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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)

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(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)

JUNE 30, 2015

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INDEPENDENT AUDITORS' 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 Rose Bowl Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Company'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 Company'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 opinion.

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Orange County Temecula Valley Silicon Valley

LSL
CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rose Bowl Operating Company as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the Company adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*

Correction of an Error

As explained in Note 15 to the financial statements, the June 30, 2014 financial statements have been restated to correct two misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of plan contributions 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016 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.

Lance, Soll & Lunghard, LLP

Brea California
January 6, 2016

ROSE BOWL OPERATING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015, with selected comparative information for the year ended June 30, 2014. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2014, 2015) in this discussion refer to the fiscal year ended June 30.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the RBOC exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $19,127,390 (net position). Of this amount, $3,141,597 is invested in capital assets, net of related debt, with an additional $174,178 restricted, leaving an unrestricted balance of $15,811,615.

Net position decreased by $442,191 from the previous fiscal year.

The RBOC's Assets decreased by $3,011,619 during the current fiscal year. The key factor is accumulated depreciation increased by $9,567,600, as RBOC activated assets are increasing leading to higher Depreciation expense. The balance to decrease in Assets is due to the net event Income impact on current Assets (Cash and Accounts Receivable) - FY14 BCS Game had a much higher event margin and associated cash inflow (Note Financial Analysis below).

The RBOC's Liabilities decreased by $1,826,575 during the current fiscal year. The key factors are Short term liabilities decreased by $1,026,596 (Accounts Payable, Due from the City, and Current portion of the LT Debt). Non-Current liabilities decreased by $799,979– mainly due to decrease in Pension Liabilities and the decrease in Long Term debt by $716,274.

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 and deferred outflows of resources, liabilities and deferred inflows, with the difference 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 BASIC 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 and deferred outflows of resources exceeded liabilities and deferred inflows by $19,127,390 at the close of the most recent fiscal year. The RBOC's overall financial position decreased this fiscal year, largely due to:

Increases:

1. Stadium Event Revenues – due to Increased Major Events,
2. Pension Liabilities,
3. Depreciation Expenses,
4. Golf Course Non-Operating Revenue increased due to one-time water grant in FY15.

Decreases:

1. Capitalized Interest Expense of 16.7M (FY12 to FY15) due administering GASB-62 - requiring Interest Expense Recognition upon Asset Activation.
2. Stadium Non-Operating Income - as FY14 Sodexo one-time contribution did not repeat in FY15.
3. Golf Related Revenues- due to increased event volume using the Golf Course as a parking lot.
4. Gains from Investments Income - due to lower cash balances.
5. Interest Expense - due to early write off of Amortization expense.

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 CO.

STATEMENT OF NET POSITION
JUNE 30, 2015

	Rose Bowl	Golf Course	Totals 2015	2014	Variance	Var%
Assets:						
Current assets:						
Cash and investments	$ 7,524,382	$ 9,281,708	$ 16,806,090	$ 16,161,814	644,276	4%
Cash and investments restricted	15,933,752		15,933,752	24,081,575	(8,147,823)	-34%
Accounts receivable, net	3,194,458	524,309	3,718,767	2,576,110	1,142,657	44%
Inventory	1,440		1,440	3,876	(2,436)	-63%
Prepaid assets	96,973		96,973	71,035	25,938	37%
Total current assets	26,751,005	9,806,017	36,557,022	42,894,410	(6,337,388)	-15%
Noncurrent assets:						
Other receivable (Due from City of Pasadena)	523,528		523,528	549,585	(26,057)	-5%
Unamortized bond issuance costs			-	-		
Derivative instrument asset	25,115		25,115	159,857	(134,742)	-84%
Capital assets:						
Construction in progress	24,421,035	2,227,983	26,649,018	43,931,894	(17,282,876)	-39%
Other capital assets, net	178,827,937	5,143,441	183,971,378	163,201,934	20,769,444	13%
Total noncurrent assets	203,797,615	7,371,424	211,169,039	207,843,270	3,325,769	2%
Total assets	230,548,620	17,177,441	247,726,061	250,737,680	(3,011,619)	-1%
Deferred outflows of resources:						
Outflows related to net pension liability	425,011	34,780	459,791	-	459,791	100%
Liabilities:						
Current liabilities:						
Accounts payable and other liabilities	2,989,608		2,989,608	4,139,869	(1,150,261)	-28%
Accrued salaries and benefits	364,794	4,989	369,783	216,923	152,860	70%
Interest payable	3,327,109		3,327,109	3,267,877	59,232	2%
Due to the City of Pasadena	942,340		942,340	1,356,774	(414,434)	-31%
Deposits	279,597		279,597	349,662	(70,065)	-20%
Current portion of compensated absences	56,591	3,347	59,938	53,866	6,072	11%
Current portion of long-term debt	1,715,000		1,715,000	1,325,000	390,000	29%
Total current liabilities	9,675,039	8,336	9,683,375	10,709,971	**(1,026,596)**	-10%
Noncurrent liabilities:						
Compensated absences	139,293	8,237	147,530	132,588	14,942	11%
Long-term debt	209,864,976	-	209,864,976	210,581,250	**(716,274)**	-0.3%
Net pension liability	1,469,398	221,493	1,690,891	1,789,538	(98,647)	100%
Total noncurrent liabilities	211,473,667	229,730	211,703,397	212,503,376	**(799,979)**	-0.4%
Total liabilities	221,148,706	238,066	221,386,772	223,213,347	(1,826,575)	-0.8%
Deferred Inflows of Resources:						
Accumulated increase in fair value of hedging derivatives	25,115	-	25,115	159,857	(134,742)	-84.3%
Deferred refunding charge	2,223,062	-	2,223,062	2,700,869	(477,807)	-17.7%
Sales of future revenue	4,993,174	-	4,993,174	5,094,026	(100,852)	-2.0%
Inflows related to net pension liability	373,968	56,371	430,339	-	430,339	100.0%
Total deferred inflows of resources	7,615,319	56,371	7,671,690	7,954,752	(283,062)	-3.6%
Net position:						
Net investment in capital assets	(4,229,827)	7,371,424	3,141,597	(1,669,437)	4,811,034	-288.2%
Restricted	174,178	-	174,178	21,330,997	(21,156,819)	-99.2%
Unrestricted	6,265,255	9,546,360	15,811,615	(91,979)	15,903,594	-17290.5%
Total net position	$ 2,209,606	$ 16,917,784	$ 19,127,390	$ 19,569,581	(442,191)	-2.3%

*** FY14 Net investment in capital asset was reported to be 35,238,274 (in error) did not include 2013A&B Bonds. The figure was changed in FY15 (in this report) to properly compare year to year variances.**

**** FY14 LT Debt was over reported by 319,714, entry error, adjusted in this report for variance explaination.**

ROSE BOWL OPERATING COMPANY

STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION

YEAR ENDING JUNE 30, 2015

	Rose Bowl	Golf Course	Combined Totals 2015	Combined Totals 2014	YtY Var	Var% over PY
Operating revenues:						
Green fees and other golf revenues	$ -	$ 1,444,808	$ 1,444,808	$ 1,581,404	$ (136,596)	-8.6%
Parking revenue	3,184,890	-	3,184,890	2,081,839	1,103,051	53.0%
Advertising revenue	1,897,938	-	1,897,938	1,875,779	22,159	1.2%
Facility rentals	14,181,623	-	14,181,623	13,679,088	502,535	3.7%
Concessions	3,951,740	-	3,951,740	1,968,715	1,983,025	100.7%
Pro shop	-	46,114	46,114	41,596	4,518	10.9%
Restaurant	-	517,269	517,269	430,538	86,731	20.1%
Admission tax	836,015	-	836,015	444,167	391,848	88.2%
Cost recoveries	5,374,013	15,000	5,389,013	3,457,155	1,931,858	55.9%
Total operating revenues	29,426,219	2,023,191	31,449,410	25,560,281	5,889,129	23.0%
Operating expenses:						
Salaries and benefits	2,444,155	116,913	2,561,068	2,362,678	198,390	8.4%
General and administrative	3,528,990	363,349	3,892,339	3,234,328	658,011	20.3%
Depreciation	9,229,528	338,072	9,567,600	7,275,603	2,291,997	31.5%
Events	13,901,376	-	13,901,376	8,352,483	5,548,893	66.4%
Total operating expenses	29,104,049	818,334	29,922,383	21,225,092	8,697,291	41.0%
Operating income (loss)	322,170	1,204,857	1,527,027	4,335,189	(2,808,162)	-64.8%
Nonoperating revenues (expenses):						
Investment gain (loss)	901,245	73,870	975,115	1,882,889	(907,774)	-48.2%
Interest expense	(10,908,416)	-	(10,908,416)	(14,212,902)	3,304,486	-23.2%
Other nonoperating revenues	6,873,871	1,090,212	7,964,083	10,837,698	(2,873,615)	-26.5%
Total nonoperating revenues (expenses)	(3,133,300)	1,164,082	(1,969,218)	(1,492,315)	(476,903)	32.0%
Income (loss) before transfers and capital contributions	(2,811,130)	2,368,939	(442,191)	2,842,874		
Increase (decrease) in net position	(2,811,130)	2,368,939	(442,191)	2,842,874	(3,285,065)	
Expansion Costs			-	(345,020)		
Transfer In	-	1,768,590	1,768,590			
Transfer out	(1,768,590)		(1,768,590)			
Increase (decrease) in net position	(4,579,720)	4,137,529	(442,191)	2,497,854	(2,940,045)	
Net Position:						
Beginning of year as, previously reported	(7,997,554)	13,014,670	5,017,116	4,859,349		
Restatements	14,786,880	(234,415)	14,552,465			
Net position at beginning of year, as restated	6,789,326	12,780,255	19,569,581	2,519,262		
Net position at end of year	$ 2,209,606	$ 16,917,784	$ 19,127,390	$ 5,017,116	14,110,274	

There was an overall increase of $5,889,129 in total operating revenues for the most recent fiscal year due to higher concessions revenue, cost recoveries, parking, and facility rental. Operating expense in Rose Bowl Stadium increased as well due to increase in operating revenues. These higher figures were due to Eight (8) additional major event nights beyond the regular UCLA Season, New Year's Rose Bowl Game and BCS game (FY14).

The FY14 BCS Game increased net event income was $4.6M, (a historic high), which is not comparable directly to FY15 Events. When the BCS game is not considered in the comparison - FY15 Operating Income is higher than FY14, by 0.8% or 12k. The eight major events included 3 Concerts over 7 nights and 1 Major Soccer match. The Concerts were: Jay-Z & Beyoncé (2 nights), Eminem & Rihanna (2 nights), and One Direction (3 nights). The Soccer Match was LA Galaxy vs Manchester United. The revenue generated by the Brookside Municipal Golf Course (Golf Course) slightly decreased due to the increase in the above major events use of the Golf Course as a parking lot.

Overall Expenses increased by $5.4M or 15%, due to the increase in event expenses due to the above additional eight (8) major events – The event Gross margins above reflect that expenses (without BCS) were in line with the associated revenues. Depreciation Expenses 2.2M, G&A 658k, and Salaries and benefits 198k. Interest expense decreased by $3.3M or 23% from the previous year due to early write off of Amortization expenses – Bond Deferred refunding charges, bond issuance costs and Bond Discount for 2006 Bond.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The RBOC's net investment in capital assets for its activities as of June 30, 2015, totals $3,141,597. 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 $4,811,034 or 288.2 percent.

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

Stadium:	
Major Capital Assets	
* Construction in Progress (Renovation Project)	10,814,984
* Construction in Progress (Preventative Maintenance)	605,919
Construction in Progress	11,420,903
Activated Assets:	
* Major Maintenance (Year 10)	1,279,870
* Restroom Buildings	5,550,929
* Bowl Egress, Ailes and Field Walls	12,777,691
* Stadium Tunnels	10,726,211
Major Activated Assets:	30,334,701

Golf Course:	
* Construction in Progress (Fairway Improvement)	611,499
* Construction in Progress (Green Complexes)	273,909
* Construction in Progress (Clubhouse Major Maint.)	58,294
Construction in Progress	943,702

Rose Bowl Operating Company's Capital Assets

	June 30, 2015	June 30, 2014
Building and improvements	$ 208,245,555	$ 177,916,075
Machinery and equipment	12,037,494	12,029,929
Construction in Progress	24,421,035	42,647,612
Sub-total	244,704,084	232,593,616
Less accumulated depreciation	(41,455,112)	(32,225,584)
Total	$ 203,248,972	$ 200,368,032

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 $211,579,976. All debt is backed by lease revenues. The 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 Long-Term Debt

	June 30, 2015	June 30, 2014
2010 Revenue Bonds	$ 159,694,976	$ 158,976,250
2013 Revenue Bonds	51,885,000	52,930,000
Total	$ 211,579,976	$ 211,906,250

The RBOC's total bonded debt decreased by $1,325,000, during the current fiscal year. The key factors are the $1,045,000 payments on the 2013B taxable lease revenue bonds, and 2010C Bond principle payment $280,000 in current fiscal year.

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 were implemented for the fiscal year ending June 30, 2015. The RBOC declared a liability for its unfunded pension liability in excess of any assets held at California Public Employees Retirement System (PERS). PERS calculated this estimated liability to be $1.6M and recognized the cumulative liability through FY14 in FY15 (per GASB 68).

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 Dr. Pasadena, California 91103.

ROSE BOWL OPERATING COMPANY

STATEMENT OF NET POSITION
JUNE 30, 2015

	Rose Bowl	Golf Course	Totals
Assets:			
Current:			
Cash and investments (Note 2)	$ 7,524,382	$ 9,281,708	$ 16,806,090
Cash and investments restricted (Note 2)	15,933,752	-	15,933,752
Accounts receivable, net	3,194,458	524,309	3,718,767
Inventory	1,440	-	1,440
Prepaid assets	96,973	-	96,973
Total Current Assets	**26,751,005**	**9,806,017**	**36,557,022**
Noncurrent:			
Due from City of Pasadena (Note 11)	523,528	-	523,528
Derivative instrument asset (Note 6)	25,115	-	25,115
Capital assets (Note 3):			
Construction in progress	24,421,035	2,227,983	26,649,018
Other capital assets, net	178,827,937	5,143,441	183,971,378
Total Noncurrent Assets	**203,797,615**	**7,371,424**	**211,169,039**
Total Assets	**230,548,620**	**17,177,441**	**247,726,061**
Deferred Outflows of Resources:			
Outflows related to net pension liability	425,011	34,780	459,791
Total Deferred Outflows of Resources	**425,011**	**34,780**	**459,791**
Liabilities:			
Current:			
Accounts payable and other liabilities	2,989,608	-	2,989,608
Accrued salaries and benefits	364,794	4,989	369,783
Interest payable	3,327,109	-	3,327,109
Due to City of Pasadena (Note 11)	942,340	-	942,340
Deposits	279,597	-	279,597
Current portion compensated absences (Note 5)	56,591	3,347	59,938
Current portion of long-term debt (Note 5)	1,715,000	-	1,715,000
Total Current Liabilities	**9,675,039**	**8,336**	**9,683,375**
Noncurrent:			
Compensated absences (Note 5)	139,293	8,237	147,530
Long-term debt (Note 5)	209,864,976	-	209,864,976
Net pension liability	1,469,398	221,493	1,690,891
Total Noncurrent Liabilities	**211,473,667**	**229,730**	**211,703,397**
Total Liabilities	**221,148,706**	**238,066**	**221,386,772**
Deferred Inflows of Resources:			
Accumulated increase in fair value of interest rate swap (Note 6)	25,115	-	25,115
Deferred refunding charge (Note 6)	2,223,062	-	2,223,062
Sales of future revenue	4,993,174	-	4,993,174
Inflows related to net pension liability	373,968	56,371	430,339
Total Deferred Inflows of Resources	**7,615,319**	**56,371**	**7,671,690**
Net Position (Note 7):			
Net investment in capital assets	(4,229,827)	7,371,424	3,141,597
Restricted	174,178	-	174,178
Unrestricted	6,265,255	9,546,360	15,811,615
Total Net Position	**$ 2,209,606**	**$ 16,917,784**	**$ 19,127,390**

The accompanying notes are an integral part of these financial statements.

ROSE BOWL OPERATING COMPANY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	Rose Bowl	Golf Course	Totals
Operating Revenues:			
Green fees and other golf revenues	$ -	$ 1,444,808	$ 1,444,808
Parking revenue	3,184,890	-	3,184,890
Advertising revenue	1,897,938	-	1,897,938
Facility rentals	14,181,623	-	14,181,623
Concessions	3,951,740	-	3,951,740
Pro shop	-	46,114	46,114
Restaurant	-	517,269	517,269
Admission tax	836,015	-	836,015
Cost recoveries	5,374,013	15,000	5,389,013
Total Operating Revenues	**29,426,219**	**2,023,191**	**31,449,410**
Operating Expenses:			
Salaries and benefits	2,444,155	116,913	2,561,068
General and administrative	3,528,990	363,349	3,892,339
Depreciation	9,229,528	338,072	9,567,600
Events	13,901,376	-	13,901,376
Total Operating Expenses	**29,104,049**	**818,334**	**29,922,383**
Operating Income	322,170	1,204,857	1,527,027
Nonoperating Revenues (Expenses):			
Investment gain (loss)	901,245	73,870	975,115
Interest expense	(10,908,416)	-	(10,908,416)
Other nonoperating revenues	6,873,871	1,090,212	7,964,083
Total Nonoperating Revenues (Expenses)	**(3,133,300)**	**1,164,082**	**(1,969,218)**
Income (Loss) Before Transfers	(2,811,130)	2,368,939	(442,191)
Transfer In	-	1,768,590	1,768,590
Transfer Out	(1,768,590)	-	(1,768,590)
Changes in Net Position	(4,579,720)	4,137,529	(442,191)
Net Position:			
Beginning of Year, as previously reported	(7,997,554)	13,014,670	5,017,116
Restatements (Note 15)	14,786,880	(234,415)	14,552,465
Beginning of Fiscal Year, as restated	6,789,326	12,780,255	19,569,581
End of Year	**$ 2,209,606**	**$ 16,917,784**	**$ 19,127,390**

The accompanying notes are an integral part of these financial statements.

ROSE BOWL OPERATING COMPANY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	Rose Bowl	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers	$ 20,030,331	$ 2,052,604	$ 22,082,935
Cash paid to employees for services	(2,549,777)	(118,376)	(2,668,153)
Cash paid to suppliers for goods and services	(18,890,321)	(382,739)	(19,273,060)
Other cash receipts	8,107,966	15,000	8,122,966
Net Cash Provided by Operating Activities	**6,698,199**	**1,566,489**	**8,264,688**
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(1,768,590)	-	(1,768,590)
Cash transfers in	-	1,768,590	1,768,590
Contributions	4,247,338	1,090,213	5,337,551
Net Cash Provided (Used) by Non-Capital Financing Activities	**2,478,748**	**2,858,803**	**5,337,551**
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(12,115,689)	(943,702)	(13,059,391)
Federal interest subsidy on bonds payable	2,690,986	-	2,690,986
Principal payments on long-term debt	(1,325,000)	-	(1,325,000)
Interest payments on long-term debt	(10,387,496)	-	(10,387,496)
Net Cash Used in Capital and Related Financing Activities	**(21,137,199)**	**(943,702)**	**(22,080,901)**
Cash Flows from Investing Activities:			
Investment gain (loss)	901,245	73,870	975,115
Net Cash Provided by Investing Activities	**901,245**	**73,870**	**975,115**
Net Decrease in Cash and Cash Equivalents	**(11,059,007)**	**3,555,460**	**(7,503,547)**
Cash and Cash Equivalents at Beginning of Year	34,517,141	5,726,248	40,243,389
Cash and Cash Equivalents at End of Year	**$ 23,458,134**	**$ 9,281,708**	**$ 32,739,842**
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:			
Cash and investments	$ 7,524,382	$ 9,281,708	$ 16,806,090
Cash and investments restricted	15,933,752	-	15,933,752
Total reported on Statement of Net Position	23,458,134	9,281,708	32,739,842
Cash and cash equivalents at end of year	**$ 23,458,134**	**$ 9,281,708**	**$ 32,739,842**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	$ 322,170	$ 1,204,857	$ 1,527,027
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	9,229,528	338,072	9,567,600
Contributions made after the measurement date to net pension liability	(307,499)	(17,066)	(324,565)
Pension expense relating to GASB 68	170,731	25,735	196,466
(Increase) decrease in accounts receivable	(1,187,070)	44,413	(1,142,657)
(Increase) decrease in inventory	2,436	-	2,436
(Increase) decrease in prepaid assets	(25,938)	-	(25,938)
(Increase) decrease in due from City of Pasadena	26,057	-	26,057
Increase (decrease) in accounts payable and accrued expenses	(978,011)	(19,390)	(997,401)
Increase (decrease) in due to the City of Pasadena	(414,434)	-	(414,434)
Increase (decrease) in deposits payable	(70,065)	-	(70,065)
Increase (decrease) in deferred revenue	(100,852)	-	(100,852)
Increase (decrease) in compensated absences	31,146	(10,132)	21,014
Net Cash Provided by Operating Activities	**$ 6,698,199**	**$ 1,566,489**	**$ 8,264,688**
Non-Cash Investing, Capital, and Financing Activities:			
Changes in fair market value of interest rate swap	$ (134,742)	$ -	$ (134,742)

The accompanying notes are an integral part of these financial statements.

I. SIGNIFICANT ACCOUNTING POLICIES

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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 Governmental Accounting Standards. 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:

Building and improvements	10-55 years
Improvements other than building	3-95 years
Machinery and equipment	1-93 years

e. Cash and Investments

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. 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 (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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Company only has one item that qualifies for reporting in this category which are deferred outflows relating to the net pension liability reported in the statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to the difference between actual contributions made and the proportionate share of the risk pool's total contributions. These amounts are deferred and amortized over the expected average remaining service life time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Company has four items that qualify for reporting in this category:

(1) The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

(2) The deferred inflows relating to the net pension liability are the results of adjustments due to difference in proportions and the net difference between projected and actual earning on pension plan investments. These amounts are deferred and amortized over the expected average remaining service life time.

(3) The sales of future revenues for events occurring in future fiscal years are deferred and recognized in the period in which the events occur.

(4) The accumulated change in the fair value of the interest rate swap is deferred and adjusted each period based on the fair market value of the interest rate swap as of the end of the fiscal year.

i. Transfer Policy

The Company transfers unrestricted revenues between the Golf Course Fund and the Rose Bowl Fund to cover cash shortfalls and net position deficits in either Fund. The amount transferred is determined annually by Company management; in which the transfer is not required to be paid back. During the year ended June 30, 2015, the Rose Bowl Fund transferred $1,768,590 to the Golf Course Fund to cover cash flow shortfalls.

j. 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)

k. Net Position

Sometimes the Company will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

l. Change in Accounting Principle

The Company implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide and proprietary fund statement of activities.

The Company implemented GASB Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide and proprietary fund statement of activities.

Note 2: Cash and Investments

Cash and Investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	16,806,090
Cash and investments restricted		15,933,752
Total cash and investments	$	32,739,842

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	$	1,000
Desposits with financial institutions		5,989,640
Investment in the City investment pool		26,749,202
Total cash and investments	$	32,739,842

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.

Note 2: Cash and Investments (Continued)

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%	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
Joint Power Agency Pools (other investment pools)	Yes	N/A	None	None

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

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	360 days	Aa
Commercial Paper	270 days	Aa
Negotiable Certificates of Deposit	None	Aa
Repurchase Agreements	None	Aa
Money Market Mutual Funds	N/A	Aaa
Investments Contracts	None	Aa

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.

Note 2: Cash and Investments (Continued)

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:

Investment Type		Remaining Maturity 12 Months or Less
City of Pasadena Investment Pool	$ 26,749,202	$ 26,749,202
Total	$ 26,749,202	$ 26,749,202

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	Ratings at End Not Rated
City of Pasadena Investment Pool	$ 26,749,202	N/A	$ 26,749,202
Total	$ 26,749,202		$ 26,749,202

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 Assets activity for the year ended June 30, 2015, is as follows:

	Balance at July 1, 2014 (restated)	Transfers	Additions	Deletions	Balance at June 30, 2015
Capital assets being depreciated:					
Buildings and improvements	$ 148,755,831	$ 29,054,830	$ -	$ 5,221	$ 177,805,440
Improvements other than buildings	29,160,244	1,279,871	-	-	30,440,115
Machinery and equipment	12,029,929	-	7,565	-	12,037,494
Total depreciable capital assets	189,946,004	30,334,701	7,565	5,221	220,283,049
Less accumulated depreciation:					
Buildings and improvements	(10,385,692)	-	(6,878,163)	-	(17,263,855)
Improvements other than buildings	(17,365,841)	-	(1,548,481)	-	(18,914,322)
Machinery and equipment	(4,474,051)	-	(802,884)	-	(5,276,935)
Total accumulated depreciation	(32,225,584)	-	(9,229,528)	-	(41,455,112)
Net depreciable assets	157,720,420	30,334,701	(9,221,963)	5,221	178,827,937
Capital assets not depreciated:					
Construction in progress	42,647,612	(30,334,701)	12,108,124	-	24,421,035
Capital assets, net	$ 200,368,032	$ -	$ 2,886,161	$ 5,221	$ 203,248,972

The Superstructure and land are not included in this table.

Depreciation expense for the year was $9,229,528.

Golf Course

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets being depreciated:				
Buildings and improvements	$ 3,114,611	$ -	$ -	$ 3,114,611
Improvements other than buildings	4,611,607	-	-	4,611,607
Machinery and equipment	309,129	-	-	309,129
Total depreciable capital assets	8,035,347	-	-	8,035,347
Less accumulated depreciation:				
Buildings and improvements	(819,232)	(150,671)	-	(969,903)
Improvements other than buildings	(1,410,278)	(184,747)	-	(1,595,025)
Machinery and equipment	(324,324)	(2,654)	-	(326,978)
Total accumulated depreciation	(2,553,834)	(338,072)	-	(2,891,906)
Net depreciable assets	5,481,513	(338,072)	-	5,143,441
Capital assets not depreciated:				
Construction in progress	1,284,281	943,702	-	2,227,983
Capital assets, net	$ 6,765,794	$ 605,630	$ -	$ 7,371,424

Depreciation expense for the year was $338,072.

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 Installmant 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, 2015, are as follows:

	Balance at July 1, 2014	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2015	Due in One Year
2010A Tax-Exempt Lease Revenue Bonds	$ 36,808,265	$ -	$ -	$ 36,808,265	$ -
2010B Taxable Build America Lease Revenue Bonds	106,660,000	-	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	5,005,000	-	(280,000)	4,725,000	605,000
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	18,030,000	-	(1,045,000)	16,985,000	1,110,000
Accreted Interest on Capital Appreciation Bonds	3,102,985	998,726	-	4,101,711	-
Subtotal - Bonded Long-Term Liabilities	211,906,250	998,726	(1,325,000)	211,579,976	1,715,000
Compensated Absences	186,454	114,557	(93,543)	207,468	59,938
Total Long-Term Liabilities	$ 212,092,704	$ 1,113,283	$ (1,418,543)	$ 211,787,444	$ 1,774,938

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.

Note 5: Long-Term Debt (Continued)

The total annual debt service requirements for the 2010 Lease Revenue Bonds including accretion as of June 30, 2015, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2016	$ -	$ -	$ 605,000	$ -	$ 1,043,540	$ 9,603,414	$ 11,251,954
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	180,000	-	1,240,000	-	1,357,613	9,458,649	12,236,262
2021-2025	15,870,000	-	-	-	8,305,927	45,820,655	69,996,582
2026-2030	15,867,345	-	-	-	9,811,720	56,231,610	81,910,675
2031-2035	4,890,920	18,380,000	-	-	2,482,569	55,334,415	81,087,904
2036-2040	-	53,635,000	-	-	-	27,066,259	80,701,259
2041-2045	-	34,645,000	-	7,400,000	-	6,140,489	48,185,489
Total	$ 36,808,265	$ 106,660,000	$ 4,725,000	$ 7,400,000	$ 26,577,088	$ 238,306,496	$ 420,476,849

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, 2015, are as follows:

	Principal Payments			
June 30	Series A	Series B	Interest	Total
2016	$ -	$ 1,110,000	$ 1,337,192	$ 2,447,192
2017	-	1,175,000	1,314,513	2,489,513
2018	-	1,175,000	1,381,958	2,556,958
2019	-	1,180,000	1,173,859	2,353,859
2020	-	1,260,000	1,062,845	2,322,845
2021-2025	-	7,530,000	3,634,607	11,164,607
2026-2030	5,665,000	3,555,000	1,626,615	10,846,615
2031-2035	10,315,000	-	1,082,607	11,397,607
2036-2040	11,450,000	-	595,578	12,045,578
2041-2045	7,470,000	-	101,384	7,571,384
Total	$ 34,900,000	$ 16,985,000	$ 13,311,158	$ 65,196,158

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.

Note 5: 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 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 $393,899,761. Principal and interest paid for the current year and total net revenues were $9,891,632 and $31,556,927, 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 notional amount of the derivative instrument outstanding at June 30, 2015, 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	Counterparty Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2013 Bonds (formerly 2006)	$ 22,560,000	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A3/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	Amortization	Ending Balance
2016	$ 1,371,834	$ 32,327	$ (298,733)	$ 1,105,428
2017	1,105,428	25,709	(267,524)	863,613
2018	863,613	19,738	(235,754)	647,597
2019	647,597	14,459	(202,872)	459,184
2020	459,184	9,917	(168,874)	300,227
2021	300,227	6,162	(133,762)	172,627
2022	172,627	3,243	(97,535)	78,335
2023	78,335	1,214	(59,636)	19,913
2024	19,913	151	(20,064)	-

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	Amortization	Ending Balance
2016	$ 851,228	$ 1,815	$ (172,525)	$ 680,518
2017	680,518	1,432	(154,501)	527,449
2018	527,449	1,091	(136,153)	392,387
2019	392,387	793	(117,163)	276,017
2020	276,017	539	(97,528)	179,028
2021	179,028	333	(77,251)	102,110
2022	102,110	174	(56,328)	45,956
2023	45,956	64	(34,440)	11,580
2024	11,580	8	(11,588)	-

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, 2015, 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, 2015		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge: Pay-fixed interest rate swaps	Deferred inflow	$ (134,742)	Asset	$ 25,115	$ 22,560,000

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, 2015, 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, 2015, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.12066%, while 65% of one month LIBOR is 0.12084%.

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, 2015, the maximum exposure/loss would have been $2,200,770.

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, 2015, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 203,248,972
Less:	
Outstanding debt issued to construct capital assets, adjusted for accretion on capital appreciation bonds of $4,101,177.	(207,478,799)
Total net investment in capital assets	(4,229,827)
Restricted net position:	
Capital projects - unspent bond proceeds	174,178
Total restricted net position	174,178
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	1,143,025
Designated for strategic plan	7,615,875
Total designated net position	8,758,900
Undesignated net position	(2,493,645)
Total unrestricted net position	6,265,255
Total net position	$ 2,209,606

Note 7: Net Position (Continued)

Net position for the Golf Course at June 30, 2015, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 7,371,424
Less:	
Outstanding debt issued to construct capital assets	-
Total net investment in capital assets	7,371,424
Unrestricted net position (designated):	
Designated for golf course master plan	364,658
Designated for clubhouse maintenance	134,260
Total designated net position	498,918
Undesignated net position	9,047,442
Total unrestricted net position	9,546,360
Total net position	$ 16,917,784

Note 8: Defined Benefit Pension Plan

Miscellaneous Plan:

Description of Plan

The Rose Bowl Operating Company Miscellaneous Plan, is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the Company's Miscellaneous Plan. Benefit provisions under the Miscellaneous Plan are established by State statue and the Company's Board of Directors.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013, risk-pool valuations. The PEPRA Plan of the Company went into effect after the measurement date of June 30, 2014.

Note 8: Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

The Miscellaneous Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire date	Prior to January 1, 2013
Benefit formula	2.5% @ 55
Benefit vesting schedule	5 years of credited service
Benefit payments	monthly for life
Retirement age	50 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%
Required employee contribution rates	7.94%
Required employer contribution rates	18.38%

Contribution Description:

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Company is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as a reduction to the net pension liability were $285,124.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

The Company reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan as of June 30, 2015, in the amount of $1,690,891.

The Company's net pension liability for the Miscellaneous Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Miscellaneous Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The Company's proportion of the net pension liability was based on a projection of the Company's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Company's proportionate share of the net pension liability for the Miscellaneous Plan as of June 30, 2013 and 2014, was as follows:

Note 8: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Proportion - June 30, 2013	0.05224%
Porportion - June 30, 2014	0.06842%
Change - Increase/(Decrease)	0.01618%

For the year ended June 30, 2015, the Company recognized pension expense of $196,466 for the Miscellaneous Plan. At June 30, 2015, the Company reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 324,565	$ -
Unamortized difference between employer contribution and the plans proportionate share of aggregate employer contributions	135,226	-
Net difference between projected and actual earnings on pension plan investments	-	(380,757)
Adjustment due to differences in proportions	-	(49,582)
Total	**$ 459,791**	**$ (430,339)**

The $324,565 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflow (Inflow) of Resources
2016	$ (77,311)
2017	(77,311)
2018	(73,769)
2019	(66,722)

Note 8: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013, total pension liability. The June 30, 2013 and the June 30, 2014, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS deemed this immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

Note 8: Defined Benefit Pension Plan (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Plan's Net Pension Liability/(Assets)	$ 2,650,589	$ 1,690,891	$ 894,433

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, 2015, the Golf Course earned $1,444,808 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 $1,378,773 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 $3,758,445. At June 30, 2015, amounts payable to the City totaled $942,340. At June 30, 2015 amounts receivable from the City totaled $523,528 in relation to the City overcharging the Company for their portion of the refunded 2006 bonds.

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, 2015, 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, 2015, the Company has spent $166,332,024 on the Renovation Project, for construction phase.

Note 13: Renovation Project (Continued)

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 1/2) 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.

As the Renovation Planned for the final phase of construction, scheduled for 2016 the Company and City approved an additional $3 million in funding; $2.9 million in philanthropic efforts and a $100,000 annual gift from the Tournament of Roses. Total approved funding for the project is now $176.8 million. Approximately $6 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, 2015.

Note 15: Prior Period Adjustments

Information obtained and analysis performed, during the 2015 fiscal year, required restatement to the June 30, 2014 net position. This restatements are fully described as follows:

Net Position at June 30, 2014, as previously stated	$	5,017,116
During the fiscal year ending June 30, 2014, the Company incorrectly recorded a long term liability relating to the derivative instrument, which caused understatement in the financial statements.		319,714
Capitalization of Interest expense for Construction Projects in progress.		16,022,289
During the current year, the Company implemented GASB Statement No. 68 resulting in a restatement of net position to establish the initial net pension liability.		(1,789,538)
Net position at June 30, 2014, as restated	$	19,569,581

Note 16: Subsequent Events

The RBOC and City has done preliminary work for the Music & Arts Festival, appropriating funds for an Environmental Impact Report and a Traffic Study. During fiscal year 2015, the City incurred $720,086 for this event, with a reimbursement of $400,000, for a net amount of $320,086, primarily for the Traffic Study, are reflected in the income statement. The RBOC plans for this event to occur during fiscal year 2017. The annual event will be a 10-year contract with second 10-year option for a potential of 20 years, in conjunction with the largest concert promoter in the world.

ROSE BOWL OPERATING COMPANY

ROSE BOWL OPERATING COMPANY MISCELLANEOUS PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

		2015
Proportion of the Net Pension Liability		0.02717%
Proportionate Share of the Net Pension Liability	$	1,690,891
Covered-Employee Payroll	$	1,698,925
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll		99.53%
Plan Fiduciary Net Position	$	5,543,229
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		76.63%

Notes to Schedule:

Benefit Changes: None.

Changes of Assumptions: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

ROSE BOWL OPERATING COMPANY

ROSE BOWL OPERATING COMPANY MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

		2015
Actuarially Determined Contribution	$	324,587
Contribution in Relation to the Actuarially Determined Contribution		(324,587)
Contribution Deficiency (Excess)	$	-
Covered-Employee Payroll	$	1,783,888
Contributions as a Percentage of Covered-Employee Payroll		18.20%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine pension liability:	
Discount rate	7.5%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power Protection allowance floor on purchasing power applies, 2.75% thereafter

INDEPENDENT AUDITORS' 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*

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 Rose Bowl Operating Company (the Company), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated January 6, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify the following deficiencies in internal control that we consider to be significant deficiencies:

Fund Balance Restatement

During our audit, management identified an error in the beginning balance that was communicated to the prior auditors; however, the financial statements reported at June 30, 2014 did not reflect the correction of the error. Pursuant to generally accepted auditing standards, the audited financial statements lacked the consistency requirement, and therefore did not reflect the proper ending balance of net position. As a result, an audit restatement of $319,000 was made.

Board of Directors
Rose Bowl Operating Company
Pasadena, California

Company's Response:

Background – During the FY15 Audit the Derivative Liability Accounts beginning balance did not tie with ending RBOC balance in FY14. RBOC made several requests of Brown Armstrong (BA) to address the issue, with no response until after the published Audit Report. RBOC wrote the correcting entry and BA agreed with the corrections after the published financials were presented. During FY15 Audit, a prior period adjustment properly re-stated the financials by reducing the Long Term Derivative Liability and Deferred outflow (Swap Agreement) accounts $319,714.

Action items:

- RBOC staff will require timely submittal of the audited Trial Balance from the Audit team.
- RBOC Staff will not proceed with the Audit Report presentation until the requested information is obtained and reconciled.
- RBOC Staff will inform the Audit Committee of these requests and concerns.

Capital Assets

As a result of our audit procedures performed relating to capital assets, it came to our attention that Company is depreciating assets with estimated useful lives that do not appear reasonable, and that are not consistent with those indicated in the financial statements. It also came to our attention that the Company did not record depreciation for a number of assets that still had a remaining net book value and were not fully depreciated. We recommend that the Company review the capital asset listing and reevaluate the useful lives assigned to the assets, and also ensure that assets with a remaining net book value are being depreciated until they have a net book value remaining of zero.

Company's Response:

Background – The FY15 Audit identified 33 expired assets that were not fully depreciated. For the Stadium Fund (404) there were 25 assets with $20k in undepreciated expenses and the Golf Course Fund (403) had 8 assets with $14k in undepreciated expenses. These assets were activated between 1960 and 2001. When transferred to the RBOC from the City of Pasadena, the Accumulated depreciation from the City was not calculated or communicated to the RBOC properly, which left an undepreciated balance at the end of the asset life. Expenses were recognized in FY16 (per LSL - Lance Soll & Lunghard) since the FY15 financials were not materially impacted by these amounts per fund.

LSL
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Rose Bowl Operating Company
Pasadena, California

Action items:

- Staff will review assets transferred from the City of Pasadena to ensure full depreciation at asset maturity.
- Fixed Assets have been audited two times over the past 15 years. During FY16 RBOC Staff will develop a policy for a fixed asset inventory review every five (5) years.
- Prior to the next audit, the Company will review the capital asset listing and reevaluate the useful lives assigned to the assets to insure that the estimated useful lives are reasonable and consistent with those indicated in the financial statements. In addition the Company shall also ensure that assets with a remaining net book value are being depreciated until they have a net book value remaining of zero.

Audit Journal Entries

We made certain journal entries as the result of the analyses performed during the audit. These journal entries were to record the restatement aforementioned above related to fund balance, to properly record accrued payroll as a liability, and to adjust the deferred refunding amount in relation to the derivative instrument.

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.*

Company's Response to Findings

The Company's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Brea, California
January 6, 2016