CPAs AND ADVISORS

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

YEAR ENDED JUNE 30, 2017

BASIC FINANCIAL STATEMENTS

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

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YEAR ENDED JUNE 30, 2017

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), a component unit of the City of Pasadena, California as of and for the year ended June 30, 2017, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rose Bowl Operating Company as of June 30, 2017, 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, 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, 2017 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 30, 2017

ROSE BOWL OPERATING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017, with selected comparative information with the year ended June 30, 2016. This discussion should be read in conjunction with the financial statements. Unless otherwise indicated, years (2016, 2017) in this discussion refer to the fiscal year ended June 30.

FINANCIAL HIGHLIGHTS

The assets and deferred outflow of RBOC resources exceeded liabilities and deferred inflow at the close of the most recent fiscal year for a Net Position of $16,502,363.

Balance Sheet:

Net Position is made up of $12,910,050 Invested in capital assets, net of related debt and $3,592,313 unrestricted funds.

Net Position decreased by ($1,273,241) from prior fiscal year.

Total Assets decreased by 2%, or ($4,790,786) from prior fiscal year mainly due to:

1. Cash and Investments increased by $3,208,094 mainly due to AEG's capital investment for the Arroyo Seco Weekend event (ASW)

2. Accounts receivable net of allowance decreased by ($526,369) mainly due to shorter collection period with ASW than prior year COPA soccer matches.

3. Construction/Work in Progress (WIP) decreased by ($2,877,132), mainly due to activated assets and new WIP purchases.

4. Other Capital Assets, net decreased by ($4,963,152) due to Assets Values less depreciation or Net Book Value (NBV):

Capital Asset change in net book value:

	Stadium	Golf	Total
Building	(6,205,294)	(43,831)	(6,249,126)
Improvements*	(257,296)	3,161,846	2,904,550
Equipment	(994,214)	(2,256)	(996,470)
Capitalized Interest	(622,104)	-	(622,104)
YtY NBV Change	(8,078,908)	3,115,758	(4,963,152)

* $3.7M Golf Course projects activated from work in progress less depreciation.

Total Liabilities increased by 0.6%, or $1,248,230, from prior year, due to:

> Current Liabilities decreased by ($1,545,250) from prior year, due to decreased Accounts Payables, interest payable, Due to the City of Pasadena, and increases in deposits, current portions of compensated absences and long-term debt. Most of the reduction of ($1,355,972) to Accounts Payables are due to (1) one less major event in Fiscal 2017 in the month of June and Accounts Payable timing.
>
> Noncurrent liabilities increased by $2,793,480 from prior year primarily due to $2,873,737 increase in long-term debt due to 2010A Bond refinancing in September 2016 (as recommended by City of Pasadena Treasurer's office). Derivative instrument liability (Note 6) decreased by ($424,317) due to fair market value. Net Pension liability increased by $356,977 due to CalPERs changes in plan valuation.

Income Statement:
Net Position is made up of Golf Course $16,644,987 and Stadium ($142,624) which is summarized in the below Financial Analysis.

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 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 13-15 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 16-40 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's entity's financial position. For the RBOC, assets exceed liabilities by $16,502,363 at the close of the most recent fiscal year.

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

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

Changes in Assets (Net decrease of $4,790,786):

1. Increase to Cash & Investment by	$3,208,094
2. Increase to Cash & Cash Investments (restricted) by	$ 184,423
3. Decrease to Accounts Receivable by	($ 526,369)
4. Decrease of Construction in Progress by	($2,877,132)
5. Decrease of Other Capital Assets, net by	($4,963,152)

Changes in Liabilities - Net increase by $1,248,230 mainly due to:

Current Liabilities:		
1. Decrease of Accounts Payable by	($1,355,972)	
2. Decrease of Interest Payable by	($ 361,245)	
3. Decrease of Due to the City of Pasadena by	($ 279,688)	
4. Increased of Accrued Salaries and benefits	$ 99,873	
5. Increased of Deposits	$ 97,459	
6. Increase of Current portions of		
a. Compensated absence	$ 64,323	(Note 5)
b. Long-term debt	$ 190,000	(Note 5)
Noncurrent Liabilities:		
1. Decrease in Derivative instrument liability	($ 424,317)	(Note 6)
2. Increase in Long-term debt	$2,873,737	(Note 5)
3. Increase in Net pension liability	$ 356,977	(Note 8)

Changes to Deferred outflow and inflow of resources:

1. Increase of Total Deferred Outflow of Resource (Assets on Balance Sheet) of $3,762,433 due to
   a. Deferred refunding charge and Accumulated change in fair value of hedging derivatives increased by $3,256,058. (Note 5)
   b. Outflow related to net pension liability increased by $506,375 due to PERs plan valuation. (Note 8)

2. Decreased total Deferred Inflow of Resources (Liabilities on Balance Sheet) ($1,003,342) due to
   a. Deferred refunding charge decreased by ($394,284). (Note 6)
   b. Sale of future revenue (mostly premium seating unearned) decreased by ($523,256)
   c. Inflows related to net pension liability decreased by ($142,093) due to PERs plan valuation. (Note 8)
   d. Increase in Accumulated change to fair value of interest rate swap $56,291. (Note 6)

ROSE BOWL OPERATING CO.

STATEMENT OF NET POSITION JUNE 30, 2017

	Rose Bowl	Golf Course	Totals 2017	Totals 2016	Variance
Assets:					
Current assets:					
Cash and investments (Note 2)	$ 9,686,990	$ 8,540,792	$ 18,227,782	$ 15,019,688	3,208,094
Cash and investments restricted (Note 2)	15,847,088	-	15,847,088	15,662,665	184,423
Accounts receivable, net of allowance of $48,115 for the Rose Bowl	4,815,964	443,463	5,259,427	5,785,796	(526,369)
Inventory	2,215	-	2,215	2,650	(435)
Prepaid assets	312,004	-	312,004	164,721	147,283
Total Current Assets	30,664,261	8,984,255	39,648,516	36,635,520	3,012,996
Noncurrent assets:					
Due from City of Pasadena (Note 11)	$ 477,682	$ -	$ 477,682	497,471	(19,789)
Derivative instrument asset	56,291	-	56,291	-	56,291
Capital assets (Note 3):					
Construction in progress	733,818	-	733,818	3,610,950	(2,877,132)
Other capital assets, net	193,819,157	7,909,014	201,728,171	206,691,323	(4,963,152)
Total Noncurrent Assets	**195,086,948**	**7,909,014**	**202,995,962**	**210,799,744**	**(7,803,782)**
Total Assets	**225,751,209**	**16,893,269**	**242,644,478**	**247,435,264**	**(4,790,786)**
Deferred outflows of Resources:					
Accumulated change in fair value of hedging derivatives (Note 6)	-	-	-	424,317	(424,317)
Deferred refunding charge	3,680,375	-	3,680,375		3,680,375
Outflows related to net pension liability (Note 8)	1,310,609	75,731	1,386,340	879,965	506,375
Total Deferred Outflows of Resources	**4,990,984**	**75,731**	**5,066,715**	**1,304,282**	**3,762,433**
Liabilities:					-
Current:					
Accounts payable and other liabilities	$ 3,924,344	$ 980	$ 3,925,324	5,281,296	(1,355,972)
Accrued salaries and benefits	527,504	5,975	533,479	433,606	99,873
Interest payable	3,118,358	-	3,118,358	3,479,603	(361,245)
Due to the City of Pasadena (Note 11)	1,126,154	874	1,127,028	1,406,716	(279,688)
Deposits	335,470	-	335,470	238,011	97,459
Current portion of compensated absences (Note 5)	120,701	8,779	129,480	65,157	64,323
Current portion of long-term debt (Note 5)	2,110,000	-	2,110,000	1,920,000	190,000
Total Current Liabilities	**11,262,531**	**16,608**	**11,279,139**	**12,824,389**	**(1,545,250)**
Noncurrent:					
Compensated absences (Note 5)	137,536	9,925	147,461	160,378	(12,917)
Derivative instrument liability (Note 6)	-	-	-	424,317	(424,317)
Long-term debt (Note 5)	211,885,510	-	211,885,510	209,011,773	2,873,737
Net pension liability (Note 8)	2,100,964	249,491	2,350,455	1,993,478	356,977
Total Noncurrent Liabilities	**214,124,010**	**259,416**	**214,383,426**	**211,589,946**	**2,793,480**
Total Liabilities	**225,386,541**	**276,024**	**225,662,565**	**224,414,335**	**1,248,230**
Deferred Inflows of Resources:					
Accumulated change in fair value of interest rate swap (Note 6)	56,291	-	56,291	-	56,291
Deferred refunding charge (Note 6)	1,391,662	-	1,391,662	1,785,946	(394,284)
Sales of future revenue	3,877,965	-	3,877,965	4,401,221	(523,256)
Inflows related to net pension liability (Note 8)	172,358	47,989	220,347	362,440	(142,093)
Total Deferred inflows of Resources	**5,498,276**	**47,989**	**5,546,265**	**6,549,607**	**(1,003,342)**
Net position:					
Net investment in capital assets	5,001,036	7,909,014	12,910,050	20,201,673	(7,291,623)
Unrestricted	(5,143,660)	8,735,973	3,592,313	(2,426,069)	6,018,382
Total Net Position	**$ (142,624)**	**$ 16,644,987**	**$ 16,502,363**	**$ 17,775,604**	**(1,273,241)**

Executive Summary on Major Events and Net Position or Income:

Fiscal year 2017 had 1 less Major/Displacement* event and 50 additional minor events than Fiscal 2016:

Fiscal Year 2016 to 2017 Events Comparison

Major/Displacement

Major Event		Fiscal 2016 Count	Event	Fiscal 2017 Count	Event
1	UCLA	6	Football games	6	Football games (with USC)
2	Rose Bowl Game	1	Football game	1	Football game
3	Arroyo Seco Weekend (ASW)	0		2	Music Festivals 6/24 - 6/25, 2017
4	Concerts	1	Kenny Chesney	2	Coldplay
		1	Beyonce	2	U2
5	Soccer Matches	5	Barcelona vs. LA Galaxy Mexico vs. USA Copa American Brazil vs Ecuador Copa American Columbia vs Paraguay Copa American Mexico vs Jamaica	1	Chelsea vs Liverpool
6	Americafest 4th of July Celebration	1		1	
7	Autism Speaks Walk	1	No longer displacement after FY16	0	
	Total Major/Displacement	16		15	
Number of Minor Events		164		214	

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

Changes to Stadium *Net Income* per major events and Golf Course Revenues/Expenses:

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

Stadium:

1. *Net income* increased by $1,896,731 in Fiscal 2017, mainly due to:
   a. Major/Displacement events net income increased by $932,328
   b. Minor events net income increased by $397,121
   c. Advertising increased net income by $567,282

2. Average *Net income* per Major Events increased by $133,439 from Fiscal 2016.

Golf Course:

1. Revenues decreased by ($101,754) in Fiscal 2017, mainly due to:
   a. Green Fees decreased by ($83,750)
   b. Restaurant decreased by ($11,225)
   c. Pro-Shop decreased by ($ 6,779)

2. Expenses increased by $37,889 in Fiscal 2017, mainly due to increases in:
   a. Temporary/Seasonal Employees $13,344
   b. Plumbing $11,514
   c. Electricians $ 8,721
   d. Medical Premiums $ 5,719

The Statement of Revenue, Expenses and change in Net Position increased by $78,543 with the below highlights:

Total operating revenues Increased by $2,224,106 mainly due to increased Facility Rentals and Minor Events:

1. Facility rentals increased by $4,059,682 (ASW, Coldplay and U2 Concert)
2. Admissions Tax decreased ($208,230) due attendance decreased (mainly due to ASW and 1 less major event in Fiscal 2017 vs. 2 Mexico soccer matches in Fiscal 2016)
3. Cost recoveries decreased by ($244,597), less ASW Recovery of costs than other major events.
4. Advertising Revenues increased by $567,281 (New IMG contract)
5. Ancillary Revenues decreased mainly due to reduction in UCLA attendance and ASW (contractually due to promoter)
    a. Parking decreased by ($719,600)
    b. Concessions decreased by ($1,128,676)

Operating Expenses increased by $1,457,263:

1. Salaries and benefits increased by $376,444
    - Mainly due to budgeted increase of 1.0 FTEs in sales, 1 promotion in operations, increased commissions (associated with 1M minor events net income)/merits, vacation accruals for most of the 34 FTEs, and CalPERs credit for plan valuation.

2. General and administrative expenses increased by $191,424
    - Areas of increases are mainly due to
        - Facility Operations Consulting in Food & Beverages Operations, Information Technology, Regulatory compliance (Recycling), and construction planning.

3. Depreciation increased by $990,246 due to $6,479,724 of newly activated assets and assets longer depreciating
    - Newly Activated Assets:
        - Renovation Project $447,248
        - Other Stadium Asset Activation $1,976,678
        - Golf Course Assets Activation $3,702,415

4. Events expenses decreased by ($100,850) mainly due to:
    - Increases in:
        - Security (Mags & Staffing) $545,357
        - Catering[1] $191,006
        - Payroll[2] $133,773
        - Janitorial[2] $ 49,100
        - Public Safety $ 33,954
        - Sod/Field $ 19,262
        - Traffic $ 12,320
    - Decreases in:
        - Event Production[3] ($859,209)
        - Shuttle Operation[3] ($169,518)
        - Plumbers/Electricians[3] ($ 52,260)

[1] Contractually RBOC costs (prior years tenant)
[2] Mostly associated with increased minor events/net income
[3] Mostly associated with 1 less Major/Displacement and reduced spend due to ASW

Total Non-Operating Revenues decreased by ($688,297), mainly due to:

1. September 2016 City Treasurer refinanced a portion of the 2010A bond and the net result were:
    - Investment gain decreased by ($1,777,833)
    - Interest Expenses decreased by ($ 299,463)

2. Other Nonoperating revenues increased by $790,073 mainly due to:
   - Contributions Increased by $735,000
     Fiscal 2017:
     - AEG for ASW $3,000,000
     - Legacy Connection $1,300,000

     Fiscal 2016:
     - AT&T Capital contribution $1,565,000
     - Legacy Connection $2,000,000
   - Other Nonoperating revenues include share of costs: EIR, utilities and sales position.

ROSE BOWL OPERATING COMPANY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDING JUNE 30, 2017

				Combined Totals		
		Rose Bowl	Golf Course	2017	2016	Variance
	Operating Revenues:					
1	Green fees and other golf revenues	$ -	$ 1,377,230	$ 1,377,230	$ 1,460,980	$ (83,750)
2	Parking revenue	2,156,945	-	2,156,945	2,876,545	(719,600)
3	Advertising revenue	2,774,296	-	2,774,296	2,207,015	567,281
4	Facility rentals	16,638,673	-	16,638,673	12,578,991	4,059,682
5	Concessions	3,165,597	-	3,165,597	4,294,273	(1,128,676)
6	Pro shop	-	40,568	40,568	47,347	(6,779)
7	Restaurant	-	532,482	532,482	543,707	(11,225)
8	Admission tax	669,323	-	669,323	877,553	(208,230)
9	Cost recoveries	6,051,389	15,000	6,066,389	6,310,986	(244,597)
	Total operating revenues	**31,456,223**	**1,965,280**	**33,421,503**	**31,197,397**	2,224,106
	Operating Expenses:					
10	Salaries and benefits	(3,219,450)	(178,215)	(3,397,665)	(3,021,221)	(376,444)
11	General and administrative	(3,535,355)	(331,867)	(3,867,222)	(3,675,798)	(191,424)
12	Depreciation	(10,856,231)	(586,656)	(11,442,887)	(10,452,641)	(990,246)
	Loss on disposal of capital assets					
13	Events	(13,927,865)	-	(13,927,865)	(14,028,715)	100,850
	Total Operating Expenses	**(31,538,901)**	**(1,096,738)**	**(32,635,639)**	**(31,178,375)**	(1,457,263)
	Operating Income (Loss)	(82,677)	868,542	785,864	19,022	766,842
	Nonoperating Revenues (Expenses):					
14	Investment gain	(80,692)	21,878	(58,814)	1,719,019	(1,777,833)
15	Interest expense	(11,394,105)	-	(11,394,105)	(11,693,568)	299,463
	Loss on disposal of capital assets					
16	Other nonoperating revenues	8,831,059	562,755	9,393,814	8,603,741	790,073
	Total Nonoperating Revenues (Expenses)	**(2,643,739)**	**584,633**	**(2,059,105)**	**(1,370,808)**	**(688,297)**
	Income (Loss) Before Transfers	(2,726,416)	1,453,175	(1,273,241)	(1,351,784)	78,543
17	Transfer In	-	-	-	3,612,104	(3,612,104)
18	Transfer out	-	-	-	(3,612,104)	3,612,104
	Changes in Net Position	(2,726,416)	1,453,175	(1,273,241)	(1,351,784)	78,543
	Net Position:					
	Beginning of Year	2,583,792	15,191,812	17,775,604	19,127,390	(1,351,785)
	End of Year	**$ (142,624)**	**$ 16,644,987**	**$ 16,502,363**	**$ 17,775,604**	**(1,273,241)**

CAPITAL ASSET AND CONSTRUCTION IN PROGRESS

Stadium - $2,777,319 of capital assets were activated in Fiscal 2017 which included all Renovation Project related Construction in Progress. Renovation project unspent balance to projection is $892,684. Construction in Progress related to Preventative Maintenance and Other Capital Projects total $733,818.

Golf Course – $3,702,416 of capital assets were activated in Fiscal 2017. There are no Construction in Progress project balances at year end.

Year Ending June 30, 2017	
Stadium:	
Activated Renovation Project Capital Assets:	
Concourse, Bowl Egress, Aisles and Field Structures	281,936
Entry Gates	23,204
Concession Stands	142,108
Renovation Project Newly Activated Capital Assets:	447,248
Stadium Newly Activated Capital Assets:	
Building Improvements	102,354
Improvements Other than building	1,976,678
Machinery and equipment	251,039
Stadium Total Activated Capital Assets:	**2,777,319**
Construction in Progress (Accumulated at Year end)	
Preventative Maintenance	-
Fiscal 2017 Capital Projects	733,818
Construction in Progress	733,818
Golf Course:	
Activated Golf Course Capital Assets:	
Fairways, Course # 2	1,959,454
Green/Bunker Complexes	732,437
Tree Maintenance Project	192,413
Clubhouse Major Maintenance	751,900
Lake Project - Part B	66,211
Golf Course Total Activated Capital Assets:	**3,702,416**
No Construction in Progress project balances at the Golf Course as of Year-end 2017	
Total Activated Assets:	**6,479,735**

YEAR TO YEAR CHANGE IN CAPITAL ASSETS:

Rose Bowl Operating Company's Capital Assets

Stadium

	June 30, 2017	June 30, 2016
Building and improvements	239,659,289	237,133,008
Machinery and equipment	16,573,665	16,322,627
Sub-total	256,232,954	253,455,635
Less accumulated depreciation	(62,413,797)	(51,557,566)
Total	193,819,157	201,898,069
Construction in Progress	733,818	802,132

Golf Course

	June 30, 2017	June 30, 2016
Building and improvements	11,428,634	7,726,218
Machinery and equipment	309,129	309,129
Sub-total	11,737,763	8,035,347
Less accumulated depreciation	(3,828,749)	(3,242,093)
Total	7,909,014	4,793,254
Construction in Progress	-	2,808,818

YEAR TO YEAR CHANGE IN BOND DEBT:

Year to year increase in bond debt $3,063,737 due to partial refinancing of the 2010A, now 2016 Bond:

Rose Bowl Operating Company's Debt

	June 30, 2017	June 30, 2016
2010 Revenue Bonds	130,858,265	154,988,265
2013 Revenue Bonds	49,600,000	50,775,000
2016 Revenue Bonds	21,865,000	-
Accreted Interest	6,307,770	5,168,508
2016 Bond Premium	5,364,475	-
Total	$ 213,995,510	$ 210,931,773
Balance Sheet Reference:		
Long-Term Debt	211,885,510	209,011,773
Current Portion of Long-Term Debt	2,110,000	1,920,000
	213,995,510	210,931,773

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, 2017

	Rose Bowl	Golf Course	Totals
Assets:			
Current:			
Cash and investments (Note 2)	$ 9,686,990	$ 8,540,792	$ 18,227,782
Cash and investments restricted (Note 2)	15,847,088	-	15,847,088
Accounts receivable, net of allowance of $48,115 for the Rose Bowl	4,815,964	443,463	5,259,427
Inventory	2,215	-	2,215
Prepaid assets	312,004	-	312,004
Total Current Assets	**30,664,261**	**8,984,255**	**39,648,516**
Noncurrent:			
Due from City of Pasadena (Note 11)	477,682	-	477,682
Derivative instrument asset (Note 6)	56,291	-	56,291
Capital assets (Note 3):			
Construction in progress	733,818	-	733,818
Other capital assets, net	193,819,157	7,909,014	201,728,171
Total Noncurrent Assets	**195,086,948**	**7,909,014**	**202,995,962**
Total Assets	**225,751,209**	**16,893,269**	**242,644,478**
Deferred Outflows of Resources:			
Deferred refunding charge	3,680,375	-	3,680,375
Outflows related to net pension liability (Note 8)	1,310,609	75,731	1,386,340
Total Deferred Outflows of Resources	**4,990,984**	**75,731**	**5,066,715**
Liabilities:			
Current:			
Accounts payable and other liabilities	3,924,344	980	3,925,324
Accrued salaries and benefits	527,504	5,975	533,479
Interest payable	3,118,358	-	3,118,358
Due to City of Pasadena (Note 11)	1,126,154	874	1,127,028
Deposits	335,470	-	335,470
Current portion compensated absences (Note 5)	120,701	8,779	129,480
Current portion of long-term debt (Note 5)	2,110,000	-	2,110,000
Total Current Liabilities	**11,262,531**	**16,608**	**11,279,139**
Noncurrent:			
Compensated absences (Note 5)	137,536	9,925	147,461
Long-term debt (Note 5)	211,885,510	-	211,885,510
Net pension liability (Note 8)	2,100,964	249,491	2,350,455
Total Noncurrent Liabilities	**214,124,010**	**259,416**	**214,383,426**
Total Liabilities	**225,386,541**	**276,024**	**225,662,565**
Deferred Inflows of Resources:			
Accumulated change in fair value of interest rate swap (Note 6)	56,291	-	56,291
Deferred refunding charge (Note 6)	1,391,662	-	1,391,662
Sales of future revenue	3,877,965	-	3,877,965
Inflows related to net pension liability (Note 8)	172,358	47,989	220,347
Total Deferred Inflows of Resources	**5,498,276**	**47,989**	**5,546,265**
Net Position (Note 7):			
Net investment in capital assets	5,001,036	7,909,014	12,910,050
Unrestricted	(5,143,660)	8,735,973	3,592,313
Total Net Position	**$ (142,624)**	**$ 16,644,987**	**$ 16,502,363**

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, 2017

	Rose Bowl	Golf Course	Totals
Operating Revenues:			
Green fees and other golf revenues	$ -	$ 1,377,230	$ 1,377,230
Parking revenue	2,156,945	-	2,156,945
Advertising revenue	2,774,296	-	2,774,296
Facility rentals	16,638,673	-	16,638,673
Concessions	3,165,597	-	3,165,597
Pro shop	-	40,568	40,568
Restaurant	-	532,482	532,482
Admission tax	669,323	-	669,323
Cost recoveries	6,051,389	15,000	6,066,389
Total Operating Revenues	**31,456,223**	**1,965,280**	**33,421,503**
Operating Expenses:			
Salaries and benefits	3,219,450	178,215	3,397,665
General and administrative	3,535,355	331,867	3,867,222
Depreciation	10,856,231	586,656	11,442,887
Events	13,927,865	-	13,927,865
Total Operating Expenses	**31,538,901**	**1,096,738**	**32,635,639**
Operating Income (Loss)	(82,678)	868,542	785,864
Nonoperating Revenues (Expenses):			
Investment gain (loss)	(80,692)	21,878	(58,814)
Interest expense	(11,394,105)	-	(11,394,105)
Other nonoperating revenues	8,831,059	562,755	9,393,814
Total Nonoperating Revenues (Expenses)	**(2,643,738)**	**584,633**	**(2,059,105)**
Changes in Net Position	(2,726,416)	1,453,175	(1,273,241)
Net Position:			
Beginning of Year	2,583,792	15,191,812	17,775,604
End of Year	**$ (142,624)**	**$ 16,644,987**	**$ 16,502,363**

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

ROSE BOWL OPERATING COMPANY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Rose Bowl	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers	$ 21,993,590	$ 1,921,018	$ 23,914,608
Cash paid to employees for services	(3,443,159)	(194,591)	(3,637,750)
Cash paid to suppliers for goods and services	(19,031,397)	(329,077)	(19,360,474)
Other cash receipts	9,495,008	15,000	9,510,008
Net Cash Provided by Operating Activities	**9,014,042**	**1,412,350**	**10,426,392**
Cash Flows from Non-Capital Financing Activities:			
Contributions	6,127,017	562,755	6,689,772
Net Cash Provided (Used) by Non-Capital Financing Activities	**6,127,017**	**562,755**	**6,689,772**
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(2,709,005)	(893,598)	(3,602,603)
Net cash received on bond defeasance	291,206	-	291,206
Federal interest subsidy on bonds payable	2,704,042	-	2,704,042
Principal payments on long-term debt	(1,920,000)	-	(1,920,000)
Interest payments on long-term debt	(11,137,478)	-	(11,137,478)
Net Cash Used in Capital and Related Financing Activities	**(12,771,235)**	**(893,598)**	**(13,664,833)**
Cash Flows from Investing Activities:			
Investment gain (loss)	(80,692)	21,878	(58,814)
Net Cash Used in Investing Activities	**(80,692)**	**21,878**	**(58,814)**
Net Increase in Cash and Cash Equivalents	**2,289,132**	**1,103,385**	**3,392,517**
Cash and Cash Equivalents at Beginning of Year	23,244,946	7,437,407	30,682,353
Cash and Cash Equivalents at End of Year	**$ 25,534,078**	**$ 8,540,792**	**$ 34,074,870**
Reconciliation of cash and investments to amounts reported on the Statement of Net Position:			
Cash and investments	$ 9,686,990	$ 8,540,792	$ 18,227,782
Cash and investments restricted	15,847,088	-	15,847,088
Total reported on Statement of Net Position	25,534,078	8,540,792	34,074,870
Cash and cash equivalents at end of year	**$ 25,534,078**	**$ 8,540,792**	**$ 34,074,870**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ (82,678)	$ 868,542	$ 785,864
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	10,856,231	586,656	11,442,887
(Increase) decrease in accounts receivable	455,631	70,738	526,369
(Increase) decrease in inventory	435	-	435
(Increase) decrease in prepaid assets	(147,283)	-	(147,283)
(Increase) decrease in due from City of Pasadena	19,789	-	19,789
(Increase) decrease in deferred outflows related to net pension liability	(481,572)	(24,803)	(506,375)
Increase (decrease) in accounts payable and accrued expenses	(1,258,045)	1,946	(1,256,099)
Increase (decrease) in due to the City of Pasadena	(280,532)	844	(279,688)
Increase (decrease) in deposits payable	97,459	-	97,459
Increase (decrease) in deferred revenue	(423,256)	(100,000)	(523,256)
Increase (decrease) in compensated absences	50,255	1,151	51,406
Increase (decrease) in net pension liability	344,890	12,087	356,977
Increase (decrease) in deferred inflows related to net pension liability	(137,282)	(4,811)	(142,093)
Net Cash Provided by Operating Activities	**$ 9,014,042**	**$ 1,412,350**	**$ 10,426,392**
Non-Cash Investing, Capital, and Financing Activities:			
Changes in fair market value of interest rate swap	$ 56,291	$ -	$ 56,291

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

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Basis of Accounting

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

c. Classification of Revenues

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

d. Capital Assets

Capital assets are recorded at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The Company capitalizes all assets with a historical cost of at least $10,000 consistent with City practice. The cost of normal maintenance and reports that do not add value to the assets or materially extend asset lives are not capitalized. Interest is capitalized on construction in progress in accordance with Governmental Accounting Standards. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

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

The estimated useful lives of the assets are as follows:

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

e. Cash and Investments

For the purposes of the statement of cash flows, investments are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

f. Investments

Investments are reported in the accompanying statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during the fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

g. Compensated Absences

Only full-time employees accrue vacation. Vacation time is accrued two to four weeks per year, depending on how long an employee has been with the Company. The Company also grants employees personal paid time off. Regular full-time and part-time (24 hours per week minimum) employees are eligible to accrue personal time off with pay. Full-time employees may accrue up to 20 personal days per calendar year. Part-time employees who work 24 hours per week or more are eligible to accrue personal paid time off on a pro rata basis. It is the Company's policy to permit employees to accumulate earned but unused vacation benefits from year to year up to a maximum of two times a full-time employee's annual vacation amount. Personal paid time off is not accumulated from year to year. All accumulated compensated absences are recorded as an expense and a liability at the time the benefit is earned.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Company has two items that qualify for reporting in this category:

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

1. The deferred outflows relating to the net pension liability reported in the statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, the 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 three items that qualify for reporting in this category:

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

2. The deferred inflows relating to the net pension liability are the results of the 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, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	18,227,782
Cash and investments restricted		15,847,088
Total cash and investments	$	34,074,870

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	$	1,000
Deposits with financial institutions		8,129,512
Investment in the City investment pool		25,944,358
Total cash and investments	$	34,074,870

Note 2: Cash and Investments (Continued)

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

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

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

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

Investments Authorized by Debt Agreements

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

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Rating
U.S. Treasury Obligations	None	N/A
U.S. Agency Securities	None	N/A
State and Local Agency Bonds	None	Aa
Bankers' Acceptances	360 days	Aa
Commercial Paper	270 days	Aa
Negotiable Certificates of Deposit	None	Aa
Repurchase Agreements	None	Aa
Money Market Mutual Funds	N/A	Aaa
Investments Contracts	None	Aa

Disclosures Relating to Interest Rate Risk

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

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

Investment Type		Remaining Maturity 12 Months or Less
Investments in the City investment pool	$ 25,944,358	$ 25,944,358
Total	$ 25,944,358	$ 25,944,358

Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Ratings at End Not Rated
Investments in the City investment pool	$ 25,944,358	N/A	$ 25,944,358
Total	$ 25,944,358		$ 25,944,358

Note 2: Cash and Investments (Continued)

Custodial Credit Risk

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

Fair Value Hierarchy

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

The Company has the following recurring fair value measurements as of June 30, 2017:

Investments by fair value level	Totals	Level 1	Level 2	Level 3
Investments in the City investment pool	$ 25,944,358	$ -	$ 25,944,358	$ -
Totals	$ 25,944,358	$ -	$ 25,944,358	$ -

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, 2017, is as follows:

	Balance at July 1, 2016	Transfers	Additions	Deletions	Balance at June 30, 2017
Capital assets being depreciated:					
Buildings and improvements	$ 206,670,417	$ 549,602	$ -	$ -	$ 207,220,019
Improvements other than buildings	30,462,591	1,976,679	-	-	32,439,270
Machinery and equipment	16,322,627	251,038	-	-	16,573,665
Total depreciable capital assets	253,455,635	2,777,319	-	-	256,232,954
Less accumulated depreciation:					
Buildings and improvements	(24,536,254)	-	(7,108,946)	-	(31,645,200)
Improvements other than buildings	(20,445,507)	-	(2,234,984)	-	(22,680,491)
Machinery and equipment	(6,575,805)	-	(1,512,301)	-	(8,088,106)
Total accumulated depreciation	(51,557,566)	-	(10,856,231)	-	(62,413,797)
Net depreciable assets	201,898,069	2,777,319	(10,856,231)	-	193,819,157
Capital assets not depreciated:					
Construction in progress	802,132	(2,777,319)	2,709,005	-	733,818
Capital assets, net	$ 202,700,201	$ -	$ (8,147,226)	$ -	$ 194,552,975

The Superstructure and land are not included in this table.

Depreciation expense for the year was $10,856,231.

Golf Course

Capital asset activity for the year ended June 30, 2017, is as follows:

	Balance at July 1, 2016	Transfers	Additions	Deletions	Balance at June 30, 2017
Capital assets being depreciated:					
Buildings and improvements	$ 3,114,611	$ 818,112	$ -	$ -	$ 3,932,723
Improvements other than buildings	4,611,607	2,884,304	-	-	7,495,911
Machinery and equipment	309,129	-	-	-	309,129
Total depreciable capital assets	8,035,347	3,702,416	-	-	11,737,763
Less accumulated depreciation:					
Buildings and improvements	(1,223,635)	-	(226,575)	-	(1,450,210)
Improvements other than buildings	(1,734,067)	-	(357,825)	-	(2,091,892)
Machinery and equipment	(284,391)	-	(2,256)	-	(286,647)
Total accumulated depreciation	(3,242,093)	-	(586,656)	-	(3,828,749)
Net depreciable assets	4,793,254	3,702,416	(586,656)	-	7,909,014
Capital assets not depreciated:					
Construction in progress	2,808,818	(3,702,416)	893,598	-	-
Capital assets, net	$ 7,602,072	$ -	$ 306,942	$ -	$ 7,909,014

Depreciation expense for the year was $586,656.

Note 4: Service Concession Arrangement (SCA)

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

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

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

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

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

Brookside Golf Club

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

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

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

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

Note 5: Long-Term Debt

Long-Term liabilities for the year ended June 30, 2017, are as follows:

	Balance at July 1, 2016	Additions/ Accretions	Deletions/ Amortizations	Balance at June 30, 2017	Due in One Year
2010A Tax-Exempt Lease Revenue Bonds	$ 36,808,265	$ -	$ (23,385,000)	$ 13,423,265	$ -
2010B Taxable Build America Lease Revenue Bonds	106,660,000	-	-	106,660,000	-
2010C Taxable Lease Revenue Bonds	4,120,000	-	(745,000)	3,375,000	935,000
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	15,875,000	-	(1,175,000)	14,700,000	1,175,000
2016A Tax-Exempt Lease Revenue Bonds	-	21,865,000	-	21,865,000	-
2016A Bond Premium	-	5,777,127	(412,652)	5,364,475	-
Accreted Interest on Capital Appreciation Bonds	5,168,508	1,139,262	-	6,307,770	-
Subtotal - Bonded Long-Term Liabilities	210,931,773	28,781,389	(25,717,652)	213,995,510	2,110,000
Compensated Absences	225,535	156,828	(105,422)	276,941	129,480
Total Long-Term Liabilities	$ 211,157,308	$ 28,938,217	$ (25,823,074)	$ 214,272,451	$ 2,239,480

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, 2017, are as follows:

	Principal Payments						
June 30	Series A	Series B	Series C	Series D	Accretion	Interest	Total
2018	$ -	$ -	$ 935,000	$ -	$ 1,216,702	$ 8,344,214	$ 10,495,916
2019	-	-	1,200,000	-	1,299,506	8,369,012	10,868,518
2020	180,000	-	1,240,000	-	1,387,947	8,384,381	11,192,328
2021	1,655,000	-	-	-	1,482,345	8,344,887	11,482,232
2022	-	-	-	-	1,583,125	8,289,399	9,872,524
2023-2027	748,041	-	-	-	9,640,928	42,038,915	52,427,884
2028-2032	9,531,554	-	-	-	7,155,061	66,035,404	82,722,019
2033-2037	1,308,670	37,605,000	-	-	263,350	41,275,314	80,452,334
2038-2042	-	61,525,000	-	-	-	19,124,117	80,649,117
2043-2045	-	7,530,000	-	7,400,000	-	1,067,196	15,997,196
Total	$ 13,423,265	$ 106,660,000	$ 3,375,000	$ 7,400,000	$ 24,028,964	$ 211,272,839	$ 366,160,068

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, 2017, are as follows:

	Principal Payments			
June 30	Series A	Series B	Interest	Total
2018	$ -	$ 1,175,000	$ 1,381,958	$ 2,556,958
2019	-	1,180,000	1,173,859	2,353,859
2020	-	1,260,000	1,062,845	2,322,845
2021	-	1,350,000	946,857	2,296,857
2022	-	1,440,000	825,746	2,265,746
2023-2027	-	8,275,000	2,625,288	10,900,288
2028-2032	9,665,000	20,000	1,351,611	11,036,611
2033-2037	10,750,000	-	893,892	11,643,892
2038-2042	11,945,000	-	385,987	12,330,987
2043	2,540,000	-	11,410	2,551,410
Total	$ 34,900,000	$ 14,700,000	$ 10,659,453	$ 60,259,453

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, 2017 is comprised of the principal amount of $21,865,000, plus unamortized deferred bond premium of $5,364,475, for a total of $27,229,475.

The annual debt service requirements for the 2016 Lease Revenue Bond as of June 30, 2017, is as follows:

June 30	Principal	Interest	Total
2018	$ -	$ 1,093,250	$ 1,093,250
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
2023-2027	19,885,000	3,146,750	23,031,750
Total	$ 21,865,000	$ 8,613,000	$ 30,478,000

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 is $456,897,521. Principal and interest paid for the current year and total net revenues were $10,328,237 and $40,421,796, respectively.

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

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

The notional amount of the derivative instrument outstanding at June 30, 2017, 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)	$ 18,080,000	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A3/A+

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

June 30	Beginning Balance	Accrued Interest	Amortization	Ending Balance
2018	$ 864,213	$ 19,738	$ (235,754)	$ 648,197
2019	648,197	14,459	(202,872)	459,784
2020	459,784	9,917	(168,874)	300,827
2021	300,827	6,162	(133,762)	173,227
2022	173,227	3,243	(97,535)	78,935
2023	78,935	1,214	(59,636)	20,513
2024	20,513	151	(20,664)	-

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:

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

June 30	Beginning Balance	Accrued Interest	Amortization	Ending Balance
2018	$ 527,449	$ 1,091	$ (136,153)	$ 392,387
2019	392,387	793	(117,163)	276,017
2020	276,017	539	(97,528)	179,028
2021	179,028	333	(77,251)	102,110
2022	102,110	174	(56,328)	45,956
2023	45,956	64	(34,440)	11,580
2024	11,580	8	(11,588)	-

The Company has the following recurring fair value measurements as of June 30, 2017:

		Level		
Measurements by fair value level	Total	1	2	3
Derivative instrument asset	$ 56,291	$ -	$ 56,291	$ -

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, 2017, classified by type, and the change in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2016		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedge: Pay-fixed interest rate swaps	Deferred inflow	$ 480,608	Asset	$ 56,291	$ 18,080,000

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

Credit risk: The Company is exposed to credit risk on hedging derivative instruments to the extent the value of the swap is positive from the Company's perspective. The aggregate fair value of hedging derivative instruments was negative as of June 30, 2017, 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.

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, 2017, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.68162%, while 65% of one month LIBOR is 0.44305%.

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

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, 2017, the maximum exposure/loss would have been $1,662,267.

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, 2017, consisted of the following:

Net investment in capital assets:	
Property, plant and equipment, net	$ 194,552,975
Less:	
Outstanding debt and related inflows and outflows issued to construct capital assets, adjusted for accretion on capital appreciation bonds of $6,307,770.	(205,399,027)
Add:	
Capital projects - unspent bond proceeds	15,847,088
Total net investment in capital assets	5,001,036
Unrestricted net position (designated):	
Designated for future CIP and major maintenance	826,531
Designated for debt service	15,782,600
Designated for strategic plan	763,862
Total designated net position	17,372,993
Undesignated net position	(22,866,653)
Total unrestricted net position	(5,143,660)
Total net position	$ (142,624)

Note 7: Net Position (Continued)

Net position for the Golf Course at June 30, 2017, consisted of the following:

Net investment in capital assets:		
Property, plant, and equipment, net	$	7,909,014
Less:		
Outstanding debt issued to construct capital assets		-
Total net investment in capital assets		7,909,014
Unrestricted net position (designated):		
Designated for golf course master plan		529,902
Designated for clubhouse maintenance		(359,346)
Total designated net position		170,556
Undesignated net position		8,565,417
Total unrestricted net position		8,735,973
Total net position	$	16,644,987

Note 8: Defined Benefit Pension Plan

Miscellaneous Plan:

Description of Plan

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

Benefits Provided

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

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

Note 8: Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

The Plans provisions and benefits in effect at June 30, 2017, are summarized as follows:

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

* Closed to new entrants.

Contribution Description:

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

For the year ended June 30, 2017, the contributions recognized as a reduction to the net pension liability were $317,561.

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

As of June 30, 2017, the Company reported a net pension liability for its proportionate share of the net pension liability of each Plan of $2,350,455

Note 8: Defined Benefit Pension Plan (Continued)

The Company's net pension liability (asset) for the Plans is measured as the proportionate share of the net pension liability. The net pension liability (asset) of the Plan is measured as of June 30, 2016, and the total pension liability for the Plana used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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, 2015 and 2016, was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.07266%
Proportion - June 30, 2016	0.06766%
Change - Increase (Decrease)	-0.00500%

For the year ended June 30, 2017, the Company recognized pension expense of ($291,490) for the Plans. At June 30, 2017, 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	$ 371,534	$ -
Unamortized difference between employer contributions and the plans proportionate share of aggregate employer contributions	-	-
Differences between expected and actual experience	12,234	(2,803)
Changes of assumptions	-	(115,741)
Net difference between projected and actual earnings on pension plan investments	602,392	-
Adjustment due to differences in proportions	291,411	(91,712)
Difference in proportionate share	108,769	(10,091)
Total	**$ 1,386,340**	**$ (220,347)**

The $371,534 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
2017	$ 206,955
2018	162,728
2019	268,748
2020	156,028

Note 8: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015, total pension liability. The June 30, 2015 and the June 30, 2016, 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

* 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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability/(Assets)	$ 3,467,515	$ 2,350,455	$ 1,427,259

Note 9: Self-Insurance Program

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

Note 10: Golf Course Management Contract

The Golf Course is operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement, effective February 1, 2011, set to expire on January 31, 2016. As of the date of issue of these financial statements, an official extension agreement has not been entered into by the parties. However, both parties have verbally agreed to extend the contract for two additional years under the same terms as the expired agreement. The agreement entitles the Golf Course to a fixed minimum yearly amount or contractually defined percentage of annual gross receipts from golf course operations, whichever is greater. Under the old agreement, American Golf had been paying the Company 30% on Green Fees and 40% on all other golf income (gross). When blended, this effectively amounted to 33.5%. With the new agreement, the Company now receives 28.5% on all golf income (gross). In exchange, the Company's share of Golf Course parking income generated during stadium events increased from 50% to 100% of gross revenue, before deducting a flat fee payable to American Golf in the amount of $32,000 for each of the first 12 major events and $50,000 per major event thereafter. For the year ended June 30, 2017, 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. Also, American Golf will pay the Company another $100,000 per year for the first five (5) years for capital improvements on either the golf courses or clubhouse.

Note 11: Related Party Transactions

During the current year, the Company incurred charges for the use of the City's building maintenance (electricians, plumbers), locksmiths, printing, and mail services. These nonevent expenses totaled $304,045 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 $4,612,815. At June 30, 2017, amounts payable to the City totaled $1,127,028.

In addition, at June 30, 2017, the Company has amounts receivable from the City related to the 2006 bond refunding in the amount of $477,682.

Note 12: Capital Contributions

Capital contributions represent contributions to the Company that are required to be spent on capital acquisitions or construction. During the year ended June 30, 2017, the Company received $4,409,500 in capital contributions.

Note 13: 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, 2017.

ROSE BOWL OPERATING COMPANY

COST SHARING MULTIPLE-EMPLOYER PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (2)

	2016	2017
Proportion of the Net Pension Liability (Asset)	0.07266%	0.06766%
Proportionate Share of the Net Pension Liability (Asset)	$ 1,993,478	$ 2,350,455
Covered-Employee Payroll	$ 2,561,068	$ 3,021,221
Proportionate Share of the Net Pension Liability (Asset) as Percentage of Covered-Employee Payroll	**77.84%**	**77.80%**
Total Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**78.40%**	**75.87%**

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: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2016 was the first year of implementation, therefore only two 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 (2)

	2016	2017
Actuarially Determined Contributions	$ 317,561	$ 371,534
Contribution in Relation to the Actuarially Determined Contribution	(317,561)	(371,534)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 3,021,221	$ 3,397,665
Contributions as a Percentage of Covered-Employee Payroll	10.51%	10.93%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2016 was the first year of implementation, therefore only two years are shown.

Note to Schedule:

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%.

LSL
CPAs AND ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rose Bowl Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2017, 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 30, 2017.

Internal Control over Financial Reporting

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

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

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

The Company reported hourly employees earnings of 2080 hours per year per employee, instead of actual hours worked to California Public Employees' Retirement System (CalPERS). The difference in hours will not materially affect the pension liability calculation.

CPAs AND ADVISORS

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

Compliance and Other Matters

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

Company's Response to Findings

Management has taken steps to reconcile the 10 hourly employees actual hours worked with CalPERs reported hours and make the proper CalPERs adjustments(Fiscal Year 2015 and forward).

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
November 30, 2017