

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

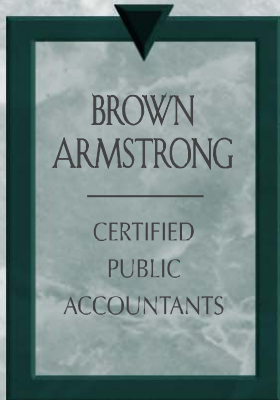
BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

**ROSE BOWL OPERATING COMPANY
(A COMPONENT UNIT OF THE CITY OF PASADENA, CALIFORNIA)
JUNE 30, 2013**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 8, 2013, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 8, 2013

**ROSE BOWL OPERATING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The objective of management's discussion and analysis is to help readers of the Rose Bowl Operating Company (RBOC) financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2013, with selected comparative information for the year ended June 30, 2012. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2013, 2012) in this discussion refer to the fiscal year ended June 30.

FINANCIAL HIGHLIGHTS

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by \$5,158,814 (net position). Of this amount, \$17,832,306 is invested in capital assets, net of related debt, with an additional \$39,474,461 restricted, leaving an unrestricted balance of \$(51,848,488).

Net position decreased \$(8,440,786) from the previous fiscal year.

The RBOC's total bonded debt increased by \$26,081,416 during the current fiscal year. The key factors are the issuance of the 2013 bonds, which were also used to refund the 2006 Variable Rate Demand Lease Revenue bonds (Locker Rooms and Media Center) while also using the corresponding Debt Service Reserve Fund, net of \$79,503 in amortization of the bond discount and refunding costs and \$(23,120) in amortization of bond premium, and a net increase in the derivative instrument deferred borrowing amount of \$966,660, offset by accretion on the 2010A tax-exempt lease revenue bonds of \$875,603.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-30 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the RBOC, assets exceeded liabilities by \$5,158,814 at the close of the most recent fiscal year. However, the RBOC's overall financial position decreased this fiscal year, largely due to increased interest expense and the decrease of investment income caused largely by a Fair Market Value adjustment.

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

Rose Bowl Operating Company's Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets:		
Current and other assets	\$ 60,284,967	\$ 94,717,129
Capital assets	<u>174,087,998</u>	<u>122,858,755</u>
Total assets	<u>234,372,965</u>	<u>217,575,884</u>
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	299,465	5,791,691
Liabilities:		
Long-term liabilities outstanding	215,677,711	191,275,509
Other liabilities	<u>13,536,440</u>	<u>18,193,001</u>
Total liabilities	<u>229,214,151</u>	<u>209,468,510</u>
Net position:		
Net investment in capital assets	17,832,306	18,496,117
Restricted	39,474,461	78,736,778
Unrestricted	<u>(51,848,488)</u>	<u>(83,333,830)</u>
Total net position	<u>\$ 5,458,279</u>	<u>\$ 13,899,065</u>

The RBOC's net position decreased by \$8,440,786 during the current fiscal year, most of which is directly related to increased interest expense and lower investment income. This is partially offset by ongoing operating revenues net of operating expenses being higher than in the previous fiscal year. Nonoperating revenues (expenses) include investment gains (losses), interest expense, and other nonoperating revenues (expenses). Due to the issuance of the 2013 bonds, interest expense was much higher than the previous year. Again, investment income decreased substantially due to a FMV adjustment. Other nonoperating revenue decreased mostly due to a decrease in subsidy income corresponding to two of the 2010 bonds. The unrestricted net position will continue to decline as the project is built and is placed into service and as the principal on debt is repaid.

Deferred outflows of resources for the RBOC relate to the accumulated decrease in fair value of hedging derivatives. Deferred outflows or resources decreased \$5,492,226 from 2012 to 2013 due to the change in fair market value of the derivative at year-end.

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

	June 30, 2013	June 30, 2012
Operating Revenues:		
Green fees and other golf revenues	\$ 1,551,395	\$ 1,597,196
Parking revenue	1,165,019	793,446
Advertising revenue	1,586,862	1,375,655
Facility rentals and admission tax	4,482,686	4,180,864
Concessions	1,255,584	1,059,293
Cost recoveries	2,306,104	1,957,826
Other Income	619,395	584,193
Total revenues	12,967,045	11,548,473
Operating Expenses:		
Rose Bowl Stadium	8,953,648	17,031,197
Golf Course	473,931	504,446
Depreciation	2,654,569	2,778,357
Total operating expenses	12,082,148	20,314,000
Operating income (loss)	884,897	(8,765,527)
Nonoperating Revenues (Expenses)		
Investment gain (loss)	(1,825,331)	2,275,371
Other nonoperating revenues	3,828,945	4,775,672
Interest expense	(12,139,047)	(11,739,301)
Total nonoperating income (expenses)	(10,135,433)	(4,688,258)
Income (loss) before other changes in net position	(9,250,536)	(13,453,785)
Contributions	809,750	861,337
Increase (decrease) in net position	(8,440,786)	(12,592,448)
Net position at beginning of year	13,899,065	26,491,513
Net position at end of year	\$ 5,458,279	\$ 13,899,065

There was an overall increase of \$1,418,572 in total operating revenues for the most recent fiscal year due to higher facility rentals, parking, advertising, and concessions revenue. Cost recoveries were also higher, however, conversely event expenses were also higher. For the fifth consecutive year, the revenue generated by the Brookside Municipal Golf Course (Golf Course) decreased after increasing three years in a row prior to that. Although largely due to economic conditions in the previous years, this latest decrease was largely due to the newer agreement (February 1, 2011) with American Golf Corporation (American Golf) where the RBOC now receives 28.5% of all Golf Course income (gross), whereas before, American Golf had been effectively paying the RBOC 33.5%. This was a blended rate comprised of 35% on Green Fees and 40% on all other Golf Course income. In exchange, the RBOC's share of Golf Course parking income generated from stadium events increased. These amounts are reflected on the stadium's records and not on the Golf Course's. Conversely, restaurant revenue increased again from the previous year, continuing to reverse the direction from fiscal year 2009 to fiscal year 2010, when there was a decrease for the first time in four years.

Interest expense rose by 3.4% from the previous year due to the issuance of the 2013 bonds. As further discussed herein, the 2010 bonds are taxable bonds, eligible for subsidies from the federal government under the "Build America Bonds" program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The RBOC's net investment in capital assets for its activities as of June 30, 2013, totals \$17,832,306. This investment in capital assets includes buildings and improvements and machinery and equipment. The total decrease in the RBOC's net investment in capital assets for the current fiscal year was \$663,811, or 3.7 percent.

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

• Fairways and Bunkers - Golf Course	\$	385,269
• Clubhouse Maintenance		64,416
• Lake Water Tunnel Project		194,897
• Strategic Plan - Stadium		53,222,764

Rose Bowl Operating Company's Capital Assets

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Buildings and improvements	\$ 53,509,466	\$ 53,509,466
Machinery and equipment	5,031,243	5,020,177
Construction in progress	<u>143,051,103</u>	<u>89,178,357</u>
Sub-total	201,591,812	147,708,000
Less accumulated depreciation	<u>(27,503,814)</u>	<u>(24,849,245)</u>
Total	<u>\$ 174,087,998</u>	<u>\$ 122,858,755</u>

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

Long-term debt

At the end of the current fiscal year, the RBOC had total bond debt outstanding of \$215,677,711. All debt is backed by lease revenues. The aforementioned 2010 bonds for the Rose Bowl Stadium renovation project are split into four series. The largest series (2010B) are taxable "Build America Bonds" which include a cash subsidy from the United States Treasury. Series 2010D are also taxable, but are Recovery Zone Economic Development Bonds. These bonds are also subsidized by payments from the United States Treasury. The interest subsidies do not offset interest expense and are not pledged as security for the bonds. The RBOC's debt is as follows:

Rose Bowl Operating Company's Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
2010 Revenue Bonds	\$ 158,495,728	\$ 157,643,245
Derivative Deferred Borrowing Amount	3,216,983	2,250,323
2006 Revenue Bond	-	28,040,497
2013 Revenue Bonds	<u>53,965,000</u>	<u>-</u>
Total	<u>\$ 215,677,711</u>	<u>\$ 187,934,065</u>

The RBOC's total bonded debt increased by \$26,081,416 during the current fiscal year. As mentioned on page 3, the key factors are the issuance of the 2013 bonds which were also used to refund the 2006 Variable Rate Demand Lease Revenue bonds (Locker Rooms and Media Center) while also using the corresponding Debt Service Reserve Fund, net of \$79,503 in amortization of the bond discount and refunding costs and \$(23,120) in amortization of bond premium, and a net increase in the derivative instrument deferred borrowing amount of \$966,660, offset by accretion on the 2010A tax-exempt lease revenue bonds of \$875,603.

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

CHANGE IN DEFINED BENEFIT PENSION REPORTING

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

REQUESTS FOR INFORMATION

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

ROSE BOWL OPERATING COMPANY
STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	Rose Bowl	Golf Course	Totals	
			2013	2012
Assets:				
Current assets:				
Cash and investments (Note 2)	\$ 7,450,139	\$ 5,426,825	\$ 12,876,964	\$ 10,363,844
Cash and investments restricted (Note 2)	40,244,679	-	40,244,679	76,966,529
Accounts receivable, net	1,487,040	553,042	2,040,082	1,930,130
Prepaid assets	41,581	-	41,581	29,104
Total current assets	<u>49,223,439</u>	<u>5,979,867</u>	<u>55,203,306</u>	<u>89,289,607</u>
Noncurrent assets:				
Cash and investments with fiscal agent (Note 2)	-	-	-	3,062,412
Other receivable	575,642	-	575,642	-
Unamortized bond issuance costs	2,186,181	-	2,186,181	2,365,110
Derivative instrument asset (Note 6)	2,319,838	-	2,319,838	-
Capital assets (Note 3):				
Construction in progress	142,081,787	969,316	143,051,103	89,178,357
Other capital assets, net	26,693,290	4,343,605	31,036,895	33,680,398
Total noncurrent assets	<u>173,856,738</u>	<u>5,312,921</u>	<u>179,169,659</u>	<u>128,286,277</u>
Total assets	<u>223,080,177</u>	<u>11,292,788</u>	<u>234,372,965</u>	<u>217,575,884</u>
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives (Note 6)	299,465	-	299,465	5,791,691
Liabilities:				
Current liabilities:				
Accounts payable and other liabilities	4,223,789	-	4,223,789	12,231,324
Accrued salaries and benefits	264,108	24,749	288,857	272,593
Interest payable	3,258,877	-	3,258,877	3,283,062
Due to the City of Pasadena (Note 12)	749,867	-	749,867	1,287,250
Deposits	289,452	-	289,452	31,200
Advanced revenue	4,451,778	100,000	4,551,778	1,087,572
Current portion of compensated absences (Note 5)	41,716	8,501	50,217	48,841
Current portion of long-term debt (Note 5)	1,035,000	-	1,035,000	1,955,000
Total current liabilities	<u>14,314,587</u>	<u>133,250</u>	<u>14,447,837</u>	<u>20,196,842</u>
Noncurrent liabilities:				
Compensated absences (Note 5)	110,551	13,052	123,603	120,215
Derivative instrument liability (Note 6)	-	-	-	3,172,388
Long-term debt (Note 5)	214,642,711	-	214,642,711	185,979,065
Total noncurrent liabilities	<u>214,753,262</u>	<u>13,052</u>	<u>214,766,314</u>	<u>189,271,668</u>
Total liabilities	<u>229,067,849</u>	<u>146,302</u>	<u>229,214,151</u>	<u>209,468,510</u>
Net position (Note 7):				
Net investment in capital assets	12,519,385	5,312,921	17,832,306	18,496,117
Restricted	37,958,139	1,516,322	39,474,461	78,736,778
Unrestricted	(56,165,731)	4,317,243	(51,848,488)	(83,333,830)
Total net position	<u>\$ (5,688,207)</u>	<u>\$ 11,146,486</u>	<u>\$ 5,458,279</u>	<u>\$ 13,899,065</u>

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Rose Bowl	Golf Course	Totals	
			2013	2012
Operating revenues:				
Green fees and other golf revenues	\$ -	\$ 1,551,395	\$ 1,551,395	\$ 1,597,196
Parking revenue	1,165,019	-	1,165,019	793,446
Advertising revenue	1,586,862	-	1,586,862	1,375,655
Television revenue	175,000	-	175,000	156,516
Facility rentals	4,357,175	-	4,357,175	4,047,383
Concessions	1,255,584	-	1,255,584	1,059,293
Pro shop	-	43,957	43,957	45,836
Restaurant	-	400,438	400,438	381,841
Admission tax	125,511	-	125,511	133,481
Cost recoveries	2,291,104	15,000	2,306,104	1,957,826
Total operating revenues	10,956,255	2,010,790	12,967,045	11,548,473
Operating expenses:				
Salaries and benefits	1,886,594	279,099	2,165,693	2,197,003
General and administrative	2,387,312	194,832	2,582,144	2,103,546
Depreciation	2,420,552	234,017	2,654,569	2,778,357
Loss on disposal of capital assets	-	-	-	9,263,856
Events	4,679,742	-	4,679,742	3,971,238
Total operating expenses	11,374,200	707,948	12,082,148	20,314,000
Operating income (loss)	(417,945)	1,302,842	884,897	(8,765,527)
Nonoperating revenues (expenses):				
Investment gain (loss)	(1,873,327)	47,996	(1,825,331)	2,275,371
Interest expense	(12,139,047)	-	(12,139,047)	(11,739,301)
Other nonoperating revenues	3,211,813	617,132	3,828,945	4,775,672
Total nonoperating revenues (expenses)	(10,800,561)	665,128	(10,135,433)	(4,688,258)
Income (loss) before transfers and capital contributions	(11,218,506)	1,967,970	(9,250,536)	(13,453,785)
Capital contributions (Note 13)	809,750	-	809,750	861,337
Increase (decrease) in net position	(10,408,756)	1,967,970	(8,440,786)	(12,592,448)
Net position at beginning of year	4,720,549	9,178,516	13,899,065	26,491,513
Net position at end of year	\$ (5,688,207)	\$ 11,146,486	\$ 5,458,279	\$ 13,899,065

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Rose Bowl	Golf Course	Totals	
			2013	2012
Cash flows from operating activities:				
Cash received from customers	\$ 13,998,062	\$ 2,017,194	\$ 16,015,256	\$ 13,443,395
Cash paid to employees for services	(1,859,964)	(309,450)	(2,169,414)	(2,053,539)
Cash paid to suppliers of goods and services	(15,629,307)	(165,225)	(15,794,532)	-
Other operating cash receipts	310,481	617,132	927,613	(907,907)
Net cash provided by (used for) operating activities	<u>(3,180,728)</u>	<u>2,159,651</u>	<u>(1,021,077)</u>	<u>10,481,949</u>
Cash flows from noncapital financing activities:				
Cash (paid) received to/from other funds	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(53,233,830)	(649,982)	(53,883,812)	(61,329,667)
Capital contributions	809,750	-	809,750	861,337
Federal interest subsidy on bonds payable	2,889,985	-	2,889,985	2,901,332
Proceeds from issuance of long-term debt and borrowings	30,511,123	-	30,511,123	962,578
Principal payments on long-term debt	(4,250,778)	-	(4,250,778)	(2,295,757)
Interest payments on long-term debt	(12,163,232)	-	(12,163,232)	(11,742,516)
Net cash used for capital and related financing activities	<u>(35,436,982)</u>	<u>(649,982)</u>	<u>(36,086,964)</u>	<u>(70,642,693)</u>
Cash flows from investing activities:				
Purchase of investments	3,062,412	-	3,062,412	49,713
Investment gain (loss)	(211,097)	47,996	(163,101)	2,275,371
Net cash provided by investing activities	<u>2,851,315</u>	<u>47,996</u>	<u>2,899,311</u>	<u>2,325,084</u>
Net increase (decrease) in cash and cash equivalents	(35,766,395)	1,557,665	(34,208,730)	(57,835,660)
Cash and investments at beginning of year	<u>83,461,213</u>	<u>3,869,160</u>	<u>87,330,373</u>	<u>145,166,033</u>
Cash and investments at end of year	<u>\$ 47,694,818</u>	<u>\$ 5,426,825</u>	<u>\$ 53,121,643</u>	<u>\$ 87,330,373</u>

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

	Rose Bowl	Golf Course	Totals	
			2013	2012
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:				
Cash and investments	\$ 7,450,139	\$ 5,426,825	\$ 12,876,964	\$ 10,363,844
Cash and investments restricted	40,244,679	-	40,244,679	76,966,529
Cash and investments with fiscal agent	-	-	-	3,062,412
Total reported on Statement of Net Position	47,694,818	5,426,825	53,121,643	90,392,785
Less noncash and investments	-	-	-	(3,062,412)
Cash and investments at end of year	\$ 47,694,818	\$ 5,426,825	\$ 53,121,643	\$ 87,330,373
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (417,945)	\$ 1,302,842	\$ 884,897	\$ (8,765,527)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Other nonoperating revenues	310,481	617,132	927,613	907,326
Loss on disposal of capital assets	-	-	-	9,263,856
Depreciation	2,420,552	234,017	2,654,569	2,778,357
(Increase) decrease in accounts receivable	(105,009)	6,404	(98,605)	1,345,822
(Increase) decrease in prepaid assets	(17,335)	4,858	(12,477)	52,106
Decrease in other receivable	-	-	-	-
Decrease in other receivable - noncurrent	(575,642)	-	(575,642)	-
Increase (decrease) in accounts payable and other liabilities	(8,007,535)	24,749	(7,982,786)	5,512,612
Increase (decrease) in accrued salaries and benefits	16,330	(24,815)	(8,485)	154,369
Increase (decrease) in due to the City of Pasadena	(537,383)	-	(537,383)	(37,841)
Increase (decrease) in compensated absences	10,300	(5,536)	4,764	(10,905)
Increase (decrease) in deposits	258,252	-	258,252	(2,318)
Increase (decrease) in deferred revenue	3,464,206	-	3,464,206	(355,908)
Net cash provided by (used for) operating activities	\$ (3,180,728)	\$ 2,159,651	\$ (1,021,077)	\$ 10,841,949

Noncash investing, capital, and financing activities

There were no significant noncash investing, capital, or financing activities for the years ended June 30, 2013 or 2012.

See accompanying notes to the basic financial statements.

**ROSE BOWL OPERATING COMPANY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Basis of Accounting

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

C. Classification of Revenues

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

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

D. Capital Assets

Capital assets are recorded at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The Company capitalizes all assets with a historical cost of at least \$10,000 consistent with City practice. The cost of normal maintenance and reports that do not add value to the assets or materially extend asset lives are not capitalized. Interest is capitalized on construction in progress in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 835-20-30 and Governmental Accounting Standards Board (GASB) Statement No. 20. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

The estimated useful lives of the assets are as follows:

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

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

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. Transfer Policy

The Company transfers unrestricted Golf Course Fund revenues to the Rose Bowl Fund to cover cash shortfalls and net position deficits in the Rose Bowl Fund, determined annually by management. The transfer is not required to be paid back to the Golf Course Fund. There was no such transfer for the year ending June 30, 2013.

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.

J. Comparative Data

The amounts shown for the year ended June 30, 2012, in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Company's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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

K. Accounting Standards Update

During the fiscal year ended June 30, 2013, the Company implemented the following GASB standards:

GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. The Company implemented this change for the current fiscal year.

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. The overall impact of implementation of GASB Statement No. 61 had no effect on the Company, which has no component units.

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

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

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. The Company implemented this change for the fiscal year ended June 30, 2013.

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

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

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

K. Accounting Standards Update (Continued)

GASB Statement No. 66 – *Items Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. The Company has not fully judged the effect of the implementation of GASB Statement No. 66 as of the date of the basic financial statements.

GASB Statement No. 67 – *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The Company does not anticipate for this standard to have an effect on the Company.

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

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

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. The Company has not fully judged the effect of the implementation of GASB Statement No. 70 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 12,876,964
Cash and investments restricted	40,244,679
	<hr/>
Total cash and investments	\$ 53,121,643
	<hr/> <hr/>

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	10,573,564
Investment in the City investment pool	<u>42,547,079</u>
 Total cash and investments	 <u>\$ 53,121,643</u>

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.

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)Investments Authorized by Debt Agreements

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

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

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13 to 60 Months</u>	<u>More than 60 Months</u>	
City of Pasadena Pool	<u>\$ 42,547,079</u>	<u>\$ 42,547,079</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 42,547,079</u></u>	<u><u>\$ 42,547,079</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE 2 – CASH AND INVESTMENTS (Continued)Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Rating as of Year-End		
			AAA	AA	Not Rated
City of Pasadena Pool	\$ 42,547,079	N/A	\$ -	\$ -	\$ 42,547,079
Total	\$ 42,547,079		\$ -	\$ -	\$ 42,547,079

Custodial Credit Risk

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

NOTE 3 – CAPITAL ASSETS

Rose Bowl

Capital asset activity for the year ended June 30, 2013, is as follows:

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
Buildings and improvements	\$ 47,259,336	\$ -	\$ -	\$ 47,259,336
Machinery and equipment	4,711,048	11,066	-	4,722,114
Total cost of depreciable assets	51,970,384	11,066	-	51,981,450
Less accumulated depreciation:				
Buildings and improvements	(19,366,397)	(2,259,194)	-	(21,625,591)
Machinery and equipment	(3,501,211)	(161,358)	-	(3,662,569)
Total accumulated depreciation	(22,867,608)	(2,420,552)	-	(25,288,160)
Net depreciable assets	29,102,776	(2,409,486)	-	26,693,290
Capital assets not depreciated:				
Construction in progress	88,859,023	53,222,764	-	142,081,787
Capital assets, net	<u>\$ 117,961,799</u>	<u>\$ 50,813,278</u>	<u>\$ -</u>	<u>\$ 168,775,077</u>

Depreciation expense for the year was \$2,420,552.

Golf Course

Capital asset activity for the year ended June 30, 2013, is as follows:

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
Buildings and improvements	\$ 6,250,130	\$ -	\$ -	\$ 6,250,130
Machinery and equipment	309,129	-	-	309,129
Total cost of depreciable assets	6,559,259	-	-	6,559,259
Less accumulated depreciation:				
Buildings and improvements	(1,710,055)	(229,509)	-	(1,939,564)
Machinery and equipment	(271,582)	(4,508)	-	(276,090)
Total accumulated depreciation	(1,981,637)	(234,017)	-	(2,215,654)
Net depreciable assets	4,577,622	(234,017)	-	4,343,605
Capital assets not depreciated:				
Construction in progress	319,334	649,982	-	969,316
Capital assets, net	<u>\$ 4,896,956</u>	<u>\$ 415,965</u>	<u>\$ -</u>	<u>\$ 5,312,921</u>

Depreciation expense for the year was \$234,017.

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

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

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

NOTE 5 – LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2013, are as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions/ Accretions</u>	<u>Deletions/ Amortizations</u>	<u>Balance at June 30, 2013</u>	<u>Due in One Year</u>
2006 Variable Rate Demand Lease Revenue Bonds	\$ 28,120,000	\$ -	\$(28,120,000)	\$ -	\$ -
2010A Tax-Exempt Lease Revenue Bonds	38,100,428	875,603	-	38,976,031	-
2010B Taxable Build America Lease Revenue Bonds	106,660,000	-	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	5,005,000	-	-	5,005,000	-
2010D Taxable Recovery Zone Economic Development Lease Revenue Bonds	7,400,000	-	-	7,400,000	-
2013A Tax-Exempt Lease Revenue Bonds	-	34,900,000	-	34,900,000	-
2013B Taxable Lease Lease Revenue Bonds	-	19,065,000	-	19,065,000	1,035,000
Derivative Instrument Deferred Borrowing Amount	2,250,323	1,712,068	(745,408)	3,216,983	-
Unamortized Premium	477,817	-	(23,120)	454,697	-
Unamortized Discounts and Refunding Costs	<u>(79,503)</u>	<u>-</u>	<u>79,503</u>	<u>-</u>	<u>-</u>
Subtotal - Bonded Long-Term Liabilities	187,934,065	56,552,671	(28,809,025)	215,677,711	1,035,000
Compensated Absences	<u>169,056</u>	<u>109,121</u>	<u>(104,357)</u>	<u>173,820</u>	<u>50,217</u>
Total Long-Term Liabilities	<u>\$ 188,103,121</u>	<u>\$ 56,661,792</u>	<u>\$(28,913,382)</u>	<u>\$ 215,851,531</u>	<u>\$ 1,085,217</u>

2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds

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

The 2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds were refunded in the current year via the 2013 Lease Revenue Bonds. See detail below.

NOTE 5 – LONG-TERM DEBT (Continued)

2010 Rose Bowl Lease Revenue Bonds

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

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

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

The total annual debt service requirements for the 2010 Lease Revenue Bonds including accretion as of June 30, 2013, are as follows:

June 30	Principal Payments				Accretion	Interest	Total
	Series A	Series B	Series C	Series D			
2014	\$ -	\$ -	\$ -	\$ -	\$ 914,787	\$ 9,611,632	\$ 10,526,419
2015	-	-	280,000	-	977,019	9,611,632	10,868,651
2016	-	-	605,000	-	1,043,540	9,603,413	11,251,953
2017	-	-	745,000	-	1,114,236	9,583,237	11,442,473
2018	-	-	935,000	-	1,190,292	9,553,631	11,678,923
2019-2023	6,530,000	-	2,440,000	-	7,281,398	46,868,211	63,119,609
2024-2028	27,035,000	-	-	-	9,982,283	42,980,207	79,997,490
2029-2033	33,580,000	1,710,000	-	-	5,965,339	40,691,957	81,947,296
2034-2038	-	46,555,000	-	-	-	33,955,602	80,510,602
2039-2043	-	58,395,000	-	7,400,000	-	14,726,308	80,521,308
Total	<u>\$ 67,145,000</u>	<u>\$ 106,660,000</u>	<u>\$ 5,005,000</u>	<u>\$ 7,400,000</u>	<u>\$ 28,468,894</u>	<u>\$ 227,185,830</u>	<u>\$ 441,864,724</u>

NOTE 5 – LONG-TERM DEBT (Continued)2013 Rose Bowl Lease Revenue Bonds

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

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

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

June 30	Principal Payments			
	Series A	Series B	Interest	Total
2014	\$ -	\$ 1,035,000	\$ 872,238	\$ 1,907,238
2015	-	1,045,000	1,062,402	2,107,402
2016	-	1,110,000	1,041,929	2,151,929
2017	-	1,175,000	1,020,222	2,195,222
2018	-	1,175,000	1,065,522	2,240,522
2019-2023	-	6,730,000	4,839,750	11,569,750
2024-2028	1,835,000	6,795,000	4,176,099	12,806,099
2029-2033	9,890,000	-	2,948,614	12,838,614
2034-2038	10,980,000	-	1,858,585	12,838,585
2039-2043	12,195,000	-	648,052	12,843,052
Total	<u>\$ 34,900,000</u>	<u>\$ 19,065,000</u>	<u>\$ 19,533,413</u>	<u>\$ 73,498,413</u>

The above table incorporates the net receipts/payments of the hedging derivative instrument associated with this debt issue. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. Refer to Note 6 for additional information regarding the derivative instrument with the debt of the Company.

Pledge of Stadium Revenues

In accordance with the Company's bond indenture, the Company has pledged all of the future revenues to secure repayment of the aforementioned 2010 bonds. Proceeds from the bonds provided financing for the current construction at the Rose Bowl Stadium. The bonds are payable from net revenues and are payable through maturity. Annual principal and interest payments on the bonds are expected to require less than 67% of net revenues. The total principal and interest remaining to be paid on the bonds is \$441,864,724. Principal and interest paid for the current year and total net revenues were \$12,861,575 and \$12,967,045, respectively.

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

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

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2013, and the changes in fair value of the derivative instrument for the year then ended are as follows:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2013 Bonds (formerly 2006)	\$26,166,850	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A2/A+

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

June 30	Beginning Balance	Accrued Interest	Payment	Ending Balance
2014	\$ 1,973,181	\$ 47,397	\$ (358,927)	\$ 1,661,651
2015	1,661,651	39,571	(329,388)	1,371,834
2016	1,371,834	32,327	(298,734)	1,105,427
2017	1,105,427	25,709	(267,523)	863,613
2018	863,613	19,738	(235,755)	647,596
2019	647,596	14,458	(202,872)	459,182
2020	459,182	9,917	(168,874)	300,225
2021	300,225	6,162	(133,762)	172,625
2022	172,625	3,242	(97,534)	78,333
2023	78,333	1,214	(59,635)	19,912
2024	19,912	151	(20,063)	-

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

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

June 30	Beginning Balance	Accrued Interest	Payment	Ending Balance
2014	\$ 1,243,802	\$ 2,703	\$ (207,288)	\$ 1,039,217
2015	1,039,217	2,239	(190,229)	851,227
2016	851,227	1,815	(172,526)	680,516
2017	680,516	1,432	(154,500)	527,448
2018	527,448	1,090	(136,154)	392,384
2019	392,384	793	(117,162)	276,015
2020	276,015	539	(97,528)	179,026
2021	179,026	333	(77,250)	102,109
2022	102,109	174	(56,328)	45,955
2023	45,955	65	(34,441)	11,579
2024	11,579	8	(11,587)	-

The remaining portion of the 2011 On-Market Swap and the 2013 On-Market Swap were deemed to be "effective" under GASB Statement No. 53. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, 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, 2013		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedge:					
Pay-fixed interest					
rate swaps	Deferred inflow	\$ 2,048,015	Asset	\$ 299,465	\$ 26,166,850

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

Credit risk: The Company is exposed to credit risk on hedging derivative instruments to the extent the value of the swap is positive from the Company's perspective. The aggregate fair value of hedging derivative instruments was negative as of June 30, 2013, and therefore the Company had no credit risk exposure.

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

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

Basis risk: The Company is currently exposed to no basis risk. The direct purchase by Union Bank of the Company bonds in 2011 eliminated the basis risk inherent in Variable Rate Bonds (VRB) swapped to a fixed rate based on 65% of LIBOR. Under the current structure, basis risk is the difference between what the Company receives under the related swap (65% of LIBOR) and the tax-exempt interest rates it pays on its VRBs which are set independently. Under the direct purchase structure, the Company pays 65% of LIBOR to Union Bank (plus a spread) which exactly matches the Company receipt of 65% of LIBOR under the related swap. As a result, the Company both receives and pays 65% of LIBOR and locks in an exact fixed cost of 3.285% plus the spread of 75 basis points (for an all-in rate of 4.035%).

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, 2013, the maximum exposure/loss would have been \$2,914,208.

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, 2013, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	\$ 168,775,077
Less:	
Outstanding debt issued to construct capital assets, adjusted for accretion on capital appreciation bonds of \$(2,167,766)	<u>(156,255,692)</u>
Total net investment in capital assets	12,519,385
Restricted net position:	
Capital projects - unspent bond proceeds and accretion on capital appreciation bonds	37,958,139
Cash held with fiscal agent	<u>-</u>
Total restricted net position	37,958,139
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	761,306
Designated for strategic plan	5,717,411
Designated for equipment replacement	<u>2,784</u>
Total designated net position	6,481,501
Undesignated net position	<u>(62,647,232)</u>
Total unrestricted net position	<u>(56,165,731)</u>
Total net position	<u><u>\$ (5,688,207)</u></u>

NOTE 7 – NET POSITION (Continued)

Net position for the Golf Course at June 30, 2013, consisted of the following:

Net investment in capital assets:	
Property, plant, and equipment, net	\$ 5,312,921
Less:	
Outstanding debt issued to construct capital assets	<u>-</u>
Total net investment in capital assets	5,312,921
Unrestricted net position (designated):	
Designated for golf course master plan	1,227,293
Designated for clubhouse maintenance	<u>289,029</u>
Total designated net position	1,516,322
Undesignated net position	<u>4,317,243</u>
Total unrestricted net position	<u>5,833,565</u>
Total net position	<u><u>\$ 11,146,486</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANPlan Description

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

Contributions

The Company is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS board of administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS. Total contributions for the year amounted to 27.58% for the year ended June 30, 2013, with the Company contributing 23.58% and the employee 4%. Benefit provisions and all other requirements are established by state statute contracts with employee bargaining groups.

For the fiscal years shown below, the Company has contributed the actuarially determined rate provided by PERS actuaries. Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012, to June 30, 2013, has been determined by an actuarial valuation of the plan as of June 30, 2009. The Company's covered payroll for PERS was \$1,486,477 for the year ended June 30, 2013, while the Company's total payroll for all employees was \$1,633,228 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012, to June 30, 2013.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)*Three-Year Trend Information*Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 263,737	100.00%	\$ -
6/30/2012	246,515	100.00%	-
6/30/2013	262,337	100.00%	-

Annual Pension Cost

<u>Fiscal Year</u>	<u>Funded by Employer</u>			<u>Funded by Employee</u>	
	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>	<u>Sub-total</u>	<u>Employee Contribution Rate</u>	<u>Total</u>
6/30/2011	11.97%	6.00%	17.97%	4.00%	21.97%
6/30/2012	14.79%	6.00%	20.79%	4.00%	24.79%
6/30/2013	17.58%	6.00%	23.58%	4.00%	27.58%

NOTE 9 – SELF-INSURANCE PROGRAM

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

NOTE 10 – GOLF COURSE MANAGEMENT CONTRACT

The Golf Course is operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement, effective February 1, 2011, set to expire on January 31, 2016. The agreement entitles the Golf Course to a fixed minimum yearly amount or contractually defined percentage of annual gross receipts from golf course operations, whichever is greater. Under the old agreement, American Golf had been paying the Company 30% on Green Fees and 40% on all other golf income (gross). When blended, this effectively amounted to 33.5%. With the new agreement, the Company now receives 28.5% on all golf income (gross). In exchange, the Company's share of Golf Course parking income generated during stadium events increases. For the year ended June 30, 2013, the Golf Course earned \$1,551,395 from the agreement with American Golf

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

NOTE 11 – OPERATING LEASE

On November 17, 2010, the Company entered into a 30-year agreement with UCLA for use of the Rose Bowl Stadium and surrounding parking areas. UCLA is required to pay the Company an amount equal to eight percent (8%) of the sale of admission tickets and television revenues as rental consideration. In accordance with the contract, the Company is required to make certain improvements to the stadium as specified in the agreement.

NOTE 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 \$788,992 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 \$1,811,295. At June 30, 2013, amounts payable to the City totaled \$749,867.

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, 2013, the Company received the following capital contributions:

Pasadena Tournament of Roses Association	<u>\$ 809,750</u>
Total capital contributions	<u>\$ 809,750</u>

NOTE 14 – RENOVATION PROJECT

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

As of June 30, 2013, the Company has spent \$141,623,283 on the Renovation Project, of which \$6,366,107 were on the preliminary phase and \$135,257,176 for the construction phase.

The total estimated cost of the proposed Rose Bowl Renovation Project was originally \$152 million. The sources for these funds include the net project fund deposits of \$127 million from the lease-revenue financing issued by the City (see further detail at Note 5); \$15 million equity contribution from the Company, Pasadena Tournament of Roses Association, and the City of Pasadena; and \$7.5 million of funding revenues from future expected events, such as a 2014 Bowl Championship Series and philanthropic efforts.

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

Construction has uncovered a number of unanticipated expenses relating to unknown conditions of the existing 90 year old facility. Also, subsequent to this and to fiscal year ended June 30, 2013, the Company has continued to receive bids that were less favorable than originally estimated, further increasing the gap in funding for this project and forcing a number of changes to the project scope. Some of these scope changes will require the consent of UCLA and the Pasadena Tournament of Roses (TOR) Association. Staff is currently negotiating with UCLA and TOR concerning these project scope changes, however, as of the date of this report, no agreement has been reached.

To help fund the gap, the Rose Bowl Legacy has the task in raising \$20 million in private donations.

NOTE 14 – RENOVATION PROJECT (Continued)

In January 2013 the Board of Directors and the City approved the financing plan to increase the project budget in the amount of \$30 million for a new total of \$168.8 million. The approved additional funding consisted of restructuring the existing 2006 Rose Bowl debt with the addition of new debt necessary to net \$30 million of construction proceeds. The restructured debt would extend the existing Rose Bowl portion of the 2006 debt to 2043 and issue new debt that would yield \$30 million in net new money for the project.

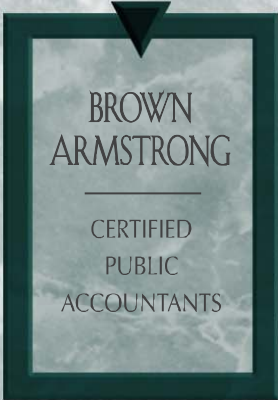
NOTE 15 – INCOME TAXES

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, 2013.

NOTE 16 – SUBSEQUENT EVENTS

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if those events are required to be disclosed in these financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through November 8, 2013, which is the date these financial statements were issued.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), as of and for the year ended June 30, 2013, 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 8, 2013.

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.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 8, 2013