ATTACHMENT C

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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YEAR ENDED JUNE 30, 2022

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pasadena Center Operating Company
Pasadena, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pasadena Center Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Center Operating Company, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Company adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The guidance requires lessees to recognize a right-to-use asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 March 22, 2023, 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 the Company's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
March 22, 2023

As the Pasadena Center Operating Company (the PCOC) management, we offer readers of the PCOC's financial statements, this narrative overview, and an analysis of the financial activities for the year ended June 30, 2022. The PCOC's financial statements consist of management's discussion and analysis (MD&A), statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the basic financial statements. We encourage readers to consider the information presented herein in conjunction with the accompanying basic financial statements and the accompanying notes.

BACKGROUND

The PCOC is a nonprofit 501(c) (4) corporation incorporated in 1973 to manage the Pasadena Convention Center, the Pasadena Civic Auditorium, the Pasadena Convention and Visitors Bureau, and the Pasadena Ice Skating Center. The PCOC was one of the first independent nonprofit organizations in the United States to combine its facility operations and destination marketing efforts.

The PCOC is funded by revenue from its facilities, proceeds from a Tourism Business Improvement District (2.9 percent), a self-imposed hotel assessment, and a 60 percent portion of the Transient Occupancy Tax (12.1 percent). In FY 2017, The City of Pasadena and the PCOC amended their operating agreement establishing a maximum amount of Transient Occupancy Tax revenue to be transferred to the PCOC annually. In FY 2018, the Pasadena Convention and Visitors Bureau converted the Pasadena TBID from the Parking and Business Area Law 1989 ('89 Law) to the Property and Business Improvement District Law of 1994 ('94 Law). The district assessment remained the same (2.89 percent) and was approved for a five-year term through June 30, 2023.

ABOUT OUR BUSINESS

The PCOC operates a world-class state of the art public assembly facilities that generate significant regional economic activity by attracting conventions, tradeshows, entertainment, and other events to Pasadena. Our facilities include a 55,000 square feet Exhibition Hall, 25,000 square feet Ballroom, 18 meeting rooms of varying sizes, the Historic Civic Auditorium that seats 3,000, the Gold Room, and a 17,000 square feet Exhibit Hall. The PCOC also manages a regulation-size skating rink onsite.

The Pasadena Convention and Visitor's Bureau (PCVB) attracts hundreds of thousands of people to the City annually, enriching the local economy with hotel and retail spending and other direct spending on goods and services.

PCVB promotes economic development, provides marketing support to the City's art, culture, innovation, and special events, including operating a Visitor Information Center opened year-round.

MANAGEMENT OBJECTIVE AND STRATEGY

The Company's mission is to promote Pasadena as a meeting and travel destination by attracting conventions, tradeshows, entertainment events, and tourism to its professionally managed facilities and first-class service. The Company's management operates the business consistent with strategic business principles for success in both the short term and over more extended periods. PCOC focuses on unifying the management team, dedicated employees, and third-party contractors to achieve its priority and remain competitive in the meeting industry.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to PCOC's basic financial statements. The annual financial report comprises three components: management's discussion and analysis, the financial statements, and the notes to the financial statements.

The Statement of Net Position presents all PCOC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2022. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of PCOC is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing PCOC's net position changes during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the related cash flow timing. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents information showing cash receipts and cash payments during the fiscal year, a reconciliation of operating income to net cash provided by operating activities, and detail of noncash investing, capital, and financing activities.

SUMMARY OF FINANCIAL PERFORMANCE

In fiscal year 2022, the Pasadena Center experienced a sharp recovery across all of its operating segments, driven primarily from the lift of restrictions on large gatherings at the late stages of 2021.

In the fiscal year 2022, the Company's cash and cash equivalents increased by $950,000 related to the company's operation. Capital assets decreased by $2.1 million, mostly from depreciation expense of $4.0 million.

Deferred outflows of resources for PCOC are related to the accumulated decrease in fair value of hedging derivatives and amortization of deferred refunding charge. Deferred outflows of resources decreased $14.4 million from 2021 to 2022, mainly due to the change in the derivatives' fair value at year-end.

The Company's current liabilities, including accounts payable, other accrued liabilities, accrued salaries and benefits, deposits increased by $1.1 million compared to the fiscal year 2021. The current portion of long-term debt increased by $253,000.

Deferred inflows of resources for PCOC are related to the deferred refunding charges and an upfront amount received as part of a service concession agreement with Centerplate. Deferred inflows of resources decreased by $515,000 from 2021 to 2022 due to recognizing these revenues due to the passage of time. In the fiscal year 2022, the amortization of capital investments by Centerplate resumed in July 2021.

The net position represents the residual interest in PCOC's assets, and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. PCOC's net position at the end of FY 2022 is a deficit totaling $3,392,046, decreased by $3,632,570 during the year. Net position is reported in three major categories: net investment in capital assets, restricted, and unrestricted. A full explanation is in Note 7 to the basic financial statements.

The portion of net position classified as net investment in capital assets, represents capital assets net of accumulated depreciation/amortization and net of related outstanding liabilities is $2.4 million at year-end. Although PCOC's net investment in capital assets is net of related liabilities, the resources used to repay the debt must be from other sources; the capital assets cannot be used to liquidate these liabilities.

The restricted net position remained the same at $870 thousand in the fiscal year 2022. $867 thousand of this amount represents funds restricted for public art.

	2022	2021
Cash and Cash Equivalents	$ 19,315,503	$ 18,365,214
Receivables and Other Assets	124,510,339	126,635,522
Total Assets	143,825,842	145,000,736
Deferred Outflows of Resources	11,674,693	26,057,346
Current Liabilities	9,136,456	8,040,154
Noncurrent Liabilities	145,388,632	165,159,755
Total Liabilities	154,525,088	173,199,909
Deferred Inflows of Resources	4,367,493	4,882,789
Net Position (Deficit)		
Net Investment in Capital Assets	2,432,565	1,302,747
Restricted	870,240	870,240
Unrestricted	(6,694,851)	(9,197,603)
Net Position (Deficit)	$ (3,392,046)	$ (7,024,616)

RESULTS OF OPERATIONS

Operating Revenues

The fiscal year 2022 operating revenue equaled $8.5 million, representing a 530% increase from the previous fiscal year. Please note: the annual growth rate is dramatically greater than what would be considered a normal operating result due to the equally dramatic decline in revenue during fiscal year 2021.

During the year, revenues for the PCOC were recognized through space rental and all ancillary services (such as food & beverage, parking, etc.). Key revenue drivers were:

- Television production, Conferences, and Conventions
- Pasadena Ice Skating Center skating classes and hockey league games
- Parking for short-term leases for nearby projects

Operating Expenses

In the fiscal year 2022, total operating expenses increased to $12.5 million from $8.6 million, an increase of 45.0%. The increase was driven by the return to hosting events including re-staffing for business needs, increase in occupancy related expenses, and resuming contractual obligations that were temporarily suspended in fiscal year 2021. Depreciation expense, primarily for the convention center building, amounted to $4.0 million.

PCVB contracted and direct expenses in the fiscal year 2022 totaled $2.2 million, an increase of 106.6% compared to $1.1 million in 2021. The increase in PCVB spending is a direct effort to refocus on maximizing the return of the tourism, meeting and conventions industry.

Nonoperating Revenues (Expenses), Net

Non-operating revenues, mainly, Transient Occupancy Tax and Tourism Business Improvement Tax revenue, totaled $12.9 million; an increase of 133.2% mostly as a result of the significant decline in the prior year. Interest income also decreased by $145,000 or 55.6% compared to the fiscal year 2021.

Capital Contributions

Capital contributions include $76,055, which is recognized as revenue from the $1.6 million contribution paid by Boston Culinary Group, now Centerplate. The remainder of the $193,519 unamortized amount paid by Centerplate will be recognized in equal monthly installments over the life of the agreement with PCOC.

	2022	2021
Operating Revenues	$ 8,494,453	$ 1,347,177
Operating Expenses	12,518,091	8,594,402
Operating Loss	(4,023,638)	(7,247,225)
Nonoperating Revenues and Expenses, Net	7,580,153	(246,131)
Income Before Capital Contributions	3,556,515	(7,493,356)
Capital Contributions	76,055	12,676
Change in Net Position	3,632,570	(7,480,680)
Net Position (Deficit), Beginning of Year	(7,024,616)	456,064
Net Position (Deficit), End of Year	$ (3,392,046)	$ (7,024,616)

CAPITAL ASSETS

PCOC's investment in capital assets as of June 30, 2022, and 2021, amounts to $121,573,130 and $125,521,118, respectively (net of accumulated depreciation/amortization). This investment in capital assets includes building and improvements, machinery and equipment, furniture and fixtures, right-to-use lease assets, land, and construction in progress. The net decrease in PCOC's investment in capital assets, net of depreciation, for the current fiscal year was $3.9 million. Additional information on PCOC's capital assets can be found in Note 5 of the financial statements.

	June 30, 2022	June 30, 2021
Buildings and Improvements	$ 118,307,556	$ 122,081,486
Machinery and Equipment	683,623	747,998
Furniture and Fixtures	53,246	66,371
Right-to-Use Leased Assets	54,403	81,274
Land	2,423,473	2,423,473
Construction in Progress	50,829	120,516
Total	$ 121,573,130	$ 125,521,118

DEBT ADMINISTRATION

As of June 30, 2022, PCOC had long-term debt outstanding balance is $140,527,175, a decrease of $5.3 million from 2021 due to current year principal payments. There were no major debt events during the current fiscal year. For additional information on PCOC's long-term debt activity, refer to Note 6 of the financial statements' notes.

	June 30, 2022	June 30, 2021
COP 2006 Series A Capital Appreciation Bonds	$ 5,578,439	$ 10,556,151
COP 2008 Series A Capital Appreciation Bonds	134,720,000	134,720,000
Energy Conservation Loan	175,197	480,759
Leases Payable	53,539	81,274
Total	$ 140,527,175	$ 145,838,184

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of PCOC's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Pasadena Center Operating Company, 300 E. Green Street, Pasadena, California 91101.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 10,572,001
Accounts Receivables	943,736
Lease Receivable	7,495
Due from the City of Pasadena	1,869,378
Prepaid Items	116,600
Total Current Assets	13,509,210
RESTRICTED CASH AND CASH EQUIVALENTS	8,743,502
NONCURRENT ASSETS	
Capital Assets, Not Depreciated or Amortized	2,474,302
Capital Assets, Being Depreciated or Amortized	119,098,828
Total Noncurrent Assets	121,573,130
Total Assets	143,825,842
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decrease in Fair Value of Hedging Derivatives	10,763,362
Deferred Charges on Refunding	911,331
Total Deferred Outflows of Resources	11,674,693
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable and Other Liabilities	765,219
Accrued Salaries and Benefits	357,887
Interest Payable	565,433
Advance Deposits Payable	1,399,386
Long-Term Liabilities - Due Within One Year	6,048,531
Total Current Liabilities	9,136,456
NONCURRENT LIABILITIES	
Derivative Instruments Liability	10,763,362
Accrued Salaries and Benefits	146,626
Long-Term Liabilities - Due in More than One Year	134,478,644
Total Noncurrent Liabilities	145,388,632
Total Liabilities	154,525,088
DEFERRED INFLOWS OF RESOURCES	
Leases	7,488
Deferred Charges on Refunding	4,166,486
Service Concession Arrangement	193,519
Total Deferred Inflows of Resources	4,367,493
NET POSITION	
Net Investment in Capital Assets	2,432,565
Restricted for Public Art	867,377
Restricted for Organ Repairs and Maintenance Project	2,863
Unrestricted	(6,694,851)
Total Net Position	$ (3,392,046)

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Occupancy Fees	$ 3,255,890
Ice Skating Center	2,797,351
Parking	1,232,355
Commissions	1,208,857
Total Operating Revenues	8,494,453
OPERATING EXPENSES	
Pasadena Center	4,999,675
Ice Skating Center	1,311,835
Pasadena Convention and Visitors Bureau	2,231,027
Depreciation and Amortization Expense	3,975,554
Total Operating Expenses	12,518,091
OPERATING LOSS	(4,023,638)
NONOPERATING REVENUES (EXPENSES)	
Contributions from City of Pasadena (Transient Occupancy Taxes)	9,750,623
Tourism Business Improvement District Taxes	3,189,250
Grant Income	2,552,274
Facility Restoration Fee	65,872
Investment Income (Loss)	(2,486,935)
Interest Expense and Fiscal Agent Fees	(5,490,931)
Total Nonoperating Revenues (Expenses)	7,580,153
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,556,515
CAPITAL CONTRIBUTIONS	76,055
CHANGES IN NET POSITION	3,632,570
Net Position - Beginning of Year	(7,024,616)
NET POSITION - END OF YEAR	$ (3,392,046)

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 7,997,567
Cash Payments to Suppliers for Goods and Services	(4,276,326)
Cash Payments to Employees for Services	(3,677,783)
Net Cash Provided by Operating Activities	43,458
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipt of Grants	2,552,274
Contributions from the City of Pasadena (Transient Occupancy Taxes)	9,026,618
Receipt of Tourism Business Improvement District Taxes	3,011,627
Net Cash Provided by Noncapital Financing Activities	14,590,519
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(135,581)
Principal Paid on Long-Term Liabilities	(5,823,297)
Interest Paid on Long-Term Liabilities	(4,856,010)
Facility Restoration Fee for Capital Improvements	65,872
Net Cash Used by Capital and Related Financing Activities	(10,749,016)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	(331,861)
Change in Fair Value of Cash Equivalents	(2,602,811)
Net Cash Used by Investing Activities	(2,934,672)
NET INCREASE IN CASH AND CASH EQUIVALENTS	950,289
Cash and Cash Equivalents - Beginning of Year	18,365,214
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,315,503
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 10,572,001
Restricted Cash and Cash Equivalents	8,743,502
Total Reconciliation to Statement of Net Position	$ 19,315,503

See accompanying Notes to Financial Statements.

PASADENA CENTER OPERATING COMPANY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$ (4,023,638)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	3,975,554
Amortization of Deferred Inflows Related to Lease	(14,977)
Loss on Disposal of Capital Assets	108,017
(Increase) Decrease in Assets:	
Accounts Receivable	(818,302)
Lease Receivable	14,970
Prepaid Items	(13,099)
Increase (Decrease) in Liabilities:	
Accounts Payable and Other Liabilities	469,707
Accrued Salaries and Benefits	23,803
Advance Deposits Payable	321,423
Net Cash Provided by Operating Activities	$ 43,458
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY	
Amortization of Deferred Refunding Charges	$ 369,169
Accretion of Interest on Long-Term Debt	$ 512,288
Amortization of Service Concession Arrangement	$ 76,055

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pasadena Center Operating Company (the Company) was formed in 1973 as a nonprofit corporation under Section 501(c)(4) of the Internal Revenue Code for the purpose of managing and operating the Pasadena Center and the Pasadena Convention and Visitors Bureau. The Pasadena Center is comprised of the Civic Auditorium, which includes the auditorium and adjacent land, and the Conference Center, which includes the Conference Center, Exhibition Hall, and related parking facilities.

The Company operates under an agreement with the City of Pasadena (the City) whereby the Company maintains and operates the Pasadena Center and the Pasadena Convention and Visitors Bureau. The Pasadena City Council appoints the members of the Company's board of directors. The Company's 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 Annual Comprehensive Financial Report consistent with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Company's financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, which established standards for external financial reporting for all state and local governmental entities. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

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.

Classification of Revenues and Expenses

The Company classifies its revenues and expenses into the following classifications: operating revenues, operating expenses, nonoperating revenues, and nonoperating expenses.

Operating revenues consist of charges to customers for sales and use of the facilities, with the relating costs considered operating expenses. Nonoperating revenues consist of contributions from the City of Pasadena of their transient occupancy taxes, tourism business improvement district taxes, investment income, and other nonoperating income. Capital contributions consist of contributed capital assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents 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 three months or less.

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. Investment earnings (loss) includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Prepaid Assets

Certain payments to vendors, which reflect costs applicable to future accounting periods are recorded as prepaid assets.

Leases

The Company is a lessee for noncancellable leases of equipment. The Company recognizes a lease liability and an intangible right-to-use asset (lease asset) in the statement of net position. At the commencement of a lease, the Company initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The Company monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Company is a lessor for a noncancellable lease of office space in a building. The Company recognizes a lease receivable and a deferred inflow of resources in the statement of net position. At the commencement of a lease, the Company initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The Company monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated acquisition value on the date received. The Company capitalizes all assets with a historical cost of at least $10,000 consistent with City practice. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Buildings	50 Years
Building Improvements	3 to 30 Years
Machinery and Equipment	3 to 30 Years
Furniture and Fixtures	10 Years
Right-to-Use Leased Equipment	2 to 5 Years

Compensated Absences

The Company has a paid time off (PTO) policy in effect. It is the Company’s policy to permit employees to accumulate earned but unused PTO benefits. PTO hours can accrue up to a maximum of one and one-half times the annual allowable amount (maximum of 27 to 42 days, 216 to 336 hours). The Company pays all earned PTO benefits upon termination. All accumulated PTO is recorded as an expense and a liability at the time the benefit is earned. This is included in accrued salaries and benefits on the statements of net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities on the statement of net position. Net positions were classified in the following categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, as applicable.

Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Company's board of directors, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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 2 CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	$ 10,572,001
Restricted Cash and Cash Equivalents	8,743,502
Total Cash and Investments	$ 19,315,503

Cash and investments as of June 30, 2022, consist of the following:

Cash on Hand	$ 15,305
Deposits With Financial Institutions	5,829,380
City of Pasadena Investment Pool	4,727,316
Cash and Investments With Fiscal Agent:	
Money Market Mutual Funds	8,743,502
Total Cash and Investments	$ 19,315,503

Deposits

At June 30, 2022, the carrying amount of the Company's deposits was $5,829,380 and the bank balance was $6,409,001. The $579,621 difference represents outstanding checks and other reconciling items. All of the Company's cash and cash equivalents as of June 30, 2022 were collateralized or insured with securities held by pledging financial institutions in the Company's name.

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 does 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 fair 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 the Company's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Company by the California Government Code. Other than what is in the Government Code, the Company has no other investment policy.

Investment Types Authorized by the California Government Code	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	15%	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%	5%
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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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 short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

		Remaining Maturity	
Investment Type	Fair Value	12 Months or Less	12 to 60 Months
City of Pasadena Investment Pool	$ 4,727,316	$ 4,727,316	$ -
Fiscal Agent:			
Money Market Mutual Funds	8,743,502	8,743,502	-
Total	$ 13,470,818	$ 13,470,818	$ -

Disclosures Relating to Credit Risk

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

			Ratings at End of Year	
Investment Type	Fair Value	Minimum Legal Rating	Aaa	Not Rated
City of Pasadena Investment Pool	$ 4,727,316	N/A	$ -	$ 4,727,316
Fiscal Agent:				
Money Market Mutual Funds	8,743,502	Aaa	8,743,502	-
Total	$ 13,470,818		$ 8,743,502	$ 4,727,316

Concentration of Credit Risk

The investment policy of the Company contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Company categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs.

The Company's investments in the City investment pool and the fiscal agent money market mutual funds are not subject to the fair value hierarchy. Further details on the City's investment pool fair value hierarchy can be found in the City's Annual Comprehensive Financial Report for the year ended June 30, 2022.

NOTE 3 TOURISM BUSINESS IMPROVEMENT DISTRICT TAXES AND CONTRIBUTIONS OF CITY TRANSIENT OCCUPANCY TAXES

Tourism Business Improvement District (TBID) Taxes

The TBID was established in March 2003. The TBID is an assessment levied against each hotel and motel business in the City. The assessment is calculated as a percentage of each day's Gross Occupancy Revenue and is passed through to guests. The rate of assessment is set annually by resolution of the City Council but cannot exceed 2.89%. For the fiscal year ended June 30, 2022, the rate was set at 2.89%. The purpose of the TBID is to market Pasadena as a destination by funding activities, programs, expenses, and services of the Pasadena Convention & Visitors Bureau. Marketing activities of the Pasadena Convention & Visitors Bureau and the Pasadena Conference Center are financed by the TBID. For the year ended June 30, 2022, TBID taxes were $3,189,250, of which $380,198 was due from the City at June 30, 2022.

Contributions of City Transient Occupancy Taxes (TOT)

The Company receives support from the City equal to the sum of the annual debt service payments on the 2006A and 2008A expansion project bonds and an allowance of $500,000 to be used by the Company for maintenance, repairs, capital improvements and or debt service. A portion of this support is retained by the City to pay for the Company's insurance. Annual capital improvements to the Convention Center, Civic Auditorium and Ice Skating Center are approved by the City. For the year ended June 30, 2022, net TOT revenue was $9,750,623, of which $1,465,941 was due from the City at June 30, 2022.

NOTE 4 LEASE RECEIVABLE

The Company leases office space under a three-year, noncancellable, lease agreement. The net present value of the lease receivable was determined using an estimated discount rate of 0.218%. The lessee is required to make monthly fixed payments of $1,250. The Company recognized lease revenue of $14,977 during the current fiscal year. Future minimum lease payments to be received are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Payments
2023	$ 7,495	$ 5	$ 7,500

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows:

	June 30, 2021 as Restated (1)	Additions	Transfers and Deletions	Balance at June 30, 2022
Capital Assets, Not Depreciated or Amortized:				
Land	$ 2,423,473	$ -	$ -	$ 2,423,473
Construction in Progress	120,516	135,581	(205,268)	50,829
Total Capital Assets, Not Depreciated or Amortized:	2,543,989	135,581	(205,268)	2,474,302
Capital Assets Being Depreciated/Amortized				
Buildings and Improvements	184,227,898	97,253		184,325,151
Machinery and Equipment	1,881,441	-	-	1,881,441
Furniture and Fixtures	366,934	-	-	366,934
Right-to-Use Leased Equipment	81,274	-	-	81,274
Total Capital Assets Being Depreciated/Amortized	186,557,547	97,253	-	186,654,800
Less Accumulated Depreciation/ Amortization:				
Buildings and Improvements	(62,146,412)	(3,871,183)	-	(66,017,595)
Machinery and Equipment	(1,133,443)	(64,375)	-	(1,197,818)
Furniture and Fixtures	(300,563)	(13,125)	-	(313,688)
Right-to-Use Leased Equipment	-	(26,871)	-	(26,871)
Total Accumulated Depreciation/ Amortization	(63,580,418)	(3,975,554)	-	(67,555,972)
Total Capital Assets Being Depreciated/ Amortized, Net	122,977,129	(3,878,301)	-	119,098,828
Total Capital Assets, Net	$ 125,521,118	$ (3,742,720)	$ (205,268)	$ 121,573,130

(1) The beginning balance was restated to add right-to-use lease assets due to the implementation of GASB Statement No. 87, *Leases*. See Note 1.

NOTE 6 LONG-TERM DEBT

Long-term debt for the year ended June 30, 2022, is as follows:

	Balance at June 30, 2021 as Restated (1)	Additions/ Accretion	Principal Payments/ Prepayments	Balance at June 30, 2022	Due in One Year
Certificates of Participation					
2006 Series A	$ 11,340,000	$ -	$ (5,490,000)	$ 5,850,000	$ 5,850,000
Accreted Interest	(783,849)	512,288	-	(271,561)	-
Certificates of Participation					
2008 Series A	134,720,000	-	-	134,720,000	-
Energy Conservation Loan	480,759	-	(305,562)	175,197	175,197
Leases Payable	81,274	-	(27,735)	53,539	23,334
Total	$ 145,838,184	$ 512,288	$ (5,823,297)	$ 140,527,175	$ 6,048,531

(1) The beginning balance was restated to add leases payable due to the implementation of GASB Statement No. 87, *Leases*. See Note 1.

2006 Certificates of Participation

On August 23, 2006, the City issued the 2006 Certificates of Participation, 2006 Series A and B in the amount of $162,639,972. The Certificates of Participation were issued to finance the cost of improvements to the Pasadena Conference Center and related facilities, establish a reserve fund per the Trust Agreement, and finance the cost of execution and delivery of the Certificates of Participation.

2006 Series A of the Certificates of Participation were issued as Capital Appreciation Certificates. These certificates of participation appreciate in value based on annual accretion of the initial amount at a rate of interest that will result in each such capital appreciation certificate of participation appreciating to its maturity value on its final maturity date. Accretion will commence on August 23, 2006. Interest accretes at a yield ranging from 3.85% to 4.81%. By their nature, there are no regular interest payments associated with capital appreciation certificates of participation; interest on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. Each year, the outstanding balance is increased by the accreted value associated with the certificates of participation. Principal on the 2006 Series A Certificates of Participation is payable in annual installments ranging from $415,000 to $5,850,000 commencing February 2010 and ending February 2023.

2006 Series B of the Certificates of Participation was refunded by the 2008 Series A Certificates of Participation (see note below).

The annual requirements to repay the outstanding Certificates of Participation 2006 Series A at June 30, 2022, are as follows:

Year Ending June 30,	Principal Payment	Accretion
2023	$ 5,850,000	$ (271,561)

NOTE 6 LONG-TERM DEBT (CONTINUED)

2008 Certificates of Participation

On April 15, 2008, the City issued the 2008 Refunding Certificates of Participation, 2008 Series A in the amount of $134,720,000. These certificates of participation were issued to refund the City's Certificates of Participation (Conference Center Project), 2006 Series B Certificates of Participation and finance the costs of execution of the 2008 Series A Certificates of Participation. The refunded certificates of participation were repaid in April 2008 and the liability has been removed from the statement of net position. Interest on 2008 Series A Certificates of Participation were issued at a variable rate with the reassignment of the synthetic fixed rate swap of 3.536%. Principal is payable in annual installments ranging from $6,775,000 to $11,445,000 commencing February 1, 2024, and ending February 1, 2035.

The annual requirements to repay the outstanding Certificates of Participation 2008 Series A at June 30, 2022, are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Hedging Derivative, Net	Total
2023	$ -	$ 1,077,760	$ 3,625,120	$ 4,702,880
2024	6,775,000	1,055,177	3,547,885	11,378,062
2025	7,480,000	998,627	3,354,557	11,833,184
2026	8,260,000	936,187	3,141,263	12,337,450
2027	9,045,000	867,490	2,906,822	12,819,312
2028-2032	59,265,000	3,061,370	10,186,990	72,513,360
2033-2035	43,895,000	532,764	1,363,712	45,791,476
Total	$ 134,720,000	$ 8,529,375	$ 28,126,349	$ 171,375,724

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 instruments will vary. Refer to Note 7 for additional information regarding the derivative instruments associated with the debt of the Company.

Energy Conservation Loan

The Company received approval from the City in June 2008 to commence a project designed to conserve energy through use of more efficient air conditioning systems and energy efficient lighting. The project budget cost was $4,581,071; $1,560,000 was pledged by Pasadena Water and Power (PWP) as a rebate based on energy savings and $3,000,000 was covered by a loan from the California Energy Commission with an interest rate of 3.95% for 13 years. The annual requirements to repay the outstanding loan from the State of California Energy Conservation Commission at June 30, 2022, are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2023	$ 175,197	$ 3,822	$ 179,019

NOTE 6 LONG-TERM DEBT (CONTINUED)

Leases Payable

The Company leases equipment for terms of 24 to 60 months under four noncancelable lease agreements. The net present values of the leases payable were determined using estimated discount rates that range from 0.185% to 0.577%. One agreement requires fixed quarterly payments of $1,117 and the other three agreements require fixed monthly payments of $341, $628, and $990. Total future minimum lease payments under lease agreements are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Payments
2023	$ 23,334	$ 172	$ 23,506
2024	21,437	89	21,526
2025	4,686	36	4,722
2026	4,082	13	4,095
Total	$ 53,539	$ 310	$ 53,849

NOTE 7 DERIVATIVE INSTRUMENT LIABILITY

The Company has entered into a floating to fixed interest rate swap in order to hedge the change in cash flows with respect to certain variable debt as described below. This structure results in a lower borrowing cost by accessing interest rate markets more attractive than traditional fixed rate debt structures of the time. The greater liquidity and flexibility of the swap market has offered the Company significant cost savings opportunities in the swap the Company has engaged in.

Conference Center Variable Rate Demand Refunding Certificates of Participation (COP)

On September 18, 2006, the Company entered into an interest rate swap agreement with DEPFA Bank related to the $135,500,000 Conference Center Auction Rate Certificates Series 2006B. The objective was to effectively change the Company's variable interest rate to a synthetic fixed rate of 3.536%. Under the terms of the swap, the Company pays the counterparty the fixed rate of 3.536% and receives a floating rate equal to 64% of the one-month LIBOR rate. The swap has a notional amount of $133,000,000 representing a hedge ratio of 98.7% and declines according to the schedule set forth in the contract until the final principal payment on the certificates in 2034.

Objective and Terms

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay Fixed Interest Rate Swap	Hedge of Changes in Cash Flows on the 2008A COPs	$ 133,000,000	4/1/2011	2/1/2034	Pay 3.536% Receives 64% LIBOR Index	A1/AA-

NOTE 7 DERIVATIVE INSTRUMENT LIABILITY (CONTINUED)

Objective and Terms (Continued)

In 2011, due to its declining credit ratings, DEPFA Bank was replaced by RBC as the counterparty for the swap. Pursuant to GASB Statement No. 64, the replacement did not require any change in accounting treatment.

On April 15, 2008, the Company issued the 2008 Refunding COPs, Series 2008A in the amount of $134,720,000. These certificates were issued to refund the Company's Certificates of Participation (Conference Center Project), Series 2006B and finance the cost of execution of the 2008A Certificates of Participation backed by a letter of credit from Bank of America. The final maturity on the 2008A COPs was extended by one year to 2035 in order to reduce the reserve requirement and consequently, reduce the size of the issue by approximately $800,000. The refunded certificates are considered to be defeased, and the liability has been removed from the Company's statement of net position and recorded as a deferred amount upon refunding. During the fiscal year ended June 30, 2011, the Company entered into a new agreement to take advantage of a more advantageous interest rate adjustment mode than the 2008 Series Bonds previously had. As a result, the former derivative instrument terminated, and the new instrument has off-market terms. As a result, an up-front payment was received. The up-front payment is reported as a borrowing. The borrowing is amortized over the life of the swap and amortizes using the effective interest method for the life of the swap with adjustments to interest expense during each fiscal year. The original balance of the borrowing was $8,935,613. As of the year ended June 30, 2022, the balance was $4,166,486.

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:

Year Ending June 30,	Beginning Balance	Accrued Interest	Payment	Ending Balance
2023	$ 4,166,486	$ 179,003	$ (646,380)	$ 3,699,109
2024	3,699,109	157,461	(635,404)	3,221,166
2025	3,221,166	136,068	(601,344)	2,755,890
2026	2,755,890	115,332	(563,760)	2,307,462
2027	2,307,462	95,454	(522,409)	1,880,507
2028	1,880,507	76,649	(477,171)	1,479,985
2029	1,479,985	59,154	(427,721)	1,111,418
2030	1,111,418	43,226	(373,774)	780,870
2031	780,870	29,157	(315,009)	495,018
2032	495,018	17,258	(251,140)	261,136
2033	261,136	7,877	(181,805)	87,208
2034	87,208	1,487	(88,695)	-
Total		$ 918,126	$ (5,084,612)	

The Company categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices in active markets for similar assets; Level 3 inputs are significant unobservable inputs.

NOTE 7 DERIVATIVE INSTRUMENT LIABILITY (CONTINUED)

Objective and Terms (Continued)

The Company has the following recurring fair value measurements as of June 30, 2022:

Measurements by Fair Value Level	Total	Level 1	Level 2	Level 3
Derivative Instrument Liability	$ 10,763,362	$ -	$ 10,763,362	$ -

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2022, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2022		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedge:					
Pay-Fixed Interest Rate Swaps	Deferred Outflow	$ (14,305,093)	Liability	$ 10,763,362	$ 133,000,000

The fair values of the interest rate swaps were 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, 2022, 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 typically remarketed every seven days. As of June 30, 2022, the weighted-average interest rate on the Company's hedged variable-rate debt is 0.69900%, while the variable rate payments received are 64% of LIBOR, or 0.6739%.

NOTE 7 DERIVATIVE INSTRUMENT LIABILITY (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, the 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 for any reason on June 30, 2022, the maximum exposure/loss would have been $15,484,274.

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.

NOTE 8 NET POSITION

Net position at June 30, 2022, consisted of the following:

Net Investment in Capital Assets:	
Property, Plant, and Equipment, Net	$ 121,573,130
Less: Net Carrying Value of Capital-Related Debt	(116,455,092)
Less: Net Deferred Charges on Refunding	(2,685,473)
Total Net Investment in Capital Assets	2,432,565
Restricted Net Position:	
Public Art	867,377
Organ Repair and Maintenance	2,863
Total Restricted Net Position	870,240
Unrestricted Net Position	(6,694,851)
Total Net Position	$ (3,392,046)

Net position restrictions are as follows:

Public Art – The $1.2 million capital public art project was originally appropriated for the development of onsite public art. The funds, less monies spent on artist selection, were reallocated for permanent public art in the Civic Center area through the 2013 Public Art Master Plan, which also established the Civic Center Public Art Advisory Group comprised of arts and historic preservation professionals.

NOTE 8 NET POSITION (CONTINUED)

Organ Repair and Maintenance – This is the remaining balance of a $15,000 grant which was received for the repair and maintenance of the Moller organ located in the Pasadena Civic Auditorium.

NOTE 9 SERVICE CONCESSION ARRANGEMENTS

Centerplate

In the fiscal year ended June 30, 2009, the Company entered into an agreement with Boston Culinary Group, which then changed to Distinctive Gourmet Services, but is now called Centerplate (CP), that allows CP the exclusive right to operate the food services concession for the Company. The agreement covered the period March 1, 2009, through June 30, 2014. In exchange for this exclusive right, CP agreed to contribute up to $1,000,000 for capital asset purchases at the new kitchen in the Conference Center Expansion Project. An amendment to the agreement was made and entered into on January 6, 2012 to extend the term of the agreement for five years, expiring on June 30, 2021 with an additional five-year extension that is eligible, contingent upon mutual agreement between CP and the Company.

With the amended agreement, CP was additionally granted the exclusive right to operate a Starbucks Café at the Pasadena Center in the space formerly leased by Lovebirds Café & Bakery. CP's ability to operate the Starbucks Café runs concurrently with the initial agreement entered into on March 1, 2009 and covers the period through June 30, 2021. A second amendment to the agreement was entered into on June 28, 2019 to extend the agreement an additional five years expiring on June 30, 2024.

Prior to July 1, 2019, CP provided $975,000 for Kitchen space and $399,960 for Café space. As of June 30, 2022, CP has contributed a total of $1,580,184. This has been recorded as advances on contracts and is being amortized over the lease period including extensions. The sum of $1,386,665 has been recognized as capital contributions to date. The remaining $193,519 is recorded as a deferred inflow of resources.

NOTE 10 DEFINED CONTRIBUTION RETIREMENT PLAN

Plan Description

Eligible employees of the Company participate in the Pasadena Center Operating Company 401(k) Profit Sharing Plan (the Plan), which is a defined contribution retirement plan covering all employees except those whose employment is governed by a collective bargaining agreement. To be eligible to participate in the Plan, an employee must be age 21 and have completed 90 consecutive days of employment. To be eligible for the employer's match, an employee must be age 21 and have completed one full year of employment and must have 1,000 hours of service in a twelve-month period.

NOTE 10 DEFINED CONTRIBUTION RETIREMENT PLAN (CONTINUED)

Funding Policy

An employee may either defer an amount of their salary on a pre-tax basis, or contribute after tax dollars to a Roth 401k account up to the maximums allowed by federal law. The Company will make a contribution equal to 5% of eligible employees' pay regardless of whether an employee contributes to the Plan. Employee contributions are vested immediately. Employer match contributions prior to July 1, 2004, are subject to vesting on a graduating basis, beginning at two years and becoming fully vested after five years of service. Employer match contributions after July 1, 2004, are vested immediately. The Company matched $245,280 for the fiscal year ended June 30, 2022.

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 mailing services and insurance. Nonevent expenses totaled $1,370,804 and event expenses totaled $91,014, for a grand total of $1,461,817. The expenses are included within general and administrative expenses. At June 30, 2022, there were no amounts payable to the City.

In addition to the revenues and receivables described in Note 3, the Company has $23,239 due from the City related to interest earned on cash and investments pooled with the City at June 30, 2022.

NOTE 12 RISK MANAGEMENT

The Company is entitled to indemnity from the City; however, the Company purchases a Special Liability Insurance Program (SLIP) for general liability and employment practice coverage. The City manages the Company's claims and tenders to the insurance carrier third-party administrator. The Company carries statutory workers' compensation insurance with no retention. The company requires licensees to provide insurance or purchase Special Events Liability Insurance from the Company. The City buys liability insurance on the parking structures at the Convention Center. The Company buys separate liability insurance on the ice rink. There are lawsuits pending that are being defended by an insurance company without a reservation of rights. During the past three fiscal years, no settlements or judgements exceeded insurance coverage.

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

Board of Directors
Pasadena Center 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 Pasadena Center Operating Company (the Company), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated March 22, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Company's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Pasadena Center Operating Company

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
March 22, 2023

Global

INDEPENDENT
NETWORK MEMBER