ROSE BOWL OPERATING COMPANY
(A Component Unit of the City of Pasadena, California)

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

ROSE BOWL OPERATING COMPANY
(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)
JUNE 30, 2014

TABLE OF CONTENTS

	Page
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	12
Other Report	
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*	30

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rose Bowl Operating Company
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Company's basic 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. The June 30, 2013 comparative information has been derived from the 2013 financial statements and is included for additional analysis only. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company, as of June 30, 2014, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Company implemented Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the 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 GASB, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, 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* in considering the Company's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 24, 2014

The objective of management's discussion and analysis is to help readers of the Rose Bowl Operating Company (RBOC) financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2014, with selected comparative information for the year ended June 30, 2013. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2014, 2013) in this discussion refer to the fiscal year ended June 30.

FINANCIAL HIGHLIGHTS

The assets of the RBOC exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $5,017,116 (net position). Of this amount, $35,238,274 is invested in capital assets, net of related debt, with an additional $21,330,997 restricted, leaving an unrestricted balance of $(51,552,155).

Net position increased $157,767 from the previous fiscal year.

The RBOC's total bonded debt decreased by $554,478 during the current fiscal year. The key factors are the $1,035,000 payment on the 2013B taxable lease revenue bonds, and net of $454,697 unamortized bond premium being expensed in current fiscal year per implementation of Governmental Accounting Standards Board (GASB) Statement No. 65 (GASB 65).

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 position*** presents information on all of the RBOC's assets, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position*** presents information showing how the RBOC's net position changed during the most recent fiscal year. All changes in net position 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 position 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 12-29 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the RBOC, assets exceeded liabilities and deferred inflows by $5,017,116 at the close of the most recent fiscal year. The RBOC's overall financial position increased this fiscal year, largely due to increased capital assets, investment income caused largely by a Fair Market Value adjustment, and the decrease of 2013B taxable lease revenue bonds payable.

By far the largest portion of the RBOC's net position reflects its investment in capital assets (e.g., buildings and improvements and 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 net investment in 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 Position

	June 30, 2014	June 30, 2013
Assets:		
Current and other assets	$ 43,603,852	$ 60,284,967
Capital assets	191,111,539	174,087,998
Total assets	$ 234,715,391	$ 234,372,965
Liabilities:		
Long-term liabilities outstanding	$ 212,225,964	$ 212,460,728
Other liabilities	9,517,559	8,984,662
Total liabilities	$ 221,743,523	$ 221,445,390
Deferred inflows of resources:		
Accumulated increase in fair value of hedging derivatives	$ 159,857	$ 299,465
Deferred refunding charge	2,700,869	3,216,983
Sales of future revenue	5,094,026	4,551,778
Total deferred inflows of resources	$ 7,954,752	$ 8,068,226
Net position:		
Net investment in capital assets	$ 35,238,274	$ 17,832,306
Restricted	21,330,997	39,474,461
Unrestricted	(51,552,155)	(52,447,418)
Total net position	$ 5,017,116	$ 4,859,349

The RBOC's net position increased by $157,767 during the current fiscal year, most of which is directly related to increased capital assets, investment income, and decreased 2013B taxable lease bonds payable. The Increase in capital assets is attributable to the partially complete renovation project of the Rose Bowl Stadium. Also investment income increased substantially due to the FMV adjustment. Long term liabilities decreased due to the payment made on the 2013B taxable lease revenue bonds.

Deferred inflows of resources for the RBOC related to the accumulated increase in fair value of hedging derivatives and deferred refunding charges decreased $655,722 from June 30, 2013 to June 30, 2014 due to the change in fair market value of the derivative at year-end. Deferred inflows of resources for the RBOC related to the sales of future revenue that increased $542,248 from June 30, 2013 to June 30, 2014 as a result of recognizing these revenues due to the passage of time.

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

	June 30, 2014	June 30, 2013
Operating Revenues:		
Green fees and other golf revenues	$ 1,581,404	$ 1,551,395
Parking revenue	2,081,839	1,165,019
Advertising revenue	1,875,779	1,586,862
Facility rentals and admission tax	12,728,426	4,482,686
Concessions	3,363,544	1,255,584
Cost recoveries	3,457,155	2,306,104
Other Income	472,134	619,395
Total revenues	25,560,281	12,967,045
Operating Expenses:		
Rose Bowl Stadium	13,351,296	8,953,648
Golf Course	598,193	473,931
Depreciation	7,275,603	2,654,569
Total operating expenses	21,225,092	12,082,148
Operating income	4,335,189	884,897
Nonoperating Revenues (Expenses)		
Investment gain	1,882,889	(1,825,331)
Other nonoperating revenues	10,837,698	3,828,945
Interest expense	(14,212,902)	(12,139,047)
Total nonoperating income (expenses)	(1,492,315)	(10,135,433)
Income (loss) before other changes in net position	2,842,874	(9,250,536)
Contributions	-	809,750
Expansion Costs	(345,020)	-
Increase (decrease) in net position	2,497,854	(8,440,786)
Net position at beginning of year	4,859,349	13,899,065
Prior period adjustment	(2,340,087)	(598,930)
Net position at beginning of year, as restated	2,519,262	13,300,135
Net position at end of year	$ 5,017,116	$ 4,859,349

There was an overall increase of $12,593,236 in total operating revenues for the most recent fiscal year due to higher facility rentals, parking, advertising, concessions revenue, and cost recoveries. Operating expense in Rose Bowl Stadium increased as well due to increase in operating revenues. These higher figures were due to fact that there was a BCS National Championship Game held at the Rose Bowl in 2014 in addition to the regular New Year's Rose Bowl Game. The BCS National Championship Game currently is rotating sites and in 2014, it was held at the Rose Bowl Stadium. Another fact that also increased the revenue is the Justin Timberlake & Jay-Z concert held at the Rose Bowl in fiscal year 2014.

Additionally, 2013 CONCACAF Men's Gold Cup's first match was held at the Rose Bowl, which featured the national teams of Canada vs. Martinique and Mexico vs. Panama. The revenue generated by the Brookside Municipal Golf Course (Golf Course) slightly increased after decreasing five years in a row prior to that. This was due to economic conditions. Decrease in other income is due to decrease in television income in the current year as RBOC no longer receives 8% of University of California, Los Angeles' television income under new contract.

Interest expense rose by 17.1% from the previous year due to the issuance of the 2013 bonds. As further discussed herein, the 2010 bonds are taxable bonds, eligible for subsidies from the federal government under the "Build America Bonds" program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The RBOC's net investment in capital assets for its activities as of June 30, 2014, totals $35,238,274. This investment in capital assets includes buildings and improvements, and machinery and equipment. The total increase in the RBOC's net investment in capital assets for the current fiscal year was $17,405,968, or 97.6 percent.

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

• Fairways and Bunkers - Golf Course	$ 727,728
• Strategic Plan - Stadium	680,769

Rose Bowl Operating Company's Capital Assets

	June 30, 2014	June 30, 2013
Buildings and improvements	$ 170,412,408	$ 53,509,466
Machinery and equipment	11,546,654	5,031,243
Construction in progress	43,931,893	143,051,103
Sub-total	225,890,955	201,591,812
Less accumulated depreciation	(34,779,417)	(27,503,814)
Total	$ 191,111,538	$ 174,087,998

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 bond debt outstanding of $211,906,250. All debt is backed by lease revenues. The aforementioned 2010 bonds for the Rose Bowl Stadium 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. Series 2010D are also taxable, but are Recovery Zone Economic Development Bonds. These bonds are also subsidized by payments from the United States Treasury. 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, 2014	June 30, 2013
2010 Revenue Bonds	$ 158,976,250	$ 158,495,728
2013 Revenue Bonds	52,930,000	53,965,000
Total	$ 211,906,250	$ 212,460,728

The RBOC's total bonded debt decreased by $554,478 during the current fiscal year. As mentioned on page 3, the key factors are the $1,035,000 payment on the 2013B taxable lease revenue bonds, and net of $454,697 unamortized bond premium being expensed in current fiscal year per implementation of GASB 65.

Additional information on the RBOC's long-term debt can be found in Notes 5 and 6 on pages 21-26 of this report.

CHANGE IN DEFINED BENEFIT PENSION REPORTING

During June of 2012, the GASB passed updated standards for defined benefit pension accounting and financial reporting. The new standards will be implemented for the fiscal year ending June 30, 2015. When implemented, the RBOC will be required to declare a liability for its unfunded pension liability in excess of any assets held at California Public Employees Retirement System (PERS). The RBOC cannot calculate what this liability would be at the time of implementation currently, but it is expected to be significant.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the RBOC'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, California 91103.

ROSE BOWL OPERATING COMPANY
STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

	Rose Bowl	Golf Course	Totals 2014	Totals 2013
Assets:				
Current assets:				
Cash and investments (Note 2)	$ 10,435,566	$ 5,726,248	$ 16,161,814	$ 12,876,964
Cash and investments restricted (Note 2)	24,081,575	-	24,081,575	40,244,679
Accounts receivable, net	2,007,388	568,722	2,576,110	2,040,082
Inventory	3,876	-	3,876	-
Prepaid assets	71,035	-	71,035	41,581
Total current assets	36,599,440	6,294,970	42,894,410	55,203,306
Noncurrent assets:				
Other receivable	549,585	-	549,585	575,642
Unamortized bond issuance costs	-	-	-	2,186,181
Derivative instrument asset (Note 6)	159,857	-	159,857	2,319,838
Capital assets (Note 3):				
Construction in progress	42,647,612	1,284,281	43,931,893	143,051,103
Other capital assets, net	141,698,132	5,481,514	147,179,646	31,036,895
Total noncurrent assets	185,055,186	6,765,795	191,820,981	179,169,659
Total assets	221,654,626	13,060,765	234,715,391	234,372,965
Liabilities:				
Current liabilities:				
Accounts payable and other liabilities	4,134,764	5,105	4,139,869	4,223,789
Accrued salaries and benefits	197,649	19,274	216,923	288,857
Interest payable	3,267,877	-	3,267,877	3,258,877
Due to the City of Pasadena (Note 11)	1,356,774	-	1,356,774	749,867
Deposits	349,662	-	349,662	289,452
Current portion of compensated absences (Note 5)	44,709	9,157	53,866	50,217
Current portion of long-term debt (Note 5)	1,325,000	-	1,325,000	1,035,000
Total current liabilities	10,676,435	33,536	10,709,971	9,896,059
Noncurrent liabilities:				
Compensated absences (Note 5)	120,029	12,559	132,588	123,603
Long-term debt (Note 5)	210,900,964	-	210,900,964	211,425,728
Total noncurrent liabilities	211,020,993	12,559	211,033,552	211,549,331
Total liabilities	221,697,428	46,095	221,743,523	221,445,390
Deferred Inflows of Resources:				
Accumulated increase in fair value of hedging derivatives (Note 6)	159,857	-	159,857	299,465
Deferred refunding charge (Note 6)	2,700,869	-	2,700,869	3,216,983
Sales of future revenue	5,094,026	-	5,094,026	4,551,778
Total deferred inflows of resources	7,954,752	-	7,954,752	8,068,226
Net position (Note 7):				
Net investment in capital assets	28,472,479	6,765,795	35,238,274	17,832,306
Restricted	20,978,590	352,407	21,330,997	39,474,461
Unrestricted	(57,448,623)	5,896,468	(51,552,155)	(52,447,418)
Total net position	$ (7,997,554)	$ 13,014,670	$ 5,017,116	$ 4,859,349

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Rose Bowl	Golf Course	Totals 2014	Totals 2013
Operating revenues:				
Green fees and other golf revenues	$ -	$ 1,581,404	$ 1,581,404	$ 1,551,395
Parking revenue	2,081,839	-	2,081,839	1,165,019
Advertising revenue	1,875,779	-	1,875,779	1,586,862
Television revenue	-	-	-	175,000
Facility rentals	12,284,259	-	12,284,259	4,357,175
Concessions	3,363,544	-	3,363,544	1,255,584
Pro shop	-	41,596	41,596	43,957
Restaurant	-	430,538	430,538	400,438
Admission tax	444,167	-	444,167	125,511
Cost recoveries	3,442,155	15,000	3,457,155	2,306,104
Total operating revenues	23,491,743	2,068,538	25,560,281	12,967,045
Operating expenses:				
Salaries and benefits	2,063,589	299,089	2,362,678	2,165,693
General and administrative	2,935,224	299,104	3,234,328	2,582,144
Depreciation	6,937,424	338,179	7,275,603	2,654,569
Events	8,352,483	-	8,352,483	4,679,742
Total operating expenses	20,288,720	936,372	21,225,092	12,082,148
Operating income	3,203,023	1,132,166	4,335,189	884,897
Nonoperating revenues (expenses):				
Investment gain (loss)	1,774,006	108,883	1,882,889	(1,825,331)
Interest expense	(14,212,902)	-	(14,212,902)	(12,139,047)
Other nonoperating revenues	10,210,563	627,135	10,837,698	3,828,945
Total nonoperating revenues (expenses)	(2,228,333)	736,018	(1,492,315)	(10,135,433)
Income (loss) before transfers and capital contributions	974,690	1,868,184	2,842,874	(9,250,536)
Capital contributions (Note 12)	-	-	-	809,750
Expansion Costs (Note 16)	(345,020)	-	(345,020)	-
Increase (decrease) in net position	629,670	1,868,184	2,497,854	(8,440,786)
Net position at beginning of year, as previously stated	(6,287,137)	11,146,486	4,859,349	13,899,065
Prior period adjustment (Note 15)	(2,340,087)	-	(2,340,087)	(598,930)
Net position at beginning of year, as restated	(8,627,224)	11,146,486	2,519,262	13,300,135
Net position at end of year	$ (7,997,554)	$ 13,014,670	$ 5,017,116	$ 4,859,349

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Rose Bowl	Golf Course	Totals 2014	Totals 2013
Cash flows from operating activities:				
Cash received from customers	$ 23,699,910	$ 1,952,858	$ 25,652,768	$ 16,015,256
Cash paid to employees for services	(2,117,577)	(304,401)	(2,421,978)	(2,169,414)
Cash paid to suppliers of goods and services	(11,148,175)	(293,999)	(11,442,174)	(15,794,532)
Other cash receipts	7,561,647	627,135	8,188,782	927,613
Net cash provided by (used for) operating activities	17,995,805	1,981,593	19,977,398	(1,021,077)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(22,508,091)	(1,791,053)	(24,299,144)	(53,883,812)
Capital contributions	-	-	-	809,750
Federal interest subsidy on bonds payable	2,648,916	-	2,648,916	2,889,985
Proceeds from issuance of long-term debt and borrowings	2,325,789	-	2,325,789	30,511,123
Principal payments on long-term debt	(1,489,697)	-	(1,489,697)	(4,250,778)
Interest payments on long-term debt	(13,268,683)	-	(13,268,683)	(12,163,232)
Net cash used for capital and related financing activities	(32,291,766)	(1,791,053)	(34,082,819)	(36,086,964)
Cash flows from investing activities:				
Purchase of investments	-	-	-	3,062,412
Investment gain (loss)	1,118,284	108,883	1,227,167	(163,101)
Net cash provided by investing activities	1,118,284	108,883	1,227,167	2,899,311
Net increase (decrease) in cash and cash equivalents	(13,177,677)	299,423	(12,878,254)	(34,208,730)
Cash and investments at beginning of year	47,694,818	5,426,825	53,121,643	87,330,373
Cash and investments at end of year	$ 34,517,141	$ 5,726,248	$ 40,243,389	$ 53,121,643

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

			Totals	
	Rose Bowl	Golf Course	2014	2013
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:				
Cash and investments	$ 10,435,566	$ 5,726,248	$ 16,161,814	$ 12,876,964
Cash and investments restricted	24,081,575	-	24,081,575	40,244,679
Total reported on Statement of Net Position	34,517,141	5,726,248	40,243,389	53,121,643
Cash and investments at end of year	$ 34,517,141	$ 5,726,248	$ 40,243,389	$ 53,121,643
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 3,203,023	$ 1,132,166	$ 4,335,189	$ 884,897
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Other operating revenues	7,216,627	627,135	7,843,762	927,613
Depreciation	6,937,424	338,179	7,275,603	2,654,569
Increase in accounts receivable	(520,348)	(15,680)	(536,028)	(98,605)
Increase in inventory	(3,876)	-	(3,876)	-
Increase in prepaid assets	(29,454)	-	(29,454)	(12,477)
Decrease in other receivable - noncurrent	26,057	-	26,057	(575,642)
Increase (decrease) in accounts payable and and other liabilities	(89,025)	5,105	(83,920)	(7,982,786)
Decrease in accrued salaries and benefits	(66,459)	(5,475)	(71,934)	(8,485)
Increase (decrease) in due to the City of Pasadena	606,907	-	606,907	(537,383)
Increase in compensated absences	12,471	163	12,634	4,764
Increase (decrease) in deposits	60,210	-	60,210	258,252
Increase (decrease) in deferred revenue	642,248	(100,000)	542,248	3,464,206
Net cash provided by (used for) operating activities	$ 17,995,805	$ 1,981,593	$ 19,977,398	$ (1,021,077)

Noncash investing, capital, and financing activities

There were no significant noncash investing, capital, or financing activities for the years ended June 30, 2014 or 2013.

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, (the City) by managing a world class stadium and a professional quality golf course complex, Brookside Municipal Golf Course (the Golf Course), in a residential open-space environment. A fourteen-member Board of Directors governs the Company. The Board of Directors 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 the University of California, Los Angeles (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.

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 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 835-20-30 and Governmental Accounting Standards Board (GASB) Statement No. 20. 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.

The estimated useful lives of the assets are as follows:

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

NOTE 1 – <u>ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

E. <u>Cash and Investments</u>

For the purposes of the statement of cash flows, investments 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. <u>Investments</u>

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. <u>Compensated Absences</u>

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 (24 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. <u>Transfer Policy</u>

The Company transfers unrestricted Golf Course Fund revenues to the Rose Bowl Fund to cover cash shortfalls and net position deficits in the Rose Bowl Fund, determined annually by management. The transfer is not required to be paid back to the Golf Course Fund. There was no such transfer for the year ending June 30, 2014.

I. <u>Use of Estimates</u>

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.

J. <u>Comparative Data</u>

The amounts shown for the year ended June 30, 2013, in the accompanying financial statements are included to provide a basis for comparison with 2014 and present summarized totals only. Accordingly, the 2013 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Company's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

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

K. Accounting Standards Update

During the fiscal year ended June 30, 2014, the Company implemented the following GASB standards:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. The Company implemented this change for the fiscal year ended June 30, 2014.

GASB Statement No. 66 – *Items Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. The Company implemented this change for the current fiscal year. There was no effect on the Company's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The Company implemented this change for the current fiscal year. There was no effect on the Company's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. The Company implemented this change for the current fiscal year. There was no effect on the Company.

Additional standards released by GASB impacting future fiscal years are as follows:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The Company has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The Company has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 16,161,814
Cash and investments restricted	24,081,575
Total cash and investments	$ 40,243,389

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	$ 1,000
Deposits with financial institutions	11,312,303
Investment in the City investment pool	28,930,086
Total cash and investments	$ 40,243,389

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
Bankers' 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 – <u>CASH AND INVESTMENTS</u> (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
Bankers' 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	$ 28,930,086	$ 28,930,086	$ -	$ -
Total	$ 28,930,086	$ 28,930,086	$ -	$ -

NOTE 2 – CASH AND INVESTMENTS (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	$ 28,930,086	N/A	$ -	$ -	$ 28,930,086
Total	$ 28,930,086		$ -	$ -	$ 28,930,086

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, 2014, is as follows:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Buildings and improvements	$ 47,259,336	$ 115,426,854	$ -	$162,686,190
Machinery and equipment	4,722,114	6,515,411	-	11,237,525
Total cost of depreciable assets	51,981,450	121,942,265	-	173,923,715
Less accumulated depreciation:				
Buildings and improvements	(21,625,591)	(6,125,942)	-	(27,751,533)
Machinery and equipment	(3,662,569)	(811,482)	-	(4,474,051)
Total accumulated depreciation	(25,288,160)	(6,937,424)	-	(32,225,584)
Net depreciable assets	26,693,290	115,004,841	-	141,698,131
Capital assets not depreciated:				
Construction in progress	142,081,787	22,427,823	(121,861,998)	42,647,612
Capital assets, net	$ 168,775,077	$ 137,432,664	$ (121,861,998)	$184,345,743

Depreciation expense for the year was $6,937,424.

Golf Course

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Buildings and improvements	$ 6,250,130	$ 1,476,088	$ -	$ 7,726,218
Machinery and equipment	309,129	-	-	309,129
Total cost of depreciable assets	6,559,259	1,476,088	-	8,035,347
Less accumulated depreciation:				
Buildings and improvements	(1,939,564)	(289,945)	-	(2,229,509)
Machinery and equipment	(276,090)	(48,234)	-	(324,324)
Total accumulated depreciation	(2,215,654)	(338,179)	-	(2,553,833)
Net depreciable assets	4,343,605	1,137,909	-	5,481,514
Capital assets not depreciated:				
Construction in progress	969,316	727,728	(412,763)	1,284,281
Capital assets, net	$ 5,312,921	$ 1,865,637	$ (412,763)	$ 6,765,795

Depreciation expense for the year was $338,179.

NOTE 4 – SERVICE CONCESSION ARRANGEMENT (SCA)

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA),* defines an SCA as a type of public-private or public-public partnership. As used in GASB Statement No. 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met:

a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.

b. The operator collects and is compensated by fees from third parties.

c. The transferor determines, or has the ability to modify or approve, what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The Company has determined that the following arrangement meets the criteria set forth above (where the Company is the transferor) and therefore included these SCAs in the Company's financial statements. GASB Statement No. 60 also provides guidance on accounting treatment if the Company were acting as an operator of another government's facility. The Company has determined that there are no incidences where the Company would qualify as such an operator.

Brookside Golf Club

On February 1, 2011, the Company entered into an agreement with American Golf Corporation (American Golf), under which American Golf will operate the golf course, a restaurant, and snack stand services through January 31, 2016. The setting of golf course fees for the use of the golf course facilities is a non-delegable duty of the legislative body which owns the golf course, which in this case is the Pasadena City Council. The restaurant and snack stand fees are to be reasonable to those prices charged by restaurants in the City and public golf courses in the Los Angeles metropolitan area.

A summary of the important details for the SCA over the term of the agreement is as follows:

SCA	Date SCA Entered Into	Term of SCA	Expiration of SCA	Minimum Annual Installment Payment	Revenue Sharing
Brookside Golf Club	2/1/2011	5 years	1/31/2016	$ 1,825,000	9.5% of revenue + $100,000 annually for capital improvements

NOTE 5 – LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2014, are as follows:

	Balance at June 30, 2013	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2014	Due in One Year
2010A Tax-Exempt Lease Revenue Bonds	$ 38,976,031	$ 935,219	$ -	$ 39,911,250	$ -
2010B Taxable Build America Lease Revenue Bonds	106,660,000	-	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	5,005,000	-	-	5,005,000	280,000
2010D Taxable Recovery Zone Economic Development Lease Revenue Bonds	7,400,000	-	-	7,400,000	-
2013A Tax-Exempt Lease Revenue Bonds	34,900,000	-	-	34,900,000	-
2013B Taxable Lease Lease Revenue Bonds	19,065,000	-	(1,035,000)	18,030,000	1,045,000
Derivative instrument deferred outflows	-	-	-	319,714	-
Unamortized Premium	454,697	-	(454,697)	-	-
Subtotal - Bonded Long-Term Liabilities	212,460,728	935,219	(1,489,697)	212,225,964	1,325,000
Compensated Absences	173,820	109,979	(97,345)	186,454	53,866
Total Long-Term Liabilities	$ 212,634,548	$ 1,045,198	$ (1,587,042)	$ 212,412,418	$ 1,378,866

2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds

On February 1, 2006, the City issued the 2006 Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects) in the amount of $47,300,000. The 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, 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.

NOTE 5 – 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 contained $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. The 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 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, 2014, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2015	$ -	$ -	$ 280,000	$ -	$ 656,662	$ 9,611,632	$ 10,548,294
2016	-	-	605,000	-	1,043,540	9,603,413	11,251,953
2017	-	-	745,000	-	1,114,236	9,583,237	11,442,473
2018	-	-	935,000	-	1,190,292	9,553,631	11,678,923
2019	-	-	1,200,000	-	1,271,191	9,514,137	11,985,328
2020-2024	6,530,000	-	1,240,000	-	7,776,775	46,426,965	61,973,740
2025-2029	21,501,478	-	-	-	10,109,309	36,512,186	68,122,973
2030-2034	8,776,787	9,745,000	-	-	4,071,745	15,769,078	38,362,610
2035-2039	-	49,995,000	-	-	-	30,639,902	80,634,902
2040-2043	-	46,920,000	-	7,400,000	-	10,023,282	64,343,282
Total	$ 36,808,265	$ 106,660,000	$ 5,005,000	$ 7,400,000	$ 27,233,750	$ 187,237,463	$ 370,344,478

NOTE 5 – LONG-TERM DEBT (Continued)

2013 Rose Bowl Lease Revenue Bonds

On January 15, 2013, the City issued two 2013 Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2013A and 2013B in the aggregate amount of $53,965,000. The bonds were issued to refund the 2006 Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects) and to finance improvements to the Rose Bowl Stadium. Series A contained $23,865,000 of refunding bonds for the 2006 variable rate bonds and $11,035,000 of tax-exempt bonds. Series B contained $19,065,000 of taxable fixed rate lease revenue bonds.

Principal is payable in annual installments ranging from $1,035,000 to $2,540,000 commencing December 1, 2013, and ending December 1, 2042.

The annual debt service requirements for the 2013 Lease Revenue Bonds as of June 30, 2014, are as follows:

	Principal Payments			
June 30	Series A	Series B	Interest	Total
2015	$ -	$ 1,045,000	$ 1,062,402	$ 2,107,402
2016	-	1,110,000	1,041,929	2,151,929
2017	-	1,175,000	1,020,222	2,195,222
2018	-	1,175,000	1,065,522	2,240,522
2019	-	1,180,000	764,874	1,944,874
2020-2024	-	7,125,000	5,038,928	12,163,928
2025-2029	1,835,000	5,220,000	3,883,624	10,938,624
2030-2034	9,890,000	-	2,739,618	12,629,618
2035-2039	10,980,000	-	1,626,536	12,606,536
2040-2044	12,195,000	-	417,520	12,612,520
Total	$ 34,900,000	$ 18,030,000	$ 18,661,175	$ 71,591,175

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 6 for additional information regarding the derivative instrument with the debt of the Company.

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 Rose Bowl 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% of net revenues. The total principal and interest remaining to be paid on the bonds is $431,017,947. Principal and interest paid for the current year and total net revenues were $10,526,419 and $25,766,333, respectively.

NOTE 6 – DERIVATIVE INSTRUMENT LIABILITY (2006 ROSE BOWL VARIABLE RATE DEMAND LEASE REVENUE BONDS)

On February 23, 2006, the Company entered into an interest rate swap agreement with Deutsche Bank related to the $47,300,000 2006 Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Project) (the 2006 Bonds). The objective was to effectively change the Company's variable interest rate to a synthetic fixed rate of 3.285%. Under the terms of swap, the Company pays the counterparty the fixed rate of 3.285% and receives a floating rate equal to 65% of the one month London Interbank Offered Rate (LIBOR).

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2014, and the changes in fair value of the derivative instrument for the year then ended are as follows:

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 2013 Bonds (formerly 2006)	$24,720,000	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A2/A+

On May 3, 2011, the Company restructured the 2006 Bonds in order to take advantage of a more attractive interest rate adjustment mode than the 2006 Bonds previously had. As a result, pursuant to GASB Statement No. 53, the hedging relationship terminated and the value of the swap was re-characterized as a deferred amount upon a refunding and a new hedging relationship was established between the remaining on-market swap (the 2011 On-Market Swap) and the restructured 2006 Bonds. The deferred amount is amortized over the life of the swap using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year as follows:

June 30	Beginning Balance	Accrued Interest	Payment	Ending Balance
2015	$ 1,661,651	$ 39,571	$ (329,388)	$ 1,371,834
2016	1,371,834	32,327	(298,734)	1,105,427
2017	1,105,427	25,709	(267,523)	863,613
2018	863,613	19,738	(235,755)	647,596
2019	647,596	14,458	(202,872)	459,182
2020	459,182	9,917	(168,874)	300,225
2021	300,225	6,162	(133,762)	172,625
2022	172,625	3,242	(97,534)	78,333
2023	78,333	1,214	(59,635)	19,912
2024	19,912	151	(20,063)	-

NOTE 6 – DERIVATIVE INSTRUMENT LIABILITY (2006 ROSE BOWL VARIABLE RATE DEMAND LEASE REVENUE BONDS) (Continued)

On January 15, 2013, a portion of the restructured 2006 Bonds were refunded by the Company's Lease Revenue Bonds, Series 2013A (the 2013A Bonds). As a result, pursuant to GASB Statement No. 53, a portion of the hedging relationship established in 2011 terminated and the value of that portion of the 2011 On-Market Swap was re-characterized as a deferred amount upon a refunding and a new hedging relationship was established between the remaining on-market swap (the 2013 On-Market Swap) and the 2013A Bonds. The deferred amount is amortized over the life of the swap using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year as follows:

June 30	Beginning Balance	Accrued Interest	Payment	Ending Balance
2015	$ 1,039,217	$ 2,239	$ (190,229)	$ 851,227
2016	851,227	1,815	(172,526)	680,516
2017	680,516	1,432	(154,500)	527,448
2018	527,448	1,090	(136,154)	392,384
2019	392,384	793	(117,162)	276,015
2020	276,015	539	(97,528)	179,026
2021	179,026	333	(77,250)	102,109
2022	102,109	174	(56,328)	45,955
2023	45,955	65	(34,441)	11,579
2024	11,579	8	(11,587)	-

The remaining portion of the 2011 On-Market Swap and the 2013 On-Market Swap were deemed to be "effective" under GASB Statement No. 53. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the change in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge:					
Pay-fixed interest rate swaps	Deferred inflow	$ (139,608)	Asset	$ 159,857	$ 24,720,000

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.

Credit risk: The Company is exposed to credit risk on hedging derivative instruments to the extent the value of the swap is positive from the Company's perspective. The aggregate fair value of hedging derivative instruments was negative as of June 30, 2014, and therefore the Company had no credit risk exposure.

Interest rate risk: The purpose of the swap is to eliminate interest rate risk on the associated hedged bonds and therefore the swap, in combination with related bonds does not create interest rate risk for the Company.

NOTE 6 – DERIVATIVE INSTRUMENT LIABILITY (2006 ROSE BOWL VARIABLE RATE DEMAND LEASE REVENUE BONDS) (Continued)

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, 2014, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.09816%, while 65% of LIBOR is 0.09%.

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, Company may optionally terminate the agreement on any date. If at the time of a termination, the Company may be required to make a termination payment to its counterparty. If the Company had to terminate the Swap on June 30, 2014, the maximum exposure/loss would have been $2,542,965.

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 prior to the maturity of the related debt, the Company will be re-exposed to the risks being hedged by the hedging derivative instrument.

Collateral requirements: There are no collateral requirements.

NOTE 7 – NET POSITION

Net position for the Rose Bowl Stadium at June 30, 2014, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 184,345,744
Less:	
Outstanding debt issued to construct capital assets, adjusted for accretion on capital appreciation bonds of $(3,102,985)	(155,873,265)
Total net investment in capital assets	28,472,479
Restricted net position:	
Capital projects - unspent bond proceeds and accretion on capital appreciation bonds	20,978,590
Total restricted net position	20,978,590
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	106,602
Designated for strategic plan	18,348,634
Total designated net position	18,455,236
Undesignated net position	(75,903,859)
Total unrestricted net position	(57,448,623)
Total net position	$ (7,997,554)

NOTE 7 – <u>NET POSITION</u> (Continued)

Net position for the Golf Course at June 30, 2014, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 6,765,795
Less:	
Outstanding debt issued to construct capital assets	-
Total net investment in capital assets	6,765,795
Unrestricted net position (designated):	
Designated for golf course master plan	259,853
Designated for clubhouse maintenance	92,554
Total designated net position	352,407
Undesignated net position	5,896,468
Total unrestricted net position	6,248,875
Total net position	$ 13,014,670

NOTE 8 – <u>DEFINED BENEFIT PENSION PLAN</u>

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 28.38% for the year ended June 30, 2014, with the Company contributing 24.38% 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, 2013, to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2009. The Company's covered payroll for PERS was $1,536,545 for the year ended June 30, 2014, while the Company's total payroll for all employees was $1,680,876 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013, to June 30, 2014.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Annual Pension Cost (Employer)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 246,515	100.00%	$ -
6/30/2013	262,337	100.00%	-
6/30/2014	246,815	100.00%	-

Annual Pension Cost

	Funded by Employer			Funded by Employee	
Fiscal Year	Employer Contribution Rate	Employee Contribution Rate	Sub-total	Employee Contribution Rate	Total
6/30/2012	14.79%	6.00%	20.79%	4.00%	24.79%
6/30/2013	17.58%	6.00%	23.58%	4.00%	27.58%
6/30/2014	18.38%	6.00%	24.38%	4.00%	28.38%

NOTE 9 – 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 10 – GOLF COURSE MANAGEMENT CONTRACT

The 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 increased from 50% to 100% of gross revenue, before deducting a flat fee payable to American Golf in the amount of $32,000 for each of the first 12 major events and $50,000 per major event thereafter. For the year ended June 30, 2014, the Golf Course earned $1,581,404 from the agreement with American Golf.

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 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 $1,065,312 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 $2,236,392. At June 30, 2014, amounts payable to the City totaled $1,356,774.

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, 2014, the Company received no capital contributions.

NOTE 13 – RENOVATION PROJECT

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, 2014, the Company has spent $157,122,260 on the Renovation Project, for 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 5); $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.

Over the course of the three and half (3 ½) years of construction on the 90 year old facility, a number of unanticipated expenses relating to unknown conditions and less than favorable bids has increased the estimated total cost for the Renovation Project to achieve substantial completion to $181.5 million. To fund the increased construction costs and Phase 4 Work of the Renovation Project, in January 2013, the Company and City approved additional funding in the amount of $30 million (net), resulting in total funding to date in the amount of $168.8 million (which includes $2 million equity contribution by the philanthropic efforts). The funding was sufficient to meet the anticipated and committed costs through December 2014.

As the Renovation Project continued planning for the next phase, to be completed in 2015, the Company and City approved an additional $5 million in funding; the sources of funds included a $3 million 2014 Bowl Champions Series game and an additional $2 million equity contribution from philanthropic efforts. Total funding for the project through December 2015 is $173.8 million. Approximately $7.7 million for the remaining project is currently unfunded.

NOTE 14 – INCOME TAXES

The Company is exempt from federal incomes taxes under the Internal Revenue Code, as it is an instrument of the City of Pasadena, and treated as a governmental entity.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Company and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year ending June 30, 2014.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Information obtained and analysis performed, during the 2014 fiscal year, required restatement to the June 30, 2013 and June 30, 2012 net position. This restatement is fully described as follows:

Net Position at June 30, 2012, as previously stated	$13,899,065
Adjustment to correct deferred outflows of resources	(598,930)
During the fiscal year ending June 30, 2012, the Company incorrectly recorded deferred inflows as deferred outflows, which caused overstatement in the financial statements. Accordingly, an adjustment of $(598,930) is required.	
Sum of adjustments to beginning net position	(598,930)
Net position at June 30, 2012, as restated	$13,300,135
Net position at June 30, 2013, reflecting July 1, 2012 restatement	$ 4,859,349
Adjustment to correct derivative instrument liability	(2,340,087)
The derivative liability did not agree to the deferred outflow balance at June 30, 2013. GASB Statement No. 53 requires these amounts to equal and offset. Accordingly, an adjustment of $(2,619,303) is required.	
Sum of adjustments to beginning net position	(2,340,087)
Net position at June 30, 2013, as restated	$ 2,519,262

NOTE 16 – SUBSEQUENT EVENTS

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if those events are required to be disclosed in these financial statements. The RBOC and the City have done preliminary work for the Music Festival, appropriating funds for an Environmental Impact Report and a Traffic Study. During fiscal year 2014, City Council approved $295,120 and $49,300, respectively for this event, which are reflected in the income statement as Expansion Costs. These subsequent events have been evaluated through October 24, 2014, which is the date these financial statements were issued.

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BROWN ARMSTRONG
Certified Public Accountants

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
Pasadena, 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 business-type activities of the Rose Bowl Operating Company (the Company), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

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

Compliance and Other Matters

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

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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 24, 2014