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

YEAR ENDED JUNE 30, 2016

BASIC FINANCIAL STATEMENTS

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

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YEAR ENDED JUNE 30, 2016

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BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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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 business-type activities 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, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rose Bowl Operating Company as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the Company adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application.*

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 plan contributions, and the schedule of proportionate share of the net pension liability 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 February 16, 2017 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
February 16, 2017

ROSE BOWL OPERATING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The objective of management's discussion and analysis is to help readers of the Rose Bowl Operating Company's ("RBOC") financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2016, with selected comparative information with the year ended June 30, 2015. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2015, 2016) in this discussion refer to the fiscal year ended June 30.

FINANCIAL HIGHLIGHTS

The assets and deferred outflow of RBOC resources exceeded liabilities and deferred inflow at the close of the most recent fiscal year for a Net Position of $17,775,604. Net Position is made up of $4,539,008 invested in capital assets, net of related debt, $15,662,665 restricted funds, and ($2,426,069) unrestricted funds.

Net position decreased by $1,351,786 from prior fiscal year.

Total Assets decreased by 0.1%, or $290,797 from prior fiscal year due to decrease in restricted cash and derivative liability (prior year asset).

Total Liabilities increased by 1.4%, or $3,027,563, from prior year, due to:

> Current Liabilities increased by $3,141,014 from prior year, due increased Accounts Payables, Due to the City of Pasadena, and Derivative instrument liability (Note 6). Accounts Payable and Due to the City of Pasadena increased from prior year is due to the four (4) major events at Year-end – one (1) Beyoncé concert and three (3) COPA soccer matches.
>
> Noncurrent liabilities decreased by $113,451 from prior year primarily due to $853,203 decrease in long term debt, $302,587 increase in net pension liability and $424,317 increase in derivative instrument liability.

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 11-13 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 14-35 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the RBOC, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $17,775,604 at the close of the most recent fiscal year.

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.

The RBOC's overall financial position decreased this fiscal year, largely due to:

Changes in Assets (Net decrease of $290,797):

1. Decrease to Cash & Investment by $1,786,402
2. Decreased to Cash & Cash Investments (restricted) by $271,087
3. Increase to Accounts Receivable by $2,067,029
4. Decrease of Construction in Progress by $23,038,068
5. Increase of Other Capital Assets, net by $22,719,945

Changes in Liabilities (Net increase by $3,027,563):

1. Increase of Accounts Payable by $2,291,688
2. Increase of Due to the City of Pasadena by $464,376
3. Increased of Derivative instrument liability by $424,317 (Note 6)
4. Decrease of Long-term liability by $853,203

Changes to Deferred outflow and inflow of resources

1. Deferred outflow of resources (Increased by $844,491)
    a. Accumulated change in fair value of hedging derivatives increased by $424,317(Note 6)
    b. Outflows related to net pension liability increased by $420,174 (Note 8)

2. Deferred inflow of resources (Decreased by $1,122,083)
    a. Deferred refunding charge decreased by $437,116
    b. Sale of future revenue decreased by $591,953
    c. Inflows related to net pension liability decreased by $67,899

ROSE BOWL OPERATING CO.

STATEMENT OF NET POSITION JUNE 30, 2016

	Rose Bowl	Golf Course	Totals 2016	Totals 2015	Variance
Assets:					
Current assets:					
Cash and investments (Note 2)	$ 7,582,281	$ 7,437,407	$ 15,019,688	$ 16,806,090	(1,786,402)
Cash and investments restricted (Note 2)	15,662,665		15,662,665	15,933,752	(271,087)
Accounts receivable, net of Allowance $24,341 for the Rose Bowl	5,271,595	514,201	5,785,796	3,718,767	2,067,029
Inventory	2,650		2,650	1,440	1,210
Prepaid assets	164,721		164,721	96,973	67,748
Total Current Assets	28,683,912	7,951,608	36,635,520	36,557,022	78,498
Noncurrent assets:					
Due from City of Pasadena (Note 11)	497,471		$ 497,471	523,528	(26,057)
Derivative instrument asset liability			-	25,115	(25,115)
Capital assets (Note 3):					
Construction in progress	802,132	2,808,818	3,610,950	26,649,018	(23,038,068)
Other capital assets, net	201,898,069	4,793,254	206,691,323	183,971,378	22,719,945
Total Noncurrent Assets	**203,197,672**	**7,602,072**	**210,799,744**	**211,169,039**	**(369,295)**
Total Assets	**231,881,584**	**15,553,680**	**247,435,264**	**247,726,061**	**(290,797)**
Deferred outflows of Resources:					
Accumulated change in fair value of hedging derivatives (Note 6)	424,317	-	424,317		424,317
Outflows related to net pension liability (Note 8)	829,037	50,928	879,965	459,791	420,174
Total Deferred Outflows of Resources	**1,253,354**	**50,928**	**1,304,282**	**459,791**	**844,491**
Liabilities:					-
Current:					
Accounts payable and other liabilities	5,281,296		$ 5,281,296	2,989,608	2,291,688
Accrued salaries and benefits	428,597	5,009	433,606	369,783	63,823
Interest payable	3,479,603		3,479,603	3,327,109	152,494
Due to the City of Pasadena (Note 11)	1,406,686	30	1,406,716	942,340	464,376
Deposits	238,011		238,011	279,597	(41,586)
Current portion of compensated absences (Note 5)	60,086	5,071	65,157	59,938	5,219
Current portion of long-term debt (Note 5)	1,920,000		1,920,000	1,715,000	205,000
Total Current Liabilities	**12,814,279**	**10,110**	**12,824,389**	**9,683,375**	**3,141,014**
Noncurrent:					
Compensated absences (Note 5)	147,896	12,482	160,378	147,530	12,848
Derivative instrument liability (Note 6)	424,317		424,317		424,317
Long-term debt (Note 5)	209,011,773	-	209,011,773	209,864,976	(853,203)
Net pension liability (Note 8)	1,756,074	237,404	1,993,478	1,690,891	302,587
Total Noncurrent Liabilities	**211,340,060**	**249,886**	**211,589,946**	**211,703,397**	**(113,451)**
Total Liabilities	**224,154,339**	**259,996**	**224,414,335**	**221,386,772**	**3,027,563**
Deferred Inflows of Resources:					
Accumulated increase in fair value of interest rate swap			-	25,115	(25,115)
Deferred refunding charge	1,785,946		1,785,946	2,223,062	(437,116)
Sales of future revenue	4,301,221	100,000	4,401,221	4,993,174	(591,953)
Inflows related to net pension liability	309,640	52,800	362,440	430,339	(67,899)
Total Deferred inflows of Resources	**6,396,807**	**152,800**	**6,549,607**	**7,671,690**	**(1,122,083)**
Net position:					
Net investment in capital assets	(3,063,064)	7,602,072	4,539,008	3,141,597	1,397,411
Restricted	15,662,665	-	15,662,665	15,933,752	(271,087)
Unrestricted	(10,015,809)	7,589,740	(2,426,069)	52,041	(2,478,110)
Total Net Position	**$ 2,583,792**	**$ 15,191,812**	**$ 17,775,604**	**$ 19,127,390**	**(1,351,786)**

Executive Summary on Major Events and Net Position or Income:

Major/Displacement events decreased by three (3); from 19 to 16 major events in Fiscal 2016.

Change to Net Event Income and per major events average net income (excluding contributions, inter-fund transfers and depreciation):

1. Net income decreased by $1,054,553 during Fiscal 2016, due to three (3) less major events.
2. No significant change to average per event net event income.
3. Major/Displacement Event Mix:
    a. Seven (7) Football games:
        i. Six (6) UCLA football games.
        ii. 102nd Rose Bowl Game: Iowa vs Stanford.
    b. Five (5) Soccer Matches:
        i. International Championship Cup FC Barcelona vs LA Galaxy
        ii. Confederation Cup - Mexico vs USA
        iii. COPA American Three (3) matches.
    c. Two (2) Concerts:
        i. Kenny Chesney
        ii. Beyoncé
    d. Two (2) Other Displacement events:
        i. America-fest, July 4th, 2015
        ii. Autism Speaks Walk.

The Statement of Revenue, Expenses and change in Net Position decreased by $1,351,786 with the below highlights:

Revenues decreased by $252,014, due to a decrease in the number of major events and change in contract terms:

1. Facility rentals decreased by $1,602,632
2. Cost recoveries increased by $921,973
3. Net ancillary revenues increased by $343,264 (Parking, Concessions and Advertising).

Expenses increased by $1,255,992;

1. Salaries and benefits increased by $460,153,
    - Due to increase of 2.5 budgeted FTEs in Finance, 1.5 budgeted FTEs in Operations/Events (prior year consultants-See#3 G&A); 1 budgeted FTE for Legacy, major event commissions and Field Operations staff salaries.
2. General and administrative expenses decreased by $216,541,
    - Due to prior year consultants becoming FTEs in 2016.
3. Depreciation increased by $885,041,
    - Due to newly activated Renovation project assets.
4. Events expenses increased by $127,339,
    - Due to increased security costs, janitorial and prevailing wage labor costs.

Other Non-Operating Revenues increased by $639,658, primarily due to:

1. Increase in Fiscal Year 2016 is due to an AT&T contribution of $1,565,000 contractually designated for gate construction.
2. Year to Year decrease in Legacy contribution of $500,000.
3. Year to Year decrease in Golf Course contribution of $508,609 due to one (1) time water grant in FY15.

ROSE BOWL OPERATING COMPANY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEAR ENDING JUNE 30, 2016

			Combined Totals		
	Rose Bowl	Golf Course	2016	2015	Variance
Operating Revenues:					
Green fees and other golf revenues		$ 1,460,980	$ 1,460,980	$ 1,444,808	$ 16,172
Parking revenue	2,876,545		2,876,545	3,184,890	(308,345)
Advertising revenue	2,207,015		2,207,015	1,897,938	309,076
Facility rentals	12,578,991		12,578,991	14,181,623	(1,602,632)
Concessions	4,294,273		4,294,273	3,951,740	342,533
Pro shop		47,347	47,347	46,114	1,233
Restaurant		543,707	543,707	517,269	26,438
Admission tax	877,553		877,553	836,015	41,538
Cost recoveries	6,295,986	15,000	6,310,986	5,389,013	921,973
Total operating revenues	**29,130,363**	**2,067,034**	**31,197,397**	**31,449,410**	(252,013)
Operating Expenses:					
Salaries and benefits	2,854,733	166,488	3,021,221	2,561,068	460,153
General and administrative	3,370,092	305,706	3,675,798	3,892,339	(216,541)
Depreciation	10,102,454	350,187	10,452,641	9,567,600	885,041
Events	14,028,715	-	14,028,715	13,901,376	127,339
Total Operating Expenses	**30,355,994**	**822,381**	**31,178,375**	**29,922,383**	1,255,992
Operating Income (Loss)	(1,225,631)	1,244,653	19,022	1,527,027	(1,508,005)
Nonoperating Revenues (Expenses):					
Investment gain	1,664,533	54,486	1,719,019	975,115	743,904
Interest expense	(11,693,568)		(11,693,568)	(10,908,416)	(785,152)
Other nonoperating revenues	8,016,748	586,993	8,603,741	7,964,083	639,658
Total Nonoperating Revenues (Expenses)	**(2,012,287)**	**641,479**	**(1,370,808)**	**(1,969,218)**	598,410
Income (Loss) Before Transfers	(3,237,918)	1,886,132	(1,351,786)	(442,191)	(909,595)
Transfer In	3,612,104		3,612,104	1,768,590	1,843,514
Transfer out		(3,612,104)	(3,612,104)	(1,768,590)	(1,843,514)
Changes in Net Position	374,186	(1,725,972)	(1,351,785)	(442,191)	(909,595)
Net Position:					
Beginning of Year	2,209,606	16,917,784	19,127,390	5,017,116	14,110,274
Restatements			-	14,552,465	(14,552,465)
End of Year	**$ 2,583,792**	**$ 15,191,812**	**$ 17,775,604**	**$ 19,127,390**	(1,351,786)

CAPITAL ASSET AND CONSTRUCTION IN PROGRESS

Stadium - $33,172,586 of capital assets were activated in Fiscal 2016 which included all Renovation Project related Construction in Progress. Renovation project unspent balance to projection is $1,539,888. Construction in Progress related to Preventative Maintenance and Other Capital Projects total $802,132.

Golf Course – There were no newly activated capital assets in Fiscal 2016. The accumulated balance of open Construction in Progress projects is $2,808,818.

Stadium:

Activated Renovation Project Capital Assets:	
Concourse, Bowl Egrass, Aisles and Field Structures	18,533,961
Entry Gates	9,161,011
Concession Stands	162,798
Restrooms	417,017
Score Board Equipment	4,285,134
Stadium Tunnels	541,238
Pavilion	48,952
Renovation Project Newly Activated Capital Assets:	33,150,111
Blue Moon Club Activated Assets	22,475
Total Activated Capital Assets:	**33,172,586**
Construction in Progress (Accumulated at Year end)	
Preventative Maintenance	293,640
Fiscal 2016 Capital Projects	508,492
Contruction in Progress	802,132

Golf Course:

No Newly Activated Captial Assets at the Golf Course.

Construction in Progress (Accumulated at Year end)	
Fiarway Improvement	1,735,637
Green Complexes	733,939
Clubhouse Major Maintainance	339,242
Contruction in Progress	2,808,818

Year to year Change of Capital Assets, Accumulated Depreciation and Construction in Progress:

Rose Bowl Operating Company's Capital Assets

Stadium

	June 30, 2016	June 30, 2015
Building and improvements	237,133,008	208,245,555
Machinery and equipment	16,322,627	12,037,494
Sub-total	253,455,636	220,283,049
Less accumulated depreciation	(51,557,566)	(41,455,112)
Total	201,898,069	178,827,937
Construction in Progress	802,132	24,421,035

Golf Course

	June 30, 2016	June 30, 2015
Building and improvements	7,726,218	7,726,218
Machinery and equipment	309,129	309,129
Sub-total	8,035,348	8,035,348
Less accumulated depreciation	(3,242,093)	(2,891,906)
Total	4,793,255	5,143,442
Construction in Progress	2,808,818	2,227,982

YEAR TO YEAR CHANGE IN BOND DEBT:

Year to year decrease of $648,200 in the 2010 and 2013 Bond Debt is net of debt service $1,715,000 (principal) and interest accreted $1,066,797.

Rose Bowl Operating Company's Debt

	June 30, 2016	June 30, 2015
2010 Revenue Bonds	160,156,776	159,694,976
2013 Revenue Bonds	50,775,000	51,885,000
Total	$ 210,931,776	$ 211,579,976

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of 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.

[i] When calculating the Net position: the unrestricted component is determined as a net of Assets, Liabilities and Current year Net Income. Negative Unrestricted means asset values are less than that of investments, debt and the restricted dollars in retained-earnings. This is caused by Stadium bond debt at the RBOC.

ROSE BOWL OPERATING COMPANY

STATEMENT OF NET POSITION
JUNE 30, 2016

	Rose Bowl	Golf Course	Totals
Assets:			
Current:			
Cash and investments (Note 2)	$ 7,582,281	$ 7,437,407	$ 15,019,688
Cash and investments restricted (Note 2)	15,662,665	-	15,662,665
Accounts receivable, net of allowance of $24,341 for the Rose Bowl	5,271,595	514,201	5,785,796
Inventory	2,650	-	2,650
Prepaid assets	164,721	-	164,721
Total Current Assets	**28,683,912**	**7,951,608**	**36,635,520**
Noncurrent:			
Due from City of Pasadena (Note 11)	497,471	-	497,471
Capital assets (Note 3):			
Construction in progress	802,132	2,808,818	3,610,950
Other capital assets, net	201,898,069	4,793,254	206,691,323
Total Noncurrent Assets	**203,197,672**	**7,602,072**	**210,799,744**
Total Assets	**231,881,584**	**15,553,680**	**247,435,264**
Deferred Outflows of Resources:			
Accumulated change in fair value of interest rate swap (Note 6)	424,317	-	424,317
Outflows related to net pension liability (Note 8)	829,037	50,928	879,965
Total Deferred Outflows of Resources	**1,253,354**	**50,928**	**1,304,282**
Liabilities:			
Current:			
Accounts payable and other liabilities	5,281,296	-	5,281,296
Accrued salaries and benefits	428,597	5,009	433,606
Interest payable	3,479,603	-	3,479,603
Due to City of Pasadena (Note 11)	1,406,686	30	1,406,716
Deposits	238,011	-	238,011
Current portion compensated absences (Note 5)	60,086	5,071	65,157
Current portion of long-term debt (Note 5)	1,920,000	-	1,920,000
Total Current Liabilities	**12,814,279**	**10,110**	**12,824,389**
Noncurrent:			
Compensated absences (Note 5)	147,896	12,482	160,378
Long-term debt (Note 5)	209,011,773	-	209,011,773
Derivative instrument liability (Note 6)	424,317	-	424,317
Net pension liability (Note 8)	1,756,074	237,404	1,993,478
Total Noncurrent Liabilities	**211,340,060**	**249,886**	**211,589,946**
Total Liabilities	**224,154,339**	**259,996**	**224,414,335**
Deferred Inflows of Resources:			
Deferred refunding charge (Note 6)	1,785,946	-	1,785,946
Sales of future revenue	4,301,221	100,000	4,401,221
Inflows related to net pension liability (Note 8)	309,640	52,800	362,440
Total Deferred Inflows of Resources	**6,396,807**	**152,800**	**6,549,607**
Net Position (Note 7):			
Net investment in capital assets	(3,063,064)	7,602,072	4,539,008
Restricted	15,662,665	-	15,662,665
Unrestricted	(10,015,809)	7,589,740	(2,426,069)
Total Net Position	**$ 2,583,792**	**$ 15,191,812**	**$ 17,775,604**

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, 2016

	Rose Bowl	Golf Course	Totals
Operating Revenues:			
Green fees and other golf revenues	$ -	$ 1,460,980	$ 1,460,980
Parking revenue	2,876,545	-	2,876,545
Advertising revenue	2,207,015	-	2,207,015
Facility rentals	12,578,991	-	12,578,991
Concessions	4,294,273	-	4,294,273
Pro shop	-	47,347	47,347
Restaurant	-	543,707	543,707
Admission tax	877,553	-	877,553
Cost recoveries	6,295,986	15,000	6,310,986
Total Operating Revenues	**29,130,363**	**2,067,034**	**31,197,397**
Operating Expenses:			
Salaries and benefits	2,854,733	166,488	3,021,221
General and administrative	3,370,092	305,706	3,675,798
Depreciation	10,102,454	350,187	10,452,641
Events	14,028,715	-	14,028,715
Total Operating Expenses	**30,355,994**	**822,381**	**31,178,375**
Operating Income (Loss)	(1,225,631)	1,244,653	19,022
Nonoperating Revenues (Expenses):			
Investment gain	1,664,533	54,486	1,719,019
Interest expense	(11,693,568)	-	(11,693,568)
Other nonoperating revenues	8,016,748	586,993	8,603,741
Total Nonoperating Revenues (Expenses)	**(2,012,287)**	**641,479**	**(1,370,808)**
Income (Loss) Before Transfers	(3,237,918)	1,886,132	(1,351,786)
Transfer In	3,612,104	-	3,612,104
Transfer Out	-	(3,612,104)	(3,612,104)
Changes in Net Position	374,186	(1,725,972)	(1,351,786)
Net Position:			
Beginning of Year	2,209,606	16,917,784	19,127,390
End of Year	**$ 2,583,792**	**$ 15,191,812**	**$ 17,775,604**

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

ROSE BOWL OPERATING COMPANY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

	Rose Bowl	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers	$ 16,980,719	$ 2,162,142	$ 19,142,861
Cash paid to employees for services	(3,024,313)	(164,327)	(3,188,640)
Cash paid to suppliers for goods and services	(14,663,457)	(305,656)	(14,969,113)
Other cash receipts	9,380,554	15,000	9,395,554
Net Cash Provided by Operating Activities	**8,673,503**	**1,707,159**	**10,380,662**
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(3,612,104)	(3,612,104)
Cash transfers in	3,612,104	-	3,612,104
Contributions	5,366,285	586,993	5,953,278
Net Cash Provided (Used) by Non-Capital Financing Activities	**8,978,389**	**(3,025,111)**	**5,953,278**
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(9,553,683)	(580,835)	(10,134,518)
Federal interest subsidy on bonds payable	2,650,463	-	2,650,463
Principal payments on long-term debt	(1,715,000)	-	(1,715,000)
Interest payments on long-term debt	(10,911,393)	-	(10,911,393)
Net Cash Used in Capital and Related Financing Activities	**(19,529,613)**	**(580,835)**	**(20,110,448)**
Cash Flows from Investing Activities:			
Investment gain (loss)	1,664,533	54,486	1,719,019
Net Cash Provided by Investing Activities	**1,664,533**	**54,486**	**1,719,019**
Net Decrease in Cash and Cash Equivalents	**(213,188)**	**(1,844,301)**	**(2,057,489)**
Cash and Cash Equivalents at Beginning of Year	23,458,134	9,281,708	32,739,842
Cash and Cash Equivalents at End of Year	**$ 23,244,946**	**$ 7,437,407**	**$ 30,682,353**
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:			
Cash and investments	$ 7,582,281	$ 7,437,407	$ 15,019,688
Cash and investments restricted	15,662,665	-	15,662,665
Total reported on Statement of Net Position	23,244,946	7,437,407	30,682,353
Cash and cash equivalents at end of year	**$ 23,244,946**	**$ 7,437,407**	**$ 30,682,353**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ (1,225,631)	$ 1,244,653	$ 19,022
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	10,102,454	350,187	10,452,641
(Increase) decrease in accounts receivable	(2,077,137)	10,108	(2,067,029)
(Increase) decrease in inventory	(1,210)	-	(1,210)
(Increase) decrease in prepaid assets	(67,748)	-	(67,748)
(Increase) decrease in due from City of Pasadena	26,057	-	26,057
(Increase) decrease in deferred outflows related to net pension liability	(404,026)	(16,148)	(420,174)
Increase (decrease) in accounts payable and accrued expenses	2,355,491	20	2,355,511
Increase (decrease) in due to the City of Pasadena	464,346	30	464,376
Increase (decrease) in deposits payable	(41,586)	-	(41,586)
Increase (decrease) in deferred revenue	(691,953)	100,000	(591,953)
Increase (decrease) in compensated absences	12,098	5,969	18,067
Increase (decrease) in net pension liability	286,676	15,911	302,587
Increase (decrease) in deferred inflows related to net pension liability	(64,328)	(3,571)	(67,899)
Net Cash Provided by Operating Activities	**$ 8,673,503**	**$ 1,707,159**	**$ 10,380,662**
Non-Cash Investing, Capital, and Financing Activities:			
Changes in fair market value of interest rate swap	$ 424,317	$ -	$ 424,317

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.

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.

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

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.

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 has two items that qualify for reporting in this category:

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

1. The 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, the unamortized difference between employer contributions and the plans proportionate share of aggregate employer contributions, differences between expected and actual experience, and adjustments due to differences in proportions.

2. 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.

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 three 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 the unamortized difference between employer contributions and the plans proportionate share of aggregate employer contributions, changes in assumptions, net difference between projected and actual earnings on pension plan investments, and adjustments due to differences in proportions.

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.

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, 2016, the Golf Course Fund transferred $3,612,104 to the Rose Bowl Fund related to cash that was previously pooled with the City investments. These funds represent prior year’s cash that the Company invested with the City on behalf of the Rose Bowl Stadium.

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 No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Note 2: Cash and Investments

Cash and Investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	15,019,688
Cash and investments restricted		15,662,665
Total cash and investments	$	30,682,353

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	$	618
Deposits with financial institutions		5,066,451
Investment in the City investment pool		25,615,284
Total cash and investments	$	30,682,353

Note 2: Cash and Investments (Continued)

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20%	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.

Note 2: Cash and Investments (Continued)

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.

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
Investments in the City investment pool	$ 25,615,284	$ 25,615,284
Total	$ 25,615,284	$ 25,615,284

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
Investments in the City investment pool	$ 25,615,284	N/A	$ 25,615,284
Total	$ 25,615,284		$ 25,615,284

Note 2: Cash and Investments (Continued)

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.

Fair Value Hierarchy

The Company categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Company has the following recurring fair value measurements as of June 30, 2016:

		Level		
Investments by fair value level	Totals	1	2	3
Investments in the City investment pool	$ 25,615,284	$ -	$ 25,615,284	$ -
Totals	$ 25,615,284	$ -	$ 25,615,284	$ -

Investments in the City investment pool are valued by the underlying assets in the investment pool. The underlying assets include Local Agency Investment Funds, money market funds, municipal bonds, federal agency issues, treasury securities, corporate bonds and supranationals, all of which are level 2 or better.

Note 3: Capital Assets

Rose Bowl

Capital Assets activity for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Transfers	Additions	Deletions	Balance at June 30, 2016
Capital assets being depreciated:					
Buildings and improvements	$ 177,805,440	$ 28,864,977	$ -	$ -	$ 206,670,417
Improvements other than buildings	30,440,115	22,476	-	-	30,462,591
Machinery and equipment	12,037,494	4,285,133	-	-	16,322,627
Total depreciable capital assets	220,283,049	33,172,586	-	-	253,455,635
Less accumulated depreciation:					
Buildings and improvements	(17,263,855)	-	(7,272,399)	-	(24,536,254)
Improvements other than buildings	(18,914,322)	-	(1,531,185)	-	(20,445,507)
Machinery and equipment	(5,276,935)	-	(1,298,870)	-	(6,575,805)
Total accumulated depreciation	(41,455,112)	-	(10,102,454)	-	(51,557,566)
Net depreciable assets	178,827,937	33,172,586	(10,102,454)	-	201,898,069
Capital assets not depreciated:					
Construction in progress	24,421,035	(33,172,586)	9,553,683	-	802,132
Capital assets, net	$ 203,248,972	$ -	$ (548,771)	$ -	$ 202,700,201

The Superstructure and land are not included in this table.

Depreciation expense for the year was $10,102,454.

Golf Course

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
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	(969,903)	(58,940)	-	(1,028,843)
Improvements other than buildings	(1,595,025)	(288,991)	-	(1,884,016)
Machinery and equipment	(326,978)	(2,256)	-	(329,234)
Total accumulated depreciation	(2,891,906)	(350,187)	-	(3,242,093)
Net depreciable assets	5,143,441	(350,187)	-	4,793,254
Capital assets not depreciated:				
Construction in progress	2,227,983	580,835	-	2,808,818
Capital assets, net	$ 7,371,424	$ 230,648	$ -	$ 7,602,072

Depreciation expense for the year was $350,187.

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.

The agreement was to expire on January 31, 2016. As of the date of issue of these financial statements, an official extension agreement has not been entered into by the parties. However, both parties have verbally agreed to extend the contract for two additional years essentially under the same terms as the expired agreement.

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, 2016, are as follows:

	Balance at July 1, 2015	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2016	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	4,725,000	-	(605,000)	4,120,000	745,000
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	16,985,000	-	(1,110,000)	15,875,000	1,175,000
Accreted Interest on Capital Appreciation Bonds	4,101,711	1,066,797	-	5,168,508	-
Subtotal - Bonded Long-Term Liabilities	211,579,976	1,066,797	(1,715,000)	210,931,773	1,920,000
Compensated Absences	207,468	153,930	(135,863)	225,535	65,157
Total Long-Term Liabilities	$ 211,787,444	$ 1,220,727	$ (1,850,863)	$ 211,157,308	$ 1,985,157

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 States 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 States 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, 2016, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2017	$ -	$ -	$ 745,000	$ -	$ 1,139,262	$ 9,583,237	$ 11,467,499
2018	-	-	935,000	-	1,216,702	9,553,631	11,705,333
2019	-	-	1,200,000	-	1,299,506	9,514,137	12,013,643
2020	180,000	-	1,240,000	-	1,387,947	9,458,649	12,266,596
2021	1,655,000	-	-	-	1,482,345	9,397,591	12,534,936
2022-2026	19,615,000	-	-	-	9,068,745	45,019,955	73,703,700
2027-2031	12,269,197	-	-	-	8,610,468	60,906,258	81,785,923
2032-2036	3,089,068	27,655,000	-	-	963,251	48,902,082	80,609,401
2037-2041	-	57,475,000	-	-	-	23,232,430	80,707,430
2042-2046	-	21,530,000	-	7,400,000	-	3,135,112	32,065,112
Total	$ 36,808,265	$ 106,660,000	$ 4,120,000	$ 7,400,000	$ 25,168,226	$ 228,703,082	$ 408,859,573

<u>2013 Rose Bowl Lease Revenue Bonds</u>

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, 2016, are as follows:

	Principal Payments			
June 30	Series A	Series B	Interest	Total
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	-	1,350,000	946,857	2,296,857
2022-2026	-	7,915,000	3,102,354	11,017,354
2027-2031	7,645,000	1,820,000	1,465,111	10,930,111
2032-2036	10,530,000	-	989,224	11,519,224
2037-2041	11,695,000	-	491,891	12,186,891
2042-2046	5,030,000	-	45,354	5,075,354
Total	$ 34,900,000	$ 15,875,000	$ 11,973,966	$ 62,748,966

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 $383,691,347. Principal and interest paid for the current year and total net revenues were $10,208,414 and $39,247,286, 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, 2016, 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)	$ 20,320,000	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
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
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 Company has the following recurring fair value measurements as of June 30, 2016:

Measurements by fair value level	Total	Level 1	Level 2	Level 3
Derivative instrument liability	$ 424,317	$ -	$ 424,317	$ -

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, 2016, 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, 2016		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge: Pay-fixed interest rate swaps	Deferred inflow	$ (449,432)	Liability	$ 424,317	$ 20,320,000

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, 2016, and therefore the Company had no credit risk exposure.

Note 6: Derivative Instrument Liability (2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds (Continued)

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.

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, 2016, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.29644%, while 65% of one month LIBOR is 0.19269%.

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, 2016, the maximum exposure/loss would have been $2,809,625.

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, 2016, consisted of the following:

Net investment in capital assets:	
Property, plant and equipment, net	$ 202,700,201
Less:	
Outstanding debt issued to construct capital assets, adjusted for accretion on capital appreciation bonds of $5,168,508.	(205,763,265)
Total net investment in capital assets	(3,063,064)
Restricted net position:	
Capital projects - unspent bond proceeds	15,662,665
Total restricted net position	15,662,665
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	2,051,144
Designated for debt service	15,390,581
Designated for strategic plan	2,040,613
Total designated net position	19,482,338
Undesignated net position	(29,498,147)
Total unrestricted net position	(10,015,809)
Total net position	$ 2,583,792

Note 7: Net Position (Continued)

Net position for the Golf Course at June 30, 2016, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 7,602,072
Less:	
Outstanding debt issued to construct capital assets	-
Total net investment in capital assets	7,602,072
Unrestricted net position (designated):	
Designated for golf course master plan	441,259
Designated for clubhouse maintenance	63,816
Total designated net position	505,075
Undesignated net position	7,084,665
Total unrestricted net position	7,589,740
Total net position	$ 15,191,812

Note 8: Defined Benefit Pension Plan

Miscellaneous Plan:

Description of Plan

The Rose Bowl Operating Company Miscellaneous Plan and PEPRA Plan (the Plans), are cost-sharing multiple-employer defined benefit pension plans 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 Plans 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 during the measurement period ending June 30, 2014.

Note 8: Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

The Plans provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous*	PEPRA Miscellaneous
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	9.67%	6.24%

* Closed to new entrants.

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, 2016, the contributions recognized as a reduction to the net pension liability were $324,565.

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

As of June 30, 2016, the Company reported net pension liabilities (assets) for its proportionate shares of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability (Asset)		
Miscellaneous	$	1,993,812
PEPRA		(334)
Total Net Pension Liability:	**$**	**1,993,478**

Note 8: Defined Benefit Pension Plan (Continued)

The Company's net pension liability (asset) for the Plans is measured as the proportionate share of the net pension liability. The net pension liability (asset) of the Plan is measured as of June 30, 2015, and the total pension liability for the Plana used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, 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 Plans as of June 30, 2014 and 2015, was as follows:

	Miscellaneous	PEPRA	Total Plans
Proportion - June 30, 2014	0.06842%	0.00000%	**0.06842%**
Proportion - June 30, 2015	0.07267%	-0.00001%	**0.07266%**
Change - Increase (Decrease)	0.00425%	-0.00001%	**0.00424%**

For the year ended June 30, 2016, the Company recognized pension expense of ($185,486) for the Plans. At June 30, 2016, 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	$ 317,561	$ -
Unamortized difference between employer contributions and the plans proportionate share of aggregate employer contributions	86,931	(15,699)
Differences between expected and actual experience	22,168	-
Changes of assumptions	-	(209,728)
Net difference between projected and actual earnings on pension plan investments	-	(105,139)
Adjustment due to differences in proportions	453,305	(31,874)
Total	**$ 879,965**	**$ (362,440)**

The $317,561 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	$ 40,045
2017	33,928
2018	(8,402)
2019	134,393

Note 8: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014, total pension liability. The June 30, 2014 and the June 30, 2015, 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, 2014, 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 (Asset) 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:

Miscellaneous plans Net Pension Liability (Asset)	Discount Rate - 1% 6.50%	Current Discount 7.50%	Discount Rate +1% 8.50%
Miscellaneous	$ 3,343,762	$ 1,993,812	$ 879,272
PEPRA	(560)	(334)	(147)
TOTAL:	**$ 3,343,202**	**$ 1,993,478**	**$ 879,125**

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. As of the date of issue of these financial statements, an official extension agreement has not been entered into by the parties. However, both parties have verbally agreed to extend the contract for two additional years under the same terms as the expired agreement. 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, 2016, the Golf Course earned $1,460,980 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 $298,636 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 $4,796,811. At June 30, 2016, amounts payable to the City totaled $1,406,686.

In addition, at June 30, 2016, the Company has amounts receivable from the City related to the 2006 bond refunding in the amount of $497,471.

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, 2016, the Company received $7,460,000 in 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, 2016, the Company has completed the project at a total cost of approximately $182,700,000.

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, 2016.

ROSE BOWL OPERATING COMPANY

COST SHARING MULTIPLE-EMPLOYER PLANS
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 (Asset)		
Miscellaneous Plan		0.07267%
PEPRA Plan		0.00001%
Proportionate Share of the Net Pension Liability (Asset)		
Miscellaneous Plan	$	1,993,812
PEPRA Plan		(334)
	$	1,993,478
Covered-Employee Payroll		
Miscellaneous Plan	$	2,318,023
PEPRA Plan		243,045
	$	2,561,068
Proportionate Share of the Net Pension Liability (Asset) as Percentage of Covered-Employee Payroll		
Miscellaneous Plan		**86.01%**
PEPRA Plan		**-0.14%**
Total Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
Miscellaneous Plan		**78.40%**
PEPRA Plan		**78.40%**

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

COST SHARING MULTIPLE-EMPLOYER PLANS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

		2016
Actuarially Determined Contributions		
Miscellaneous Plan	$	288,829
PEPRA Plan		28,732
Contribution in Relation to the Actuarially Determined Contribution		(317,561)
Contribution Deficiency (Excess)	$	-
Covered-Employee Payroll	$	3,021,413
Contributions as a Percentage of Covered-Employee Payroll		10.51%

(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, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	30 years as of valuation date
Assets valuation method	Market value
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.
Retirement age	Minimum 50 years
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

LSL
CPAs AND ADVISORS

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated February 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Brea, California
February 16, 2017