9,037,433	40,880,457	82,212,890
2032-2036	13,400,000	27,655,000	-	-	1,241,833	38,591,151	80,887,984
2037-2041	-	57,475,000	-	-	-	23,232,430	80,707,430
2042-2043	-	21,530,000	-	7,400,000	-	3,585,112	32,515,112
Total	$ 67,145,000	$ 106,660,000	$ 5,005,000	$ 7,400,000	$ 29,930,142	$ 246,859,095	$ 462,999,237

NOTE 4 – LONG-TERM DEBT (Continued)

Pledge of Stadium Revenues

In accordance with the Company's bond Indenture, the Company has pledged all of the future Revenues to secure repayment of the aforementioned 2010 bonds. Proceeds from the bonds provided financing for the current construction at the Stadium. The bonds are payable from net revenues and are payable through maturity. Annual principal and interest payments on the bonds are expected to require less than 67 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $470,405,250. Principal and interest paid for the current year and total net revenues were $6,390,826 and $12,699,338, respectively.

NOTE 5 – DERIVATIVE INSTRUMENT LIABILITY (2006 ROSE BOWL VARIABLE RATE DEMAND LEASE REVENUE BONDS)

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2011, and the changes in fair value of the derivative instrument for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge:					
Pay-fixed interest rate swaps	Deferred outflow	$ (343,715)	Debt	$ (2,930,332)	$ 29,994,240

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the Company's hedging derivative instrument outstanding at June 30, 2011, along with the credit rating of the associated counterparty.

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2006 Bonds	$29,994,240	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A+/AA-

Credit risk. The Company is exposed to credit risk on hedging derivative instruments. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2011, was $2,930,332. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Interest rate risk. The Company is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as the LIBOR swap index decreases, the Company's net payment on the swap increases.

Basis risk. The Company is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payments received by the Company on these hedging derivative instruments are based on a rate or index other than interest rates the Company pays on its hedged variable-rate debt, which is remarketed every 30 days. As of June 30, 2011, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.87%, while 65% of LIBOR is 0.073%.

NOTE 5 – <u>DERIVATIVE INSTRUMENT LIABILITY (2006 ROSE BOWL VARIABLE RATE DEMAND LEASE REVENUE BONDS)</u> (Continued)

<u>Objective and Terms of Hedging Derivative Instruments</u> (Continued)

Termination risk. The Company or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The derivative contract uses the International Swap Dealers Association Master Agreement which includes standard termination events such as failure to pay and bankruptcy. In addition, the Company may optionally terminate the agreement on any date. If at the time of termination, a hedging derivative instrument is in a liability position, the Company would be liable to the counterparty for a payment equal to the liability.

Rollover risk. The Company is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Company will be re-exposed to the risks being hedged by the hedging derivative instrument.

Collateral requirements. There are no collateral requirements.

On May 3, 2011, the Company entered into a new agreement to take advantage of a more advantageous interest rate adjustment mode than the 2006 Bonds previously had. As a result, the former derivative instrument terminated and the new instrument has off-market terms. As a result, an up-front payment was received. The up-front payment is reported as a borrowing. The borrowing is amortized over the life of the swap and amortizes using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year. The original balance of the borrowing was $2,619,308. As of the year ending June 30, 2011, the balance was $2,592,087.

The annual amortization and balance of the borrowing as of June 30, 2011, are as follows:

June 30	Beginning Balance	Accrued Interest	Payment	Ending Balance
2012	$ 2,592,087	$ 63,096	$ (404,865)	$ 2,250,318
2013	2,250,318	54,447	(378,200)	1,926,565
2014	1,926,565	46,278	(350,447)	1,622,396
2015	1,622,396	38,636	(321,606)	1,339,426
2016	1,339,426	31,564	(291,677)	1,079,313
2017	1,079,313	25,101	(261,203)	843,211
2018	843,211	19,272	(230,185)	632,298
2019	632,298	14,117	(198,079)	448,336
2020	448,336	9,683	(164,884)	293,135
2021	293,135	6,016	(130,601)	168,550
2022	168,550	3,166	(95,230)	76,486
2023	76,486	1,185	(58,226)	19,445
2024	19,445	145	(19,590)	-

Hedging derivative instruments and hedged debt. As of June 30, 2011, aggregate debt service payments for the Company's hedged debt and net receipts/payments on associated derivative instruments are as follows. The amounts assume current interest rates on variable bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

NOTE 6 – <u>NET ASSETS</u>

Net assets for the Rose Bowl at June 30, 2011, consisted of the following:

Invested in capital assets, net of related:	
Property, plant, and equipment, net	$ 68,662,620
Unspent bond proceeds	136,091,370
Less:	
Outstanding debt issued to construct capital assets	(186,686,069)
Total invested in capital assets, net of related debt	18,067,921
Restricted net assets:	
Capital projects - unspent bond proceeds	132,979,245
Cash held with fiscal agent	3,112,125
Total restricted net assets	136,091,370
Unrestricted net assets (designated):	
Designated for future CIP and major maintenance	524,089
Designated for strategic plan	4,005,101
Designated for equipment replacement	80,588
Total designated net assets	4,609,778
Undesignated net assets	(139,377,647)
Total unrestricted net assets	(134,767,869)
Total net assets	$ 19,391,422

Net assets for the Golf Course at June 30, 2011, consisted of the following:

Invested in capital assets, net of related:	
Property, plant, and equipment, net	$ 4,833,290
Less:	
Outstanding debt issued to construct capital assets	-
Total invested in capital assets, net of related debt	4,833,290
Unrestricted net assets (designated):	
Designated for golf course master plan	998,937
Designated for clubhouse maintenance	194,721
Total designated net assets	1,193,658
Undesignated net assets	1,073,143
Total unrestricted net assets	2,266,801
Total net assets	$ 7,100,091

NOTE 7 – DEFINED BENEFIT PENSION PLAN (PERS)

Plan Description

The Company contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publically available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions

The Company is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS board of administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS. Total contributions for the year amounted to 21.971% for the year ended June 30, 2011, with the Company contributing 17.971% and the employee 4%. Benefit provisions and all other requirements are established by state statute contracts with employee bargaining groups.

For the fiscal years shown below, the Company has contributed the actuarially determined rate provided by PERS actuaries. Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010, to June 30, 2011, has been determined by an actuarial valuation of the plan as of June 30, 2009. The Company's covered payroll for PERS was $1,567,044 for the year ended June 30, 2011, while the Company's total payroll for all employees was $1,731,257 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010, to June 30, 2011.

Three-Year Trend Information

Annual Pension Cost					
	Funded by Employer			Funded by Employee	
Fiscal Year	Employer Contribution Rate	Employee Contribution Rate	Sub-total	Employee Contribution Rate	Total
6/30/2009	11.63%	6.00%	17.63%	4.00%	21.63%
6/30/2010	11.77%	6.00%	17.77%	4.00%	21.77%
6/30/2011	11.97%	6.00%	17.97%	4.00%	21.97%

Fiscal Year	Annual Pension Cost (Employer)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 294,672	100.00%	$ -
6/30/2010	282,567	100.00%	-
6/30/2011	263,737	100.00%	-

NOTE 8 – SELF-INSURANCE PROGRAM

The Company is part of the City's self-insurance program for general liability insurance. The City carries no excess liability insurance.

NOTE 9 – GOLF COURSE MANAGEMENT CONTRACT

The Brookside Municipal Golf Course (Golf Course) is operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement, effective February 1, 2011, set to expire on January 31, 2016. The agreement entitles the Golf Course to a fixed minimum yearly amount or contractually defined percentage of annual gross receipts from golf course operations, whichever is greater. Under the old agreement, American Golf had been paying the Company 30% on Green Fees and 40% on all other golf income (gross). When blended, this effectively amounted to 33.5%. With the new agreement, the Company now receives 28.5% on all golf income (gross). In exchange, the Company's share of golf course parking income generated during stadium events increases. For the year ended June 30, 2011, the Golf Course earned $1,727,046 from the agreement with American Golf. The expiring agreement also required that American Golf provide 10% of gross green fee receipts to the Company for projects related to the development of the Arroyo Seco. The amounts collected and expended under this contract provision amounted to $161,439 as of June 30, 2011, and are reported as admission fee revenue and maintenance of Arroyo Park (reported under general and administrative expenses).

The Company and American Golf agreed to establish a capital improvement fund that is funded from each green fee paid. Until April 30, 2004, American Golf deducted one dollar from each round of golf and paid it to the Company biannually. Beginning May 1, 2004, American Golf paid 4% of gross golf revenue to the Company biannually. Under the new contract, effective February 1, 2011, the Company now receives 9.5% of gross golf revenue. Also, American Golf will pay the Company another $100,000 per year for the first five (5) years for capital improvements on either the golf courses or clubhouse.

NOTE 10 – OPERATING LEASE

On March 1, 2004, the Company entered into a 20-year agreement with the University of California, Los Angeles (UCLA) for use of the Rose Bowl and surrounding parking areas. UCLA is required to pay the Company an amount equal to eight percent (8%) of the sale of admission tickets and television revenues as rental consideration. In accordance with the contract, the Company is required to make certain improvements to the stadium as specified in the agreement.

NOTE 11 – RELATED PARTY TRANSACTIONS

During the current year, the Company incurred charges for the use of the City's building maintenance (electricians, plumbers), locksmiths, printing, and mail services. These nonevent expenses totaled $564,594 and are included within general and administrative expenses. During the current year, the Company also paid the City for police, fire, and public works services, primarily for events, amounting to $2,098,656. At June 30, 2011, amounts payable to the City totaled $1,325,091.

NOTE 12 – CAPITAL CONTRIBUTIONS

Capital contributions represent contributions to the Company that are required to be spent on capital acquisitions or construction. During the year ended June 30, 2011, the Company received the following capital contributions:

Pasadena Tournament of Roses Association	$ 2,000,000
Sodexo-Magic Johnson Concessionaire	350,000
Other parties	9,771
Total capital contributions	$ 2,359,771

NOTE 13 – STRATEGIC PLAN

On October 7, 2010, the Board of Directors for the Company approved the Project and Financing Plan for the Stadium Renovation Project. The City Council, in turn, approved it on October 11, 2010.

As of June 30, 2011, the Company has spent to date $27,901,910 on the Renovation project, of which $5,749,752 were on the preliminary phase, and $22,152,158 for the construction phase.

The total estimated cost of the proposed Rose Bowl Renovation Project was originally $152 million. The sources for these funds include the net project fund deposits of $127 million from the lease-revenue financing issued by the City (see further detail at Note 4); $15 million equity contribution from the Company, Pasadena Tournament of Roses Association, and the City of Pasadena; and $7.5 million of funding revenues from future expected events such as a 2014 Bowl Championship Series, and philanthropic efforts.

Towards the end of calendar year 2010, the City placed the bonds for the Renovation Project on the market, just as other government agencies were doing the same. This caused the bond market to become saturated and resulted in lower returns than the City and the Company had anticipated.

Construction started just as design work was wrapping up, causing some unanticipated expenses. Also, subsequent to this and to fiscal year ended June 30, 2011, the Company received some bids that were less favorable than originally estimated, further increasing the gap in funding for this project. The costs of steel and other building materials have risen leading to increases in construction costs.

To help fund the gap, the Rose Bowl Legacy has the task in raising $25 million in private donations.

The Company is continuing to investigate ways to close the identified funding gap. One way is to expedite the construction of the new Press Box into a single phased construction schedule along with changing from “Multi prime” to a single general contractor and several sub-contractors. This approach has the potential of reducing the project cost by several million dollars. Since the project is being built over the course of three years, it affords flexibility to scaling back the overall project to meet the budget.

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BROWN ARMSTRONG
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INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Rose Bowl Operating Company

We have audited the financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), a component unit of the City of Pasadena, as of and for the year ended June 30, 2011, which collectively comprise the Company's basic financial statements and have issued our report thereon dated November 1, 2011. 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.

<u>Internal Control Over Financial Reporting</u>
In planning and performing our audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures 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 Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u>
As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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*.

We noted certain matters that we reported to management of the Company, in a separate letter dated November 1, 2011.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Pasadena, California
November 1, 2011