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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

TABLE OF CONTENTS

LSL
CPAs AND ADVISORS

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, 2018, 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.

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

LSL
CPAs AND ADVISORS

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 financial position of the business-type activities of the Rose Bowl Operating Company as of June 30, 2018, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 November 30, 2018 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 solely 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 the effectiveness of 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
November 28, 2018

ROSE BOWL OPERATING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018, with selected comparative information with the year ended June 30, 2017. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2017, 2018) in this discussion refer to the fiscal year ended June 30.

I. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends 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 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 15-17 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 18-41 of this report.

II. 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 **$19,372,990**.

Balance Sheet:

Net Position is made up of $7,207,511 Invested in capital assets, net of related debt and $12,165,479 unrestricted funds. Net Position increased by $2,870,627 from prior fiscal year.

Total Assets increased by 9% or $21,610,937 from prior fiscal mainly due to:

Cash and Investments increased by $27,923,637: Ticketmaster events cash $15.5M, Contributions $11.5M, Premium Seating cash $1.5M, Operating Cash $.4M, Debt Service Reserve/Renovation Project Cash ($1.0M)

Accounts receivable net of allowance Increased by $868,361 mainly due $535,571 Major events and $464,574 increased Minor Event and other A/R (with no collection concerns or allowance for doubtful accounts). Other Account Receivable reduced by ($98,645), mainly made up of Golf Course receivable.
Construction/Work in Progress (WIP) increased by $1,620,911, mainly due to Assets acquisitions from American Golf $1,025,623 and Sodexo POS systems $595,288 pending FY19 activation.

Other Capital Assets, net decreased by ($8,917,354) due to Assets Values less depreciation or Net Book Value (NBV):

Capital Asset change in net book value:

	Stadium	Golf	Total
Building	(6,380,371)	(226,576)	(6,606,947)
Improvements	(697,594)	(357,703)	(1,055,297)
Equipment	(1,252,854)	(2,256)	(1,255,110)
YtY NBV Change	(8,330,819)	(586,535)	(8,917,354)

Changes to net book value (NBV) are made up of prior year assets, plus new Capital and preventative maintenance projects less depreciation.
(Stadium NBV 185M from 193M and Golf NBV 7.3M from 7.9M)

Estimated Useful life/Depreciation:
Building and Improvements 1- 55 years, Improvements Other than building 1-95 years.
Machinery and Equipment 1-93 years *

*During 1997 the City of Pasadena brought multiple assets to the RBOC that were categorized as Machinery and Equipment and depreciated between 21 and 93 years. All other Machinery and equipment depreciates between 1 and 10 years as standard practice.

Total Liabilities increased by 8%, or **$17,828,737**, from prior year, due to:

Current Liabilities increased by $17,571,708 from prior year, due to Increased Accounts Payables, Accrued Salaries and Benefits, interest payable, and Due to the City of Pasadena of $1,574,334 (mainly due to timing in check runs with year-end). Increases in deposits $15,552,872 mainly due to Ticketmaster major event cash deposits held by RBOC. Increases in Current position is due to Levy $1,000,000 contracted advance, earned at $100,000 per year over 10 years. Finally, Current portion of long-term debt increased by $321,769 due to Stadium $270,000 (2010 B & C Bond) and Golf Course $51,769 due to a current portion for the asset purchase from American Golf ($776,530 over 15 years).

Noncurrent liabilities increased by $257,029 from prior year primarily due to a $900,000 increase in Long-term advance (due to Levy $1,000,000 contracted advance less current portion $100,000 for 1 year). Long-term debt decreased by ($988,740) due to Stadium $1,713,501 decrease in Bond (net of 2010 A-C) and Increased Golf Course Debt of $724,761 (American Golf Co related long-term portion of asset purchase $776,530). Also, net pension liability increased by $338,221 due to CalPERs valuation.

Deferred inflows of Resources increased by $466,933. Accumulated change in fair market value of interest rate swap increased by $263,215. Deferred Refunding charge decreased by $351,678 (associated with the 2006 bonds). Sales of future revenue increased by $645,323 (UCLA/Rose Bowl Game deposits increased $746,146, Other Major Events decreased by $100,851). Finally, inflow related to inflow of net pension liability decreased by ($89,927) per CalPERs valuation reporting.

Income Statement:

Income/ (Loss) or Change in Net Position is an increase of $2,870,627 made up of Stadium $2,661,489 and Golf Course $209,138 (as summarized in the below Financial Analysis).

III. EXECUTIVE SUMMARY (STADIUM AND GOLF COURSE)

Fiscal year 2018 had 1 more Major/Displacement* event and 60 more minor events than Fiscal 2017:

Fiscal Year 2017 to 2018 Events Comparison

Major/Displacement

Major Event		Fiscal 2017 Count	Event	Attendance	Fiscal 2018 Count	Event	Attendance
1	UCLA	6	Football games (with USC)	298,023	6	Football games (No USC)	248,134
2	Rose Bowl Game	1	USC vs PENN. ST.	82,849	1	OKLAHOMA vs GEORGIA	80,072
3	Arroyo Seco Weekend (ASW)	2	Music Festivals 6/24 - 6/25, 2017	48,454	2	Music Festivals 6/23 - 6/24, 2018	36,735
4	Concerts	2	Coldplay (2 days)	122,683	1	Metallica	59,964
		2	U2 (2 days)	117,722		Justin Beiber (Show Cancelled)	
					1	Green Day	36,503
					1	Cold Play	60,229
					2	Taylor Swift (2 days)	108,516
5	Soccer Matches	1	Chelsea vs Liverpool	42,715	1	International Soccer - Gold Cup Semi Final (Mexico vs Jamaica)	35,691
					1	World Cup Sendoff: Mexico vs Wales	73,362
6	Americafest 4th of July Celebration	1	Monday - July 4th, 2016	24,516		Tuesday - July 4th, 2017	20,606
	Total Major/Displacement	15		736,962	16		759,812
Number of Minor Event days		**243**			**303**		

Note: Minor event count reported in FY17 were by # of minor events. FY18 Reporting on the number of event days (for both FY17 and FY18)

* Major/Displacement are events with attendance of 20,000 and greater.

Changes to Net Event and Operations Income (Stadium and Golf)

(In this analysis *Net Event and Operations Income* excludes depreciation and Nonoperating Revenues (Expenses) and includes Operating and Event Expenses)

Stadium:

Net Event and Operations income increased $153,623 in Fiscal 2018, mainly due to the following:

Net Event and Operations Income	Fiscal 2018	Fiscal 2017	Variance	
Operating Revenues	35,539,432	31,456,223	4,083,209	13%
Overhead and Event Expenses				
Salaries and benefits	(3,675,602) *	(3,493,414)	(182,188)	5%
General and administrative	(3,796,689)	(3,535,355)	(261,334)	7%
Events	(17,413,929)	(13,927,865)	(3,486,064)	25%
Net Event and Operations Income	10,653,212	10,499,590	153,623	1%
(Before Debt, Depreciation and * PERs Adjustment)				
Investment Gain/Interest Expense	(11,630,176)	(11,452,920)	(177,256)	2%
Net After Debt:	(976,964)	(953,330)	(23,633)	2%

Major notable Event related occurrences include:

1. **Minor events** increased by $229,164, mainly due to a Target event (net 300k), making Minor events net income $1,509,086.

2. **One (1) Additional Other major event** increased income by $102,368.

3. **UCLA attendance** was down 49K year to year, with a $48,215 increase in UCLA net mainly due to increased UCLA share of parking (sold by UCLA) $120,000 Year to year increase. Without this Parking share spike – UCLA Season would have reflected $71,000 less than prior season (due to reduced attendance and increased advertising).

4. **Event Expenses** increases were due to the additional major event, increase of 60 minor events and increased expenses in areas of Security 739K, Event Production 696K, Public Safety 688K, Field/Sod 488K, Janitorial 384K, Rentals 221K, Advertising 201K (supporting ASW), and Other 65K (includes RBOC events staffing, shuttle expenses, outside consulting/temp).

<u>Golf Course:</u>

Net Golf Facility Operations Income	Fiscal 2018	Fiscal 2017	Variance	
Operating Revenues				
Green fees and other golf revenues	$ 1,339,124	$ 1,377,230	(38,106)	-3%
Pro shop	17,865	40,568	(22,703)	-56%
Restaurant	490,856	532,482	(41,626)	-8%
Cost recoveries	15,000	15,000	-	0%
Total Operating Revenues:	1,862,845	1,965,280	(102,435)	-5%
Overhead Expenses				
Salaries and benefits	(213,023) *	(195,742)	(17,281)	9%
General and administrative	(412,266)	(331,867)	(80,399)	24%
Total Overhead Expenses:	(625,289)	(527,609)	(97,680)	19%
(Before Depreciation and * PERs Adjustment)				
Net Golf Facility Operations Income:	**1,237,556**	**1,437,671**	**(200,115)**	**-14%**

Major notable occurrences include:

1. Operating Revenues decreased by ($102,435) in Fiscal 2018, mainly due to:
   a. Green Fees decrease - due to rounds and 1 increased major event.
   b. Restaurant decreased - due to business volume and 1 increased major event.
   c. Pro-Shop decreased – due to contract re-negotiation reducing rent and volume.

2. Overhead Expenses increased by $97,680 in Fiscal 2018, mainly due to:
   a. Water $101,209 AGC contract termination/share of cost
   b. Salaries & Benefits $ 17,281 Full year of a Director of Ops.
   c. General Operations $ 12,400 Laptop for new Dir, advertising, insurance
   d. Facility Maintenance $ 10,632 Plumbing, electrical, landscaping
   e. Other Utilities ($ 7,350) Telephone, electricity, internet
   f. Consulting/Temp ($ 36,492) Consultant allocation to projects

3. Other Expenses with significant year to year variances:
   a. Depreciation increased by $869,272 due to activation of all CIP spend with preventative maintenance nature.
   b. Annual PERs Valuation Adjustment increased by $43,616 due to PERs portfolio performance changes from prior year.

IV. FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government entity's financial position. For the RBOC, assets exceed liabilities by **$19,372,990** at the close of the most recent fiscal year.

The RBOC's overall financial position increased this fiscal year, mainly due to:

The Statement of Revenue, Expenses and change in Net Position / income increased by $2,870,627 with the below highlights:

Total Operating Revenues increased by $3,980,774 mainly due to Event Mix (See Executive Summary chart for Events comparison) in areas of Facility rentals (includes premium seating), Cost recoveries, and Ancillary revenue streams (Parking, Advertising and Concessions net of associated expenses):

1. **Facility rentals** increased by $2,031,990 (Contract terms)
2. **Cost recoveries** increased by $815,977 (driven by increased events, event expenses and contracted major events cost recovery).
3. **Other Ancillary Revenues** increased by $688,074 mainly due to one additional major event
    a. **Parking** increased by $388,177: $795,676 due to increased revenues less $407,499 due to increased expenses.
    b. **Concessions** increased by $299,897: $280,932 due to increased major events and $18,965 increase in minor event concessions.
4. **Advertising** Revenues increased by $377,181 (New IMG contract has increased Revenues by $115,970 and reduced expenses $261,211)
5. **Admissions Tax** increased by $169,987 (1 additional major event, increased attendance and 1 minor event with admissions tax)

Operating Expenses increased by $6,758,785:

1. **Salaries and benefits** increased by $199,469
    - Mainly due to budgeted increase of 2.0 new Full time employees (FTE): (1) Legacy Support role and (1) Golf Course Director (Total FTE 35). Salaries increased by $171,313 (6% of total Salaries) and benefits $28,156 (4% of total benefits).

2. **Annual PERs Valuation adjustment** increased by $603,696
    - The pension liability is calculated by CalPERs to value the RBOC's PERs plan performance and adjust long term liabilities.

    - In FY2018 the accrued unfunded liability was an expense of $312,205 versus the FY2017 PERS calculation resulting in a credit of ($291,491).
        - This is mainly due to PERs change of discount rate assumptions from 7.65% to 7.15% increasing expenses (487K) and balance mainly due to increased liabilities.

3. **General and administrative (G&A)** expenses increased by $341,733
    - Stadium increased by $261,334 mainly due to
        - Increases: Utilities $175,777, Repair & Maintenance $78,133, Premium Seating Operations $73,220, Equipment purchases $20,702 and City Abatement $15,000

        - Reductions: General Office Operations $25,853 (Other Contracted services, uniforms, temporary seasons support and legal services)

    - Golf increased by $80,399 mainly due to increased expense of water, one-time purchase under 10K purchases, facility maintenance and expense reductions due to allocation of consultant to projects.

4. **Depreciation** increased by $2,127,823 due to $4,621,999 of newly activated assets (net of fully depreciated existing assets).
   - Newly Activated Assets:
     - Renovation Project $ 724,819 (final phase asset activation)
     - Stadium $ 3,027,787
     - Golf Course $ 869,393

5. **Events expenses** increased by $3,486,064 mainly due to:
   - Increases were due to the additional major event, increase of 60 minor events and increased expenses in areas of Security 739K, Event Production 696K, Public Safety 688K, Field/Sod 488K, Janitorial 384K, Rentals 221K, Advertising 201K (supporting ASW), and Other 65K (includes RBOC events staffing, shuttle expenses, outside consulting/temp).

6. **Non-Operating Revenues** increased by $6,921,879 (Stadium and Golf) mainly due to:

   - Investment gain increased $ 49,523 - Interest on invested funds
   - Interest expenses decreased ($ 222,410) - Debt related
   - Other nonoperating revenues increased $ 7,094,766 - Year to year details below*

*Other nonoperating revenues Summary and Details:

Other nonoperating revenue Summary:		
Recurring Sources	4,690,969	(See Codes R below in **Other nonoperating revenue Details**)
Legacy Connections	5,100,000	(Recurring at approximately 1-2M / year)
Non- Recurring Sources	6,697,611	(IMG, Levy, Other Contributions, Lockeroom flip, new concessions contract)
Total FY18 nonoperating Revenue Sources:	16,488,580	
*** Estimated recurring funds 5.6M to 6.6M annually.**		

	Other nonoperating revenue Details: FY18 Sources	Business Unit	R - Recurring	FY18 16,488,580	FY17 Sources	FY17 9,393,814	Variance: 7,094,766
1	Legacy Connections	Stadium		5,100,000	Same as FY18	1,300,000	3,800,000
2	IMG Capital investment contribution	Stadium		3,500,000	AEG	3,000,000	500,000
3	Levy Capital contribution	Stadium		2,918,352	N/A		2,918,352
4	ToR - Contribution	Stadium	R	75,000	Same as FY18	75,000	-
5	Other Contributions:CDPLY1017S	Stadium		75,000	N/A		75,000
6	UCLA locker room flip (share of costs)	Stadium		32,528	N/A	-	32,528
7	5k x 9 due to broadcasting capital cost recovery	Stadium	R	45,000	5k x 3 broadcasting	15,000	30,000
8	Recycling refund: N/A in FY18	Stadium			Same as FY18	19,500	(19,500)
9	Subisidy 2010 Bonds	Stadium	R	2,708,370	Same as FY18	2,704,042	4,328
10	Misc. Non-Operating:	Stadium	R	8,373	Same as FY18	44,360	(35,987)
11	Misc. Non-Operating: Fac Ops	Stadium	R	276,675	Same as FY18	340,490	(63,815)
12	Misc. Non-Operating - Concessions	Stadium		171,730	Same as FY18	160,686	11,044
13	Misc. Non-Operating - PR & TM	Stadium	R	15,179	Same as FY18	13,465	1,713
14	Misc. Non-Operating - Marketing	Stadium	R	48,000	Same as FY18	48,000	-
15	Misc. Non-Operating: NYDG	Stadium	R	872,323	Same as FY18	868,150	4,173
16	Misc. Non-Operating: Exec	Stadium	R	192,821	Same as FY18	242,366	(49,546)
17	CIP related revenues from American Golf Co (9.5%)	Golf	R	449,229	Same as FY18	562,755	(113,526)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEAR ENDING JUNE 30, 2018

	Rose Bowl	Golf Course	Combined Totals 2018	Combined Totals 2017	Variance	Var% over PY
Operating Revenues:						
Green fees and other golf revenues	$ -	$ 1,339,124	$ 1,339,124	$ 1,377,230	$ (38,106)	-3%
Parking revenue	2,545,122	-	2,545,122	2,156,945	388,177	18%
Advertising revenue	3,151,477	-	3,151,477	2,774,296	377,181	14%
Facility rentals	18,670,663	-	18,670,663	16,638,673	2,031,990	12%
Concessions	3,465,494	-	3,465,494	3,165,597	299,897	9%
Pro shop	-	17,865	17,865	40,568	(22,703)	-56%
Restaurant	-	490,856	490,856	532,482	(41,626)	-8%
Admission tax	839,310	-	839,310	669,323	169,987	25%
Cost recoveries	6,867,366	15,000	6,882,366	6,066,389	815,977	13%
Total operating revenues	**35,539,432**	**1,862,845**	**37,402,277**	**33,421,503**	3,980,774	12%
Operating Expenses:						
Salaries and benefits	(3,675,602)	(213,023)	(3,888,625)	(3,689,156)	(199,469)	5%
Annual PERs Valuation Adj	(286,116)	(26,089)	(312,205)	291,491	(603,696)	-207%
General and administrative	(3,796,689)	(412,266)	(4,208,955)	(3,867,222)	(341,733)	9%
Depreciation	(12,114,782)	(1,455,928)	(13,570,710)	(11,442,887)	(2,127,823)	19%
Events	(17,413,929)	-	(17,413,929)	(13,927,865)	(3,486,064)	25%
Total Operating Expenses	**(37,287,118)**	**(2,107,306)**	**(39,394,424)**	**(32,635,639)**	(6,758,785)	21%
Operating Income (Loss)	(1,747,686)	(244,461)	(1,992,147)	785,864	(2,778,011)	-353%
Nonoperating Revenues (Expenses):						
Investment gain	(13,661)	4,370	(9,291)	(58,814)	49,523	-84%
Interest expense	(11,616,515)	-	(11,616,515)	(11,394,105)	(222,410)	2%
Other nonoperating revenues	16,039,351	449,229	16,488,580	9,393,814	7,094,766	76%
Total Nonoperating Revenues (Expenses)	**4,409,175**	**453,599**	**4,862,775**	**(2,059,105)**	**6,921,879**	-336%
Income (Loss) Before Transfers	2,661,489	209,138	2,870,627	(1,273,241)	4,143,868	
Changes in Net Position	2,661,489	209,138	2,870,627	(1,273,241)	4,143,868	-325%
Net Position:						
Beginning of Year	(142,624)	16,644,987	16,502,363	17,775,604	(1,273,241)	-7%
End of Year	**$ 2,518,865**	**$ 16,854,125**	**$ 19,372,990**	**$ 16,502,363**	**2,870,627**	17%

The Statement of Net Position (Balance Sheet) increased by $2,870,627 with the below highlights:

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.

Changes in Assets - Net Increase of $21,610,937:

1. Increase to Cash & Investment by	$28,960,885
2. Decrease to Cash & Cash Investments (restricted) by	($ 1,037,248)
3. Increase to Accounts Receivable by	$ 868,361
4. Decrease to Prepaid Assets	($ 115,119)
5. Increase to Derivative instrument asset	$ 263,215
6. Increase to Construction in Progress by	$ 1,620,911
7. Decrease to Other Capital Assets, net by	($ 8,917,354)

Decrease to Deferred Outflows of Resources ($ 444,640)

1. Decrease of Total Deferred Outflow of Resource (Assets on Balance Sheet) of ($444,640) due to
    a. Decrease to Deferred refunding charge and Accumulated change in fair value of hedging derivatives ($380,729)
    b. Decrease to Outflow related to net pension liability by ($63,911) due to PERs plan valuation.

Changes in Liabilities - Net increase by $17,828,737 mainly due to:

Current Liabilities:	
1. Increase to Accounts Payable and other Liabilities by	$ 746,043
2. Increase to Accrued Salaries and benefits	$ 64,107
3. Decrease to Interest Payable	($ 24,032)
4. Increase to Due to the City of Pasadena by	$ 788,216
5. Increased to Deposits	$ 15,552,872
6. Increase to Current portions of advance	$ 100,000
7. Increase to Current portion of compensated absence	$ 22,733
8. Increase to Current portion of Long-term debt	$ 321,769
Noncurrent Liabilities:	
1. Increase to Long-term advance	$ 900,000
2. Increase to Compensated absences	$ 7,548
3. Decrease in Long-term debt	($ 988,740)
4. Increase in Net pension liability	$ 338,221

Increase to Deferred Inflows of Resources $ 446,933

1. Increase to Deferred Inflow of Resources (Liabilities on Balance Sheet) $466,933 due to
    a. Increase to Accumulated change to fair value of interest rate swap $263,215
    b. Decrease to referred refunding charge by ($351,678)
    c. Increase to Sale of future revenue (mostly premium seating unearned) by $645,323
    d. Decrease to Inflows related to net pension liability by ($89,927) due to PERs plan valuation. (Note 8)

ROSE BOWL OPERATING CO.

STATEMENT OF NET POSITION JUNE 30, 2018

	Rose Bowl	Golf Course	Totals 2018	Totals 2017	Variance	Var%
Assets:						
Current assets:						
Cash and investments (Note 2)	$ 37,894,825	$ 9,293,842	$ 47,188,667	$ 18,227,782	28,960,885	159%
Cash and investments restricted (Note 2)	14,809,840	-	14,809,840	15,847,088	(1,037,248)	-7%
Accounts receivable, net of allowance of $14,676 for the Rose Bowl	5,816,374	311,414	6,127,788	5,259,427	868,361	17%
Inventory	1,906	-	1,906	2,215	(309)	-14%
Prepaid assets	196,805	-	196,805	312,004	(115,199)	-37%
Total Current Assets	58,719,750	9,605,256	68,325,006	39,648,516	28,676,490	72%
Noncurrent assets:						
Due from City of Pasadena (Note 12)	$ 445,357	$ -	$ 445,357	477,682	(32,325)	-7%
Derivative instrument asset (Note 6)	319,506	-	319,506	56,291	263,215	468%
Capital assets (Note 3):						
Construction in progress	1,329,106	1,025,623	2,354,729	733,818	1,620,911	221%
Other capital assets, net	185,488,338	7,322,479	192,810,817	201,728,171	(8,917,354)	-4%
Total Noncurrent Assets	**187,582,307**	**8,348,102**	**195,930,409**	**202,995,962**	**(7,065,553)**	-3%
Total Assets	**246,302,057**	**17,953,358**	**264,255,415**	**242,644,478**	**21,610,937**	9%
Deferred outflows of Resources:						
Deferred refunding charge	3,299,646	-	3,299,646	3,680,375	(380,729)	-10%
Outflows related to net pension liability (Note 8)	1,259,243	63,186	1,322,429	1,386,340	(63,911)	-5%
Total Deferred Outflows of Resources	**4,558,889**	**63,186**	4,622,075	**5,066,715**	**(444,640)**	-9%
Liabilities:						
Current:						
Accounts payable and other liabilities	$ 4,632,160	$ 39,207	$ 4,671,367	3,925,324	746,043	19%
Accrued salaries and benefits	590,585	7,001	597,586	533,479	64,107	12%
Interest payable	3,094,326	-	3,094,326	3,118,358	(24,032)	-1%
Due to the City of Pasadena (Note 11)	1,908,198	7,046	1,915,244	1,127,028	788,216	70%
Deposits	15,888,342	-	15,888,342	335,470	15,552,872	4636%
Current portion of advance (Note 9)	100,000	-	100,000	-	100,000	100%
Current portion of compensated absences (Note 5)	141,190	11,023	152,213	129,480	22,733	18%
Current portion of long-term debt (Note 5)	2,380,000	51,769	2,431,769	2,110,000	321,769	15%
Total Current Liabilities	28,734,801	116,046	28,850,847	11,279,139	17,571,708	156%
Noncurrent:						
Long-term advance (Note 9)	900,000	-	900,000	-	900,000	100%
Compensated absences (Note 5)	144,421	10,588	155,009	147,461	7,548	5%
Long-term debt (Note 5)	210,172,009	724,761	210,896,770	211,885,510	(988,740)	-0.5%
Net pension liability (Note 8)	2,420,740	267,936	2,688,676	2,350,455	338,221	14%
Total Noncurrent Liabilities	213,637,170	1,003,285	214,640,455	214,383,426	257,029	0%
Total Liabilities	**242,371,971**	**1,119,331**	**243,491,302**	**225,662,565**	**17,828,737**	8%
Deferred Inflows of Resources:						
Accumulated change in fair value of interest rate swap (Note 6)	319,506	-	319,506	56,291	263,215	468%
Deferred refunding charge (Note 6)	1,039,984	-	1,039,984	1,391,662	(351,678)	-25%
Sales of future revenue	4,523,288	-	4,523,288	3,877,965	645,323	17%
Inflows related to net pension liability (Note 8)	87,332	43,088	130,420	220,347	(89,927)	-41%
Total Deferred inflows of Resources	5,970,110	43,088	6,013,198	**5,546,265**	466,933	8%
Net position:						
Net investment in capital assets	(1,140,591)	8,348,102	7,207,511	12,910,050	(5,702,539)	-44%
Unrestricted	3,659,456	8,506,023	12,165,479	3,592,313	8,573,166	239%
Total Net Position	**$ 2,518,865**	**$ 16,854,125**	**$ 19,372,990**	**$ 16,502,363**	**2,870,627**	17%

YEAR TO YEAR CHANGE IN CAPITAL ASSETS:

Stadium - $3,783,963 of capital assets were activated in Fiscal 2018 which includes the final phase of the Renovation Project $724,819 and the balance of Stadium Capital and Preventative Maintenance projects $3,059,144.

Golf Course – $869,393 of capital assets were activated in Fiscal 2018 which includes improvements to Golf Course $399,004 and Club House (restaurant) $470,389. Golf Course Construction in Progress balance is $1,025,623.

Rose Bowl Operating Company's Capital Assets

Summary of Other capital asset, net:

	June 30, 2018	June 30, 2017	Variance
Stadium	185,488,338	193,819,157	(8,330,819)
Golf Course	7,322,479	7,909,014	(586,535)
Total Other capital assets, net	192,810,817	201,728,171	(8,917,354)

Stadium

	June 30, 2018	June 30, 2017	Variance
Building and improvements	243,411,895	239,659,288	3,752,607
Machinery and equipment	16,605,022	16,573,665	31,357
Sub-total	260,016,917	256,232,954	3,783,963
Less accumulated depreciation	(74,528,579)	(62,413,797)	(12,114,782)
Total NBV/Other Capital Asset, net	185,488,338	193,819,157	(8,330,819)
Construction in Progress	1,329,106	733,818	595,288

Golf Course

	June 30, 2018	June 30, 2017	Variance
Building and improvements	12,298,027	11,428,633	869,394
Machinery and equipment	309,129	309,129	-
Sub-total	12,607,156	11,737,762	869,394
Less accumulated depreciation	(5,284,677)	(3,828,748)	(1,455,929)
Total NBV/Other Capital Asset, net	7,322,479	7,909,014	(586,535)
Construction in Progress	1,025,623	-	1,025,623

YEAR TO YEAR CHANGE IN DEBT:

Year to year decrease in debt $666,971 - due to Stadium bond related decrease ($1,443,501) and Golf Course debt due American Golf Co. (15 year Note) $776,530.

Rose Bowl Operating Company's Debt

Stadium	June 30, 2018	June 30, 2017	Variance
2010 Revenue Bonds	129,923,265	130,858,265	
2013 Revenue Bonds	48,425,000	49,600,000	
2016 Revenue Bonds	21,865,000	21,865,000	
Accreted Interest	7,524,472	6,307,770	
2016 Bond Premium	4,814,272	5,364,475	
Total Bond Related:	$ 212,552,009	$ 213,995,510	(1,443,501)
Golf Course			
* Golf Course Debt Now includes Long Term Note Due American Golf (15 year schedule)	776,530		776,530
Total Debt:	213,328,539	213,995,510	(666,971)

Balance Sheet Reference:		
Long-Term Debt	210,896,770	211,885,510
Current Portion of Long-Term Debt	2,431,769	2,110,000
	213,328,539	213,995,510

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.

ROSE BOWL OPERATING COMPANY

STATEMENT OF NET POSITION
JUNE 30, 2018

	Rose Bowl	Golf Course	Totals
Assets:			
Current:			
Cash and investments (Note 2)	$ 37,894,825	$ 9,293,842	$ 47,188,667
Cash and investments restricted (Note 2)	14,809,840	-	14,809,840
Accounts receivable, net of allowance of $14,646 for the Rose Bowl	5,816,374	311,414	6,127,788
Inventory	1,906	-	1,906
Prepaid assets	196,805	-	196,805
Total Current Assets	**58,719,750**	**9,605,256**	**68,325,006**
Noncurrent:			
Due from City of Pasadena (Note 12)	445,357	-	445,357
Derivative instrument asset (Note 6)	319,506	-	319,506
Capital assets (Note 3):			
Construction in progress	1,329,106	1,025,623	2,354,729
Other capital assets, net	185,488,338	7,322,479	192,810,817
Total Noncurrent Assets	**187,582,307**	**8,348,102**	**195,930,409**
Total Assets	**246,302,057**	**17,953,358**	**264,255,415**
Deferred Outflows of Resources:			
Deferred refunding charge	3,299,646	-	3,299,646
Outflows related to net pension liability (Note 8)	1,259,243	63,186	1,322,429
Total Deferred Outflows of Resources	**4,558,889**	**63,186**	**4,622,075**
Liabilities:			
Current:			
Accounts payable and other liabilities	4,632,160	39,207	4,671,367
Accrued salaries and benefits	590,585	7,001	597,586
Interest payable	3,094,326	-	3,094,326
Due to City of Pasadena (Note 12)	1,908,198	7,046	1,915,244
Deposits	15,888,342	-	15,888,342
Current portion of advance (Note 9)	100,000	-	100,000
Current portion compensated absences (Note 5)	141,190	11,023	152,213
Current portion of long-term debt (Note 5)	2,380,000	51,769	2,431,769
Total Current Liabilities	**28,734,801**	**116,046**	**28,850,847**
Noncurrent:			
Long-term advance (Note 9)	900,000	-	900,000
Compensated absences (Note 5)	144,421	10,588	155,009
Long-term debt (Note 5)	210,172,009	724,761	210,896,770
Net pension liability (Note 8)	2,420,740	267,936	2,688,676
Total Noncurrent Liabilities	**213,637,170**	**1,003,285**	**214,640,455**
Total Liabilities	**242,371,971**	**1,119,331**	**243,491,302**
Deferred Inflows of Resources:			
Accumulated change in fair value of interest rate swap (Note 6)	319,506	-	319,506
Deferred refunding charge (Note 6)	1,039,984	-	1,039,984
Sales of future revenue	4,523,288	-	4,523,288
Inflows related to net pension liability (Note 8)	87,332	43,088	130,420
Total Deferred Inflows of Resources	**5,970,110**	**43,088**	**6,013,198**
Net Position (Note 7):			
Net investment in capital assets	(1,140,591)	8,348,102	7,207,511
Unrestricted	3,659,456	8,506,023	12,165,479
Total Net Position	**$ 2,518,865**	**$ 16,854,125**	**$ 19,372,990**

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, 2018

	Rose Bowl	Golf Course	Totals
Operating Revenues:			
Green fees and other golf revenues	$ -	$ 1,339,124	$ 1,339,124
Parking revenue	2,545,122	-	2,545,122
Advertising revenue	3,151,477	-	3,151,477
Facility rentals	18,670,663	-	18,670,663
Concessions	3,465,494	-	3,465,494
Pro shop	-	17,865	17,865
Restaurant	-	490,856	490,856
Admission tax	839,310	-	839,310
Cost recoveries	6,867,366	15,000	6,882,366
Total Operating Revenues	**35,539,432**	**1,862,845**	**37,402,277**
Operating Expenses:			
Salaries and benefits	3,961,718	239,112	4,200,830
General and administrative	3,796,689	412,266	4,208,955
Depreciation	12,114,782	1,455,928	13,570,710
Events	17,413,929	-	17,413,929
Total Operating Expenses	**37,287,118**	**2,107,306**	**39,394,424**
Operating Loss	(1,747,686)	(244,461)	(1,992,147)
Nonoperating Revenues (Expenses):			
Investment gain (loss)	(13,661)	4,370	(9,291)
Interest expense	(11,616,515)	-	(11,616,515)
Other nonoperating revenues	16,039,351	449,229	16,488,580
Total Nonoperating Revenues (Expenses)	**4,409,175**	**453,599**	**4,862,774**
Changes in Net Position	2,661,489	209,138	2,870,627
Net Position:			
Beginning of Year	(142,624)	16,644,987	16,502,363
End of Year	**$ 2,518,865**	**$ 16,854,125**	**$ 19,372,990**

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

ROSE BOWL OPERATING COMPANY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	Rose Bowl	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers	$ 24,326,192	$ 1,979,894	$ 26,306,086
Cash paid to employees for services	(3,648,228)	(210,116)	(3,858,344)
Cash paid to suppliers for goods and services	(3,956,972)	(366,841)	(4,323,813)
Other cash receipts	10,858,153	15,000	10,873,153
Net Cash Provided by Operating Activities	**27,579,145**	**1,417,937**	**28,997,082**
Cash Flows from Non-Capital Financing Activities:			
Contributions	13,330,981	449,229	13,780,210
Net Cash Provided by Non-Capital Financing Activities	**13,330,981**	**449,229**	**13,780,210**
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(4,379,251)	(1,895,016)	(6,274,267)
Advance	1,000,000	-	1,000,000
Proceeds from note payable	-	776,530	776,530
Federal interest subsidy on bonds payable	2,708,370	-	2,708,370
Principal payments on long-term debt	(2,110,000)	-	(2,110,000)
Interest payments on long-term debt	(10,944,997)	-	(10,944,997)
Net Cash Used in Capital and Related Financing Activities	**(13,725,878)**	**(1,118,486)**	**(14,844,364)**
Cash Flows from Investing Activities:			
Investment gain (loss)	(13,661)	4,370	(9,291)
Net Cash Provided by (Used in) Investment Activities	**(13,661)**	**4,370**	**(9,291)**
Net Increase in Cash and Cash Equivalents	**27,170,587**	**753,050**	**27,923,637**
Cash and Cash Equivalents at Beginning of Year	25,534,078	8,540,792	34,074,870
Cash and Cash Equivalents at End of Year	**$ 52,704,665**	**$ 9,293,842**	**$ 61,998,507**
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:			
Cash and investments	$ 37,894,825	$ 9,293,842	$ 47,188,667
Cash and investments restricted	14,809,840	-	14,809,840
Total reported on Statement of Net Position	52,704,665	9,293,842	61,998,507
Cash and cash equivalents at end of year	**$ 52,704,665**	**$ 9,293,842**	**$ 61,998,507**
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating Loss	$ (1,747,686)	$ (244,461)	$ (1,992,147)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation	12,114,782	1,455,928	13,570,710
(Increase) decrease in accounts receivable	(1,000,410)	132,049	(868,361)
(Increase) decrease in inventory	309	-	309
(Increase) decrease in prepaid assets	115,199	-	115,199
(Increase) decrease in due from City of Pasadena	32,325	-	32,325
(Increase) decrease in deferred outflows related to net pension liability	51,366	12,545	63,911
Increase (decrease) in accounts payable and accrued expenses	770,897	39,253	810,150
Increase (decrease) in due to the City of Pasadena	782,044	6,172	788,216
Increase (decrease) in deposits payable	15,552,872	-	15,552,872
Increase (decrease) in deferred revenue	645,323	-	645,323
Increase (decrease) in compensated absences	27,374	2,907	30,281
Increase (decrease) in net pension liability	319,776	18,445	338,221
Increase (decrease) in deferred inflows related to net pension liability	(85,026)	(4,901)	(89,927)
Net Cash Provided by Operating Activities	**$ 27,579,145**	**$ 1,417,937**	**$ 28,997,082**
Non-Cash Investing, Capital, and Financing Activities:			
Changes in fair market value of interest rate swap	$ 319,506	$ -	$ 319,506

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	1-55 years
Improvements other than building	1-95 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 net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, adjustments due to differences in proportions, and difference in proportionate share.

2. The deferred charge on refunding results in the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the life of the refunded or refunding debt.

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 the difference between expected and actual experience, changes in assumptions, adjustments due to differences in proportions, and difference in proportionate share.

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. Use of Estimates

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

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

j. 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.

Note 2: Cash and Investments

Cash and Investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	47,188,667
Cash and investments restricted		14,809,840
Total cash and investments	$	61,998,507

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	$	1,000
Deposits with financial institutions		14,424,309
Investment in the City investment pool		47,573,198
Total cash and investments	$	61,998,507

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:

		Remaining Maturity
Investment Type		12 Months or Less
Investments in the City investment pool	$ 47,573,198	$ 47,573,198
Total	$ 47,573,198	$ 47,573,198

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.

			Ratings at End
Investment Type		Minimum Legal Rating	Not Rated
Investments in the City investment pool	$ 47,573,198	N/A	$ 47,573,198
Total	$ 47,573,198		$ 47,573,198

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 quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs.

The Company has the following recurring fair value measurements as of June 30, 2018:

		Level		
Investments by fair value level	Totals	1	2	3
Investments in the City investment pool	$ 47,573,198	$ -	$ 47,573,198	$ -
Totals	$ 47,573,198	$ -	$ 47,573,198	$ -

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, 2018, is as follows:

	Balance at July 1, 2017	Transfers	Additions	Deletions	Balance at June 30, 2018
Capital assets being depreciated:					
Buildings and improvements	$ 207,220,019	$ 1,052,999	$ -	$ -	$ 208,273,018
Improvements other than buildings	32,439,270	2,699,607	-	-	35,138,877
Machinery and equipment	16,573,665	31,357	-	-	16,605,022
Total depreciable capital assets	256,232,954	3,783,963	-	-	260,016,917
Less accumulated depreciation:					
Buildings and improvements	(31,645,200)	-	(7,433,370)	-	(39,078,570)
Improvements other than buildings	(22,680,491)	-	(3,397,201)	-	(26,077,692)
Machinery and equipment	(8,088,106)	-	(1,284,211)	-	(9,372,317)
Total accumulated depreciation	(62,413,797)	-	(12,114,782)	-	(74,528,579)
Net depreciable assets	193,819,157	3,783,963	(12,114,782)	-	185,488,338
Capital assets not depreciated:					
Construction in progress	733,818	(3,783,963)	4,379,251	-	1,329,106
Capital assets, net	$ 194,552,975	$ -	$ (7,735,531)	$ -	$ 186,817,444

The Superstructure and land are not included in this table.

Depreciation expense for the year was $12,114,782.

Golf Course

Capital asset activity for the year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Transfers	Additions	Deletions	Balance at June 30, 2018
Capital assets being depreciated:					
Buildings and improvements	$ 3,932,723	$ 470,389	$ -	$ -	$ 4,403,112
Improvements other than buildings	7,495,911	399,004	-	-	7,894,915
Machinery and equipment	309,129	-	-	-	309,129
Total depreciable capital assets	11,737,763	869,393	-	-	12,607,156
Less accumulated depreciation:					
Buildings and improvements	(1,450,210)	-	(696,965)	-	(2,147,175)
Improvements other than buildings	(2,091,892)	-	(756,707)	-	(2,848,599)
Machinery and equipment	(286,647)	-	(2,256)	-	(288,903)
Total accumulated depreciation	(3,828,749)	-	(1,455,928)	-	(5,284,677)
Net depreciable assets	7,909,014	869,393	(1,455,928)	-	7,322,479
Capital assets not depreciated:					
Construction in progress	-	(869,393)	1,895,016	-	1,025,623
Capital assets, net	$ 7,909,014	$ -	$ 439,088	$ -	$ 8,348,102

Depreciation expense for the year was $1,455,928.

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 operated the golf course, a restaurant, and snack stand services through January 15, 2018. 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 expired on June 15, 2018.

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	6/15/2018	$ 1,825,000	9.5% of revenue + $100,000 annually for capital improvements

Note 5: Long-Term Debt

Rose Bowl

Long-Term liabilities for the year ended June 30, 2018, are as follows:

	Balance at July 1, 2017	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2018	Due in One Year
2010A Tax-Exempt Lease Revenue Bonds	$ 13,423,265	$ -	$ -	$ 13,423,265	$ -
2010B Taxable Build America Lease Revenue Bonds	106,660,000	-	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	3,375,000	-	(935,000)	2,440,000	(1,200,000)
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	14,700,000	-	(1,175,000)	13,525,000	(1,180,000)
2016A Tax-Exempt Lease Revenue Bonds	21,865,000	-	-	21,865,000	-
2016A Bond Premium	5,364,475	-	(550,203)	4,814,272	-
Accreted Interest on Capital Appreciation Bonds	6,307,770	1,216,702	-	7,524,472	-
Subtotal - Bonded Long-Term Liabilities	213,995,510	1,216,702	(2,660,203)	212,552,009	(2,380,000)
Compensated Absences	258,237	155,032	(127,658)	285,611	(141,190)
Total Long-Term Liabilities	$ 214,272,451	$ 1,371,734	$ (2,787,861)	$ 212,837,620	$ (2,521,190)

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 2010A bonds were partially refunded during the year ended June 30, 2017 with the 2016A bonds.

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, 2018, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2019	$ -	$ -	$ 1,200,000	$ -	$ 1,299,506	$ 8,344,887	$ 10,844,393
2020	180,000	-	1,240,000	-	1,387,947	8,289,399	11,097,346
2021	1,655,000	-	-	-	1,482,345	8,221,141	11,358,486
2022	-	-	-	-	1,583,125	8,138,391	9,721,516
2023	-	-	-	-	1,690,855	8,138,391	9,829,246
2024-2028	2,811,478	-	-	-	10,024,312	46,225,478	59,061,268
2029-2033	8,776,787	1,710,000	-	-	5,344,172	65,495,168	81,326,127
2034-2038	-	46,555,000	-	-	-	33,955,600	80,510,600
2039-2043	-	58,395,000	-	7,400,000	-	14,726,310	80,521,310
Total	$ 13,423,265	$ 106,660,000	$ 2,440,000	$ 7,400,000	$ 22,812,262	$ 201,534,765	$ 354,270,292

<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, 2018, are as follows:

	Principal Payments			
June 30	Series A	Series B	Interest	Total
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	-	1,440,000	825,746	2,265,746
2023	-	1,500,000	733,831	2,233,831
2024-2028	1,835,000	6,795,000	2,196,354	10,826,354
2029-2033	9,890,000	-	1,263,616	11,153,616
2034-2038	10,980,000	-	796,545	11,776,545
2039-2043	12,195,000	-	277,842	12,472,842
Total	$ 34,900,000	$ 13,525,000	$ 9,277,495	$ 57,702,495

Note 5: Long-Term Debt (Continued)

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.

2016 Rose Bowl Lease Revenue Bonds

On September 20, 2016, the City issued a 2016 Lease Revenue Bond, Series 2016A in the aggregate amount of $27,642,127. The bond was issued to refund a portion of the 2010 Lease Revenue Series A Bond. Series 2016A contained $23,385,000 of refunding bonds for the 2010 Lease Revenue Series A Bond.

Principal is payable in annual installments ranging from $1,980,000 to $5,130,000 commencing April 1, 2022, and ending April 1, 2027.

The balance outstanding at June 30, 2018 is comprised of the principal amount of $21,865,000, plus unamortized deferred bond premium of $4,814,272, for a total of $17,050,728
.

The annual debt service requirements for the 2016 Lease Revenue Bond as of June 30, 2018, is as follows:

June 30	Principal	Interest	Total
2019	$ -	$ 1,093,250	$ 1,093,250
2020	-	1,093,250	1,093,250
2021	-	1,093,250	1,093,250
2022	1,980,000	1,093,250	3,073,250
2023	2,255,000	994,250	3,249,250
2024-2028	17,630,000	2,152,500	19,782,500
Total	$ 21,865,000	$ 7,519,750	$ 29,384,750

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 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 are $441,357,537. Principal and interest paid for the current year and total net revenues were $12,949,958 and $51,659,298, respectively.

Note 5: Long-Term Debt (Continued)

Golf Course

Long-Term liabilities for the year ended June 30, 2018, are as follows:

	Balance at July 1, 2017	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2018	Due in One Year
Golf Equipment Finance	$ -	$ 776,530	$ -	$ 776,530	$ (51,769)
Compensated Absences	18,704	12,448	(9,541)	21,611	(11,023)
Total Long-Term Liabilities	$ 18,704	$ 788,978	$ (9,541)	$ 798,141	$ (62,792)

Golf Equipment Finance

On June 15, 2018, the Company entered into an agreement with American Golf Corporation to finance $776,530 worth of golf equipment to be paid over a 15 year period at $51,769 per year. There is no interest charged on this purchase.

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, 2018, 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)	$ 15,760,000	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	Aa2/AA-

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

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
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)	-

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
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, 2018:

Measurements by fair value level	Total	Level 1	Level 2	Level 3
Derivative instrument asset	$ 319,506	$ -	$ 319,506	$ -

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

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, 2018, 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, 2018		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge: Pay-fixed interest rate swaps	Deferred inflow	$ 263,215	Asset	$ 319,506	$ 15,760,000

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.

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, 2018, the weighted-average interest rate on the Company's hedged variable-rate debt is 1.90701%, while 65% of one month LIBOR is 1.23955%.

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, 2018, the maximum exposure/loss would have been $882,868.

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, 2018, consisted of the following:

Net investment in capital assets:	
Property, plant and equipment, net	$ 186,817,444
Less:	
Outstanding debt and related inflows and outflows issued to construct capital assets, adjusted for accretion on capital appreciation bonds of $7,524,472.	(202,767,875)
Add:	
Capital projects - unspent bond proceeds	14,809,840
Total net investment in capital assets	(1,140,591)
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	532,117
Designated for debt service	15,626,509
Total designated net position	16,158,626
Undesignated net position	(12,499,170)
Total unrestricted net position	3,659,456
Total net position	$ 2,518,865

Net position for the Golf Course at June 30, 2018, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	$ 8,348,102
Less:	
Outstanding debt issued to construct capital assets	-
Total net investment in capital assets	8,348,102
Unrestricted net position (designated)	-
Undesignated net position	8,506,023
Total unrestricted net position	8,506,023
Total net position	$ 16,854,125

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.

The Plans provisions and benefits in effect at June 30, 2018, 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	7.95%	6.25%
Required employer contribution rates	10.11%	6.53%

* Closed to new entrants.

Note 8: Defined Benefit Pension Plan (Continued)

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, 2018, the contributions recognized as a reduction to the net pension liability were $371,534.

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

As of June 30, 2018, the Company reported a net pension liability for its proportionate share of the net pension liability of each Plan of $2,688,676.

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, 2017, and the total pension liability for the Plan used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2016 and 2017, was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.06766%
Proportion - June 30, 2017	0.06821%
Change - Increase (Decrease)	0.00055%

Note 8: Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2018, the Company recognized pension expense of $312,205 for the Plans. At June 30, 2018, 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	$ 403,984	$ -
Unamortized difference between employer contributions and the plans proportionate share of aggregate employer contributions	-	-
Differences between expected and actual experience	3,242	(46,442)
Changes of assumptions	402,205	(30,668)
Net difference between projected and actual earnings on pension plan investments	90,962	-
Adjustment due to differences in proportions	296,514	(48,825)
Difference in proportionate share	125,522	(4,485)
Total	**$ 1,322,429**	**$ (130,420)**

The $403,984 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, 2018. 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
2018	$ 307,354
2019	323,142
2020	211,534
2021	(54,005)

Note 8: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016, total pension liability. The June 30, 2016 and the June 30, 2017, 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	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% 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, 2016, 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.

Change in Assumptions

In 2017, the accounting discount rate changes from 7.65% to 7.15%. The impact is reflected in deferred outflows represented as unamortized portion of the change in assumption.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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*	Real Return Years 11+**
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

* An expected inflation of 2.5% used for this period.
**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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Assets)	$ 4,014,457	$ 2,688,676	$ 1,590,640

Note 9: Advance

During the year ended June 30, 2018, the Company signed an agreement with Levy Premium Food Service to buy out the contract of SodexoMagic. This agreement provided the company an advance of $1,000,000 to purchase capital improvements. The Company must reimburse the vendor $100,000 per year over 10 years expiring on June 30, 2028. The total amount due at June 30, 2018 was $1,000,000. Any unpaid or unrecouped portion of the advance shall be reimbursed to Levy Premium Food Service as a precondition to the effectiveness of termination of the agreement for any reason.

Note 10: 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 11: Golf Course Management Contract

The Golf Course was operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement, effective February 1, 2011, and expired on June 15, 2018. The agreement entitled the Golf Course to a fixed minimum yearly amount or contractually defined percentage of annual gross receipts from golf course operations, whichever was 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 agreement, the Company 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 $42,000 per major event thereafter. For the year ended June 30, 2018, the Golf Course earned $1,377,230 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.

Note 12: 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 $1,569,045 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 $4,827,890. At June 30, 2018, amounts payable to the City totaled $1,915,244.

In addition, at June 30, 2018, the Company has amounts receivable from the City related to the 2006 bond refunding in the amount of $445,357.

Note 13: 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, 2018, the Company received $11,670,880 in capital contributions which are included in other nonoperating revenues on the statement of revenues, expenses, and changes in net position.

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, 2018.

COST SHARING MULTIPLE-EMPLOYER PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (4)

	2015	2016	2017	2018
Proportion of the Net Pension Liability (Asset)	0.02717%	0.07266%	0.06766%	0.06821%
Proportionate Share of the Net Pension Liability (Asset)	$ 1,690,891	$ 1,993,478	$ 2,350,455	$ 2,688,676
Covered Payroll	$ 1,698,925	$ 2,561,068	$ 3,021,221	$ 3,397,665
Proportionate Share of the Net Pension Liability (Asset) as Percentage of Covered Payroll	**99.53%**	**77.84%**	**77.80%**	**79.13%**
Total Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**76.63%**	**78.40%**	**75.87%**	**75.39%**

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions:

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of adminstrative expense) to 7.65 percent (without a reduction for pension plan adminstrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

(1) Historical information is required only for measurement for which GASB Statement No. 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

ROSE BOWL OPERATING COMPANY

COST SHARING MULTIPLE-EMPLOYER PLANS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (4)

	2015	2016	2017	2018
Actuarially Determined Contributions	$ 324,587	$ 317,561	$ 371,534	$ 403,984
Contribution in Relation to the Actuarially Determined Contribution	(324,587)	(317,561)	(371,534)	(403,984)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,783,888	$ 2,561,068	$ 3,397,665	$ 4,200,830
Contributions as a Percentage of Covered Payroll	18.20%	12.40%	10.93%	9.62%

(1) Historical information is required only for measurement for which GASB Statement No. 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

Note to Schedule:

Valuation Date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation of 2.75% and an annual production growth of 0.25%.

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, 2018, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated November 28, 2018.

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.*

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

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
November 28, 2018