

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

Basic Financial Statements

Year ended June 30, 2007

Conrad Government Services Division

12/17/2007  
Item 5.B.1 & 8.B.  
Attachment F



Mayer  
Hoffman  
McCann P.C.  
An Independent CPA Firm

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

Basic Financial Statements

Year ended June 30, 2007

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The Board of Directors  
Rose Bowl Operating Company

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements for the Rose Bowl Operating Company (the Company) as of and for the year ended June 30, 2007 as listed in the table of contents. These basic financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative data has been derived from the financial statements of the Company for the year ended June 30, 2006 and, in our report dated September 15, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Rose Bowl Operating Company as of June 30, 2007 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation on the supplementary information. However, we did not audit the information and do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2007 on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 19, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rose Bowl Operating Company (RBOC), we offer readers of the RBOC's financial statements this narrative overview and analysis of the financial activities of the RBOC for the fiscal year ended June 30, 2007.

### FINANCIAL HIGHLIGHTS:

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by \$24,561,137 (net assets). Of this amount, \$5,506,880 are unrestricted net assets of which \$4,728,077 are further designated for the golf course master plan, capital improvements and fleet replacement. Still another \$470,000 of this \$5,506,880 is currently set aside with the intention of making future payments on bond debt. The balance of these unrestricted net assets may be used to meet RBOC's ongoing obligations.

The RBOC's net assets increased by \$1,327,475 over the previous fiscal year.

The RBOC's total debt increased by \$30,852 during the current fiscal year. The key factors are the \$45,045 pay down in principal on the 2001 COP, net of the \$75,897 in amortization of the bond discount and refunding costs on the 2006 COP, the latter corresponding to the construction of the new locker rooms & media center.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis are 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

### FUND FINANCIAL STATEMENTS.

The *statement of net assets* presents information on all of the RBOC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

NOTES TO THE FINANCIAL STATEMENTS. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11-26 of this report.

## FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the RBOC, assets exceeded liabilities by \$24,561,137 at the close of the most recent fiscal year.

By far the largest portion of the RBOC's net assets (78 percent) reflects its investment in capital assets (e.g., buildings & improvements, 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 citizens; consequently, these assets are *not* available for future spending. Although the RBOC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt may be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Rose Bowl Operating Company's Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current and other assets	\$13,796,024	\$24,064,799
Capital assets	<u>50,768,052</u>	<u>40,118,426</u>
Total assets	<u>64,564,076</u>	<u>64,183,225</u>
Long-term liabilities outstanding	35,196,304	36,847,551
Other liabilities	<u>4,806,635</u>	<u>4,102,012</u>
Total liabilities	<u>40,002,939</u>	<u>40,949,563</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	19,054,257	20,979,633
Restricted		
Unrestricted:		
Designated	5,127,344	1,311,563
Undesignated	<u>379,536</u>	<u>942,466</u>
Total net assets	<u>\$24,561,137</u>	<u>\$23,233,662</u>

At the end of the current fiscal year, the RBOC is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

The RBOC's net assets increased by \$1,327,475 during the current fiscal year. About 70 percent of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The remainder of this growth largely reflects increase in investment income and other non-operating revenue including capital contributions from the City of Pasadena through the Police Department in the form of Homeland Security Grants.

Operating activities increased the RBOC's net assets by \$924,011, thereby accounting for 70 percent of the total growth in the net assets of the RBOC. Key elements of this increase are as follows:

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Revenues:		
Green fees and other golf revenues	\$2,250,654	\$2,127,329
Parking revenue	636,737	591,588
Advertising revenue	761,655	717,941
Television revenue	135,728	106,879
Facility rentals & Admission Tax	3,666,800	3,628,023
Concessions	866,569	878,647
Pro Shop	91,317	93,396
Restaurant	400,585	385,210
Cost recoveries	1,499,549	1,360,761
Investment earnings	1,041,530	264,637
Other non-operating revenues	560,222	409,911
Capital Contributions	<u>297,530</u>	<u>2,651,076</u>
 Total revenue	 <u>12,208,876</u>	 <u>13,215,398</u>
Expenses:		
Salaries and benefits	1,824,366	1,822,933
General and administrative	2,137,889	2,120,202
Depreciation	2,093,750	1,896,785
Events	3,329,578	2,959,238
Interest expense	<u>1,495,818</u>	<u>1,066,282</u>
 Total expenses	 <u>10,881,401</u>	 <u>9,865,440</u>
 Increase in net assets	 1,327,475	 3,349,958
Net assets at beginning of year	<u>23,233,662</u>	<u>19,883,704</u>
Net assets at end of year	<u>\$24,561,137</u>	<u>\$23,233,662</u>

There was an overall increase of \$419,820 in total operating revenues for the most recent fiscal year due mostly to high preseason ticket sales by UCLA which in turn, had an extra, 7<sup>th</sup> home game and a home game against a very highly-ranked USC team. Also, although a non-BCS National Championship Game, the New Year's Rose Bowl Game was very successful because of a classic "Pac-10" / "Big-10" match-up between USC and Michigan. The Flea Market did suffer from 2.5 rain days and from Easter falling on the second Sunday of the month. As in the previous fiscal year, both the golf course and restaurant showed increased revenue.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

The RBOC's investment in capital assets for its activities as of June 30, 2007, amounts to \$50,768,052 (net of accumulated depreciation). This investment in capital assets includes buildings & improvements and machinery & equipment. The total increase in the RBOC's investment in capital assets for the current fiscal year was 26.5 percent.

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

- Fairways – Course # 1 (golf course): \$23,875
- Major Maintenance, Year 4: \$ 68,376
- Major Maintenance, Year 5: \$461,297
- Strategic Plan: \$345,674
- Locker Rooms: \$11,585,186
- Equipment: \$258,968

### Rose Bowl Operating Company's Capital Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Buildings and Improvements	\$49,101,625	\$48,639,793
Machinery and equipment	4,769,860	4,510,892
Construction in Progress	<u>15,721,892</u>	<u>3,699,316</u>
Sub-total	69,593,377	56,850,001
Less accumulated depreciation	<u>(18,825,325)</u>	<u>(16,731,575)</u>
Total	<u>\$50,768,052</u>	<u>\$40,118,426</u>

Additional information on the RBOC's capital assets can be found in note 3 on pages 18 and 19 of this report.

Long-term debt. At the end of the current fiscal year, the RBOC's had total debt outstanding of \$36,754,145. All debt is backed by the full faith and credit of the government.

Rose Bowl Operating Company's Outstanding Debt

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Certificate of Participation	\$36,754,145	\$36,723,293

The RBOC's total debt increased by \$30,852 during the current fiscal year. As mentioned on Page 2 above, the key factors in this increase are the \$45,045 pay down in principal on the 2001 COP, net of the \$75,897 in amortization of the bond discount and refunding costs on the 2006 COP, the latter corresponding to the construction of the new locker rooms & media center.

Additional information on the RBOC's long-term debt can be found in note 4 on pages 20- 23 of this report.

Requests for Information

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



ROSE BOWL OPERATING COMPANY  
Statement of Net Assets  
June 30, 2007  
(with comparative totals for 2006)

	Rose Bowl	Golf Course	Totals	
			2007	2006
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and investments (note 2)	\$ -	6,641,041	6,641,041	4,631,995
Accounts receivable, net	1,048,839	697,253	1,746,092	1,438,724
Prepaid assets	26,572	-	26,572	-
Other receivable (note 6)	-	55,397	55,397	55,392
Total current assets	<u>1,075,411</u>	<u>7,393,691</u>	<u>8,469,102</u>	<u>6,126,111</u>
<b>Noncurrent assets:</b>				
Cash and investments with fiscal agent (note 2)	4,891,162	-	4,891,162	17,431,256
Other receivable (note 6)	-	175,425	175,425	230,827
Unamortized bond issuance costs	260,335	-	260,335	276,605
<b>Capital assets (note 3):</b>				
Construction in progress	15,216,242	505,650	15,721,892	3,699,316
Other capital assets, net	<u>31,676,170</u>	<u>3,369,990</u>	<u>35,046,160</u>	<u>36,419,110</u>
Total noncurrent assets	<u>52,043,909</u>	<u>4,051,065</u>	<u>56,094,974</u>	<u>58,057,114</u>
Total assets	<u>53,119,320</u>	<u>11,444,756</u>	<u>64,564,076</u>	<u>64,183,225</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and other liabilities	1,214,435	122,979	1,337,414	2,023,657
Accrued salaries and benefits	75,831	-	75,831	80,784
Interest payable	111,147	-	111,147	123,361
Due to the City of Pasadena (note 11)	330,528	138,857	469,385	847,029
Deposits	68,310	-	68,310	32,281
Deferred revenue	1,057,617	-	1,057,617	994,900
Current portion of certificates of participation (note 4)	<u>1,686,931</u>	<u>-</u>	<u>1,686,931</u>	<u>-</u>
Total current liabilities	<u>4,544,799</u>	<u>261,836</u>	<u>4,806,635</u>	<u>4,102,012</u>
<b>Noncurrent liabilities:</b>				
Compensated absences (note 4)	100,585	28,505	129,090	124,258
Long-term portion of certificates of participation (note 4)	<u>35,067,214</u>	<u>-</u>	<u>35,067,214</u>	<u>36,723,293</u>
Total noncurrent liabilities	<u>35,167,799</u>	<u>28,505</u>	<u>35,196,304</u>	<u>36,847,551</u>
Total liabilities	<u>39,712,598</u>	<u>290,341</u>	<u>40,002,939</u>	<u>40,949,563</u>
<b>Net assets (note 5):</b>				
Invested in capital assets, net of related debt	15,178,617	3,875,640	19,054,257	20,979,633
<b>Unrestricted:</b>				
Designated	-	5,198,077	5,198,077	1,311,563
Undesignated	<u>(1,771,895)</u>	<u>2,080,698</u>	<u>308,803</u>	<u>942,466</u>
Total net assets	<u>\$ 13,406,722</u>	<u>11,154,415</u>	<u>24,561,137</u>	<u>23,233,662</u>

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2007  
(with comparative totals for 2006)

	Rose Bowl	Golf Course	Totals	
			2007	2006
<b>Operating revenues:</b>				
Green fees and other golf revenues	\$ -	2,250,654	2,250,654	2,127,329
Parking revenues	636,737	-	636,737	591,588
Advertising revenue	761,655	-	761,655	717,941
Television revenue	135,728	-	135,728	106,879
Facility rentals	3,548,802	-	3,548,802	3,473,335
Concessions	866,569	-	866,569	878,647
Pro shop	-	91,317	91,317	93,396
Restaurant	-	400,585	400,585	385,210
Admission tax	117,998	-	117,998	154,688
Cost recoveries	1,484,549	15,000	1,499,549	1,360,761
<b>Total operating revenues</b>	<b>7,552,038</b>	<b>2,757,556</b>	<b>10,309,594</b>	<b>9,889,774</b>
<b>Operating expenses:</b>				
Salaries and benefits	1,497,269	327,097	1,824,366	1,822,933
General and administrative	1,641,469	496,420	2,137,889	2,120,202
Depreciation	1,942,568	151,182	2,093,750	1,896,785
Events	3,329,578	-	3,329,578	2,959,238
<b>Total operating expenses</b>	<b>8,410,884</b>	<b>974,699</b>	<b>9,385,583</b>	<b>8,799,158</b>
<b>Operating income (loss)</b>	<b>(858,846)</b>	<b>1,782,857</b>	<b>924,011</b>	<b>1,090,616</b>
<b>Nonoperating revenues (expenses):</b>				
Investment gain (loss)	761,297	280,233	1,041,530	264,637
Interest expense	(1,495,818)	-	(1,495,818)	(1,066,282)
Other nonoperating revenues	329,555	230,667	560,222	409,911
<b>Total nonoperating revenues (expenses)</b>	<b>(404,966)</b>	<b>510,900</b>	<b>105,934</b>	<b>(391,734)</b>
<b>Income before other revenues, expenses, gains, losses, and other items</b>	<b>(1,263,812)</b>	<b>2,293,757</b>	<b>1,029,945</b>	<b>698,882</b>
Transfer (to) from other funds, net	276,929	(276,929)	-	-
Capital contributions (note 12)	297,530	-	297,530	2,651,076
<b>Increase (decrease) in net assets</b>	<b>(689,353)</b>	<b>2,016,828</b>	<b>1,327,475</b>	<b>3,349,958</b>
<b>Net assets at beginning of year</b>	<b>14,096,075</b>	<b>9,137,587</b>	<b>23,233,662</b>	<b>19,883,704</b>
<b>Net assets at end of year</b>	<b>\$ 13,406,722</b>	<b>11,154,415</b>	<b>24,561,137</b>	<b>23,233,662</b>

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY

Statement of Cash Flows

Year ended June 30, 2007

(with comparative totals for 2006)

	Rose	Golf	Totals	
	Bowl	Course	2007	2006
Cash flows from operating activities:				
Cash received from customers	\$ 7,943,123	2,997,539	10,940,662	10,478,127
Cash paid to employees for services	(1,502,147)	(322,340)	(1,824,487)	(1,773,665)
Cash paid to suppliers of goods and services	(6,026,208)	(378,145)	(6,404,353)	(3,793,957)
Net cash provided by (used for) operating activities	<u>414,768</u>	<u>2,297,054</u>	<u>2,711,822</u>	<u>4,910,505</u>
Cash flows from noncapital financing activities:				
Transfers (to) from other funds, net	276,929	(276,929)	-	-
Transfers (to) from the City of Pasadena, net	(388,270)	10,626	(377,644)	436,206
Net cash provided by (used for) noncapital financing	<u>(111,341)</u>	<u>(266,303)</u>	<u>(377,644)</u>	<u>436,206</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(12,693,079)	(50,297)	(12,743,376)	(4,390,260)
Capital contributions	297,530	-	297,530	2,651,076
Principal payments on certificates of participation	(45,045)	-	(45,045)	(21,842,951)
Proceeds from issuance of revenue bond	-	-	-	36,110,018
Interest payments on certificates of participation	(1,415,865)	-	(1,415,865)	(412,919)
Net cash provided by (used for) capital and related financing activities	<u>(13,856,459)</u>	<u>(50,297)</u>	<u>(13,906,756)</u>	<u>12,114,964</u>
Cash flows from investing activities:				
Purchase of investments	-	-	-	(15,971,100)
Proceeds from the sale of investments	12,540,094	-	12,540,094	-
Investment income	761,297	280,233	1,041,530	264,637
Net cash provided by (used for) investing activities	<u>13,301,391</u>	<u>280,233</u>	<u>13,581,624</u>	<u>(15,706,463)</u>
Net increase (decrease) in cash and cash equivalents	(251,641)	2,260,687	2,009,046	1,755,212
Cash and cash equivalents at beginning of year	<u>251,641</u>	<u>4,380,354</u>	<u>4,631,995</u>	<u>2,876,783</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>6,641,041</u>	<u>6,641,041</u>	<u>4,631,995</u>

(Continued)

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Cash Flows  
Year ended June 30, 2007  
(Continued)

	Rose	Golf	Totals	
	Bowl	Course	2007	2006
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:				
Cash and investments	\$ -	6,641,041	6,641,041	4,631,995
Cash and investments with fiscal agent	<u>4,891,162</u>	<u>-</u>	<u>4,891,162</u>	<u>17,431,256</u>
Total reported on Statement of Net Assets	4,891,162	6,641,041	11,532,203	22,063,251
Less non-cash equivalents	<u>(4,891,162)</u>	<u>-</u>	<u>(4,891,162)</u>	<u>(17,431,256)</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>6,641,041</u>	<u>6,641,041</u>	<u>4,631,995</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (858,846)	1,782,857	924,011	1,090,616
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Other nonoperating revenues	329,555	230,667	560,222	409,911
Depreciation	1,942,568	151,182	2,093,750	1,896,785
(Increase) decrease in accounts receivable	(261,287)	(46,081)	(307,368)	77,203
(Increase) decrease in prepaid assets	(26,572)	-	(26,572)	-
(Increase) decrease in other receivable	-	55,397	55,397	50,781
Increase (decrease) in accounts payable	(804,518)	118,275	(686,243)	1,285,483
Increase (decrease) in accrued salaries and benefits	(4,953)	-	(4,953)	29,076
Increase (decrease) in compensated absences	75	4,757	4,832	20,192
Increase (decrease) in deposits	36,029	-	36,029	(8,853)
Increase (decrease) in deferred revenue	<u>62,717</u>	<u>-</u>	<u>62,717</u>	<u>59,311</u>
Net cash provided by operating activities	<u>\$ 414,768</u>	<u>2,297,054</u>	<u>2,711,822</u>	<u>4,910,505</u>

Noncash investing, capital and financing activities

There were no significant noncash investing, capital and financing activities for the year ended June 30, 2007.

See accompanying notes to the basic financial statements.

# ROSE BOWL OPERATING COMPANY

## Notes to the Basic Financial Statements

Year ended June 30, 2007

### (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 (City) by managing a world class stadium and a professional quality golf course complex in a residential open-space environment. An eleven-member board governs the Company. The board consists of the City Manager, two members from the City Mayor's office, seven members appointed by the City and one member from the Tournament of Roses. 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 generally accepted accounting principles. 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.

The Company applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedures.

# ROSE BOWL OPERATING COMPANY

## Notes to the Basic Financial Statements

(Continued)

### (1) Organization and Summary of Significant Accounting Policies, (Continued)

#### (c) Classification of Revenues

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

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

#### (d) Capital Assets

Capital assets are recorded at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Interest is capitalized on construction in progress in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any interest earned on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

The estimated useful lives of the assets are as follows:

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

#### (e) Cash and Cash Equivalents

For the purposes 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 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.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(1) Organization and Summary of Significant Accounting Policies, (Continued)

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 (25 hours per week minimum) employees are eligible to accrue personal time off with pay. Full-time employees may accrue up to 20 personal days per calendar year. Part-time employees who work 24 hours per week or more are eligible to accrue personal paid time off on a pro rata basis. It is the Company's policy to permit employees to accumulate earned but unused vacation benefits from year to year up to a maximum of two times a full-time employee's annual vacation amount. Personal paid time off is not accumulated from year to year.

All accumulated compensated absences are recorded as an expense and a liability at the time the benefit is earned.

(h) Transfer Policy

The Company transfers unrestricted Golf Course Fund revenues to the Rose Bowl Fund each year to cover cash shortfalls in the Rose Bowl Fund. The transfer is not required to be paid back to the Golf Course Fund.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 6,641,041
Cash and investments held by fiscal agent	<u>4,891,162</u>
Total cash and investments	<u>\$ 11,532,203</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	2,673,814
Investment in City of Pasadena investment pool	3,965,727
Investments held by fiscal agents	<u>4,891,162</u>
Total cash and investments	<u>\$ 11,532,203</u>

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

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



ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

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

Investments Authorized by Debt Agreements

Investment 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.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 60 Months</u>	<u>More Than 60 Months</u>
City of Pasadena Pool	\$3,965,727	3,965,727	-	-
Repurchase agreement	1,996,696	1,996,696	-	-
Federal agency securities	2,868,394	-	2,868,394	-
Money market funds	<u>26,072</u>	<u>26,072</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,856,889</u>	<u>5,988,495</u>	<u>2,868,394</u>	<u>-</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>A</u>	<u>Not Rated</u>
City of Pasadena Pool	\$ 3,965,727	N/A	-	-	3,965,727
Repurchase agreement	1,996,696	N/A	-	-	1,996,696
Federal agency securities	2,868,394	N/A	2,868,394	-	-
Money market funds	<u>26,072</u>	A	<u>-</u>	<u>26,072</u>	<u>-</u>
Total	<u>\$8,856,889</u>		<u>2,868,394</u>	<u>26,072</u>	<u>5,962,423</u>

Concentration of Credit Risk

The investment policy of the Company contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Company investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$2,868,394

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

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(3) Capital Assets

Rose Bowl

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007
Buildings and improvements	\$44,615,324	450,986	-	45,066,310
Machinery and equipment	<u>4,217,339</u>	<u>243,392</u>	<u>-</u>	<u>4,460,731</u>
Total cost of depreciable assets	<u>48,832,663</u>	<u>694,378</u>	<u>-</u>	<u>49,527,041</u>
Less accumulated depreciation:				
Buildings and improvements	(13,280,586)	(1,770,949)	-	(15,051,535)
Machinery and equipment	<u>(2,627,717)</u>	<u>(171,619)</u>	<u>-</u>	<u>(2,799,336)</u>
Total accumulated depreciation	<u>(15,908,303)</u>	<u>(1,942,568)</u>	<u>-</u>	<u>(17,850,871)</u>
Net depreciable assets	32,924,360	(1,248,190)	-	31,676,170
Capital assets not depreciated:				
Construction in progress	<u>3,217,541</u>	<u>12,381,321</u>	<u>(382,620)</u>	<u>15,216,242</u>
Capital assets, net	<u>\$36,141,901</u>	<u>11,133,131</u>	<u>(382,620)</u>	<u>46,892,412</u>

Depreciation expense for the year was \$1,942,568.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets, (Continued)

Golf Course

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007
Buildings and improvements	\$4,024,469	10,846	-	4,035,315
Machinery and equipment	<u>293,553</u>	<u>15,576</u>	<u>-</u>	<u>309,129</u>
Total cost of depreciable assets	<u>4,318,022</u>	<u>26,422</u>	<u>-</u>	<u>4,344,444</u>
Less accumulated depreciation:				
Buildings and improvements	(641,652)	(132,499)	-	(774,151)
Machinery and equipment	<u>(181,620)</u>	<u>(18,683)</u>	<u>-</u>	<u>(200,303)</u>
Total accumulated depreciation	<u>(823,272)</u>	<u>(151,182)</u>	<u>-</u>	<u>(974,454)</u>
Net depreciable assets	3,494,750	(124,760)	-	3,369,990
Capital assets not depreciated:				
Construction in progress	<u>481,775</u>	<u>23,875</u>	<u>-</u>	<u>505,650</u>
Capital assets, net	<u>\$3,976,525</u>	<u>(100,885)</u>	<u>-</u>	<u>3,875,640</u>

Depreciation expense for the year was \$151,182.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt

Long-term liabilities for the year ended June 30, 2007 are as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions/ Amortizations</u>	<u>Deletions/ Principal Repayments</u>	<u>Balance at June 30, 2007</u>	<u>Due in One Year</u>
2001 Certificates of Participation (Refunding and Capital Project)	\$ 244,503	-	(45,045)	199,458	46,931
2006 Variable Rate Demand Lease Revenue Bond	36,945,000	-	-	36,945,000	1,640,000
Unamortized discounts and refunding costs	(466,210)	-	75,897	(390,313)	-
Compensated absences	<u>124,258</u>	<u>4,832</u>	<u>-</u>	<u>129,090</u>	<u>-</u>
Total long-term liabilities	<u>\$36,847,551</u>	<u>4,832</u>	<u>30,852</u>	<u>36,883,235</u>	<u>1,686,931</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

As of June 30, 2007, certificates of participation payable consisted of the following:

	<u>Outstanding as of June 30, 2007</u>
<u>2001 Refunding and Capital Project</u>	
Certificates of participation were issued to refund outstanding 1992 Certificates of Participation. Proceeds of the new certificates were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. The advance refunding met the criteria of an in-substance defeasance and the 1992 Certificates were removed from the Company's financial statements. The 2001 Certificates are payable in varying amounts ranging from \$38,430 in January 2003 to \$53,025 in January 2011. Interest is payable semiannually at rates ranging from 2.5% to 4.0%.	<u>\$199,458</u>
Total certificates of participation	<u>\$199,458</u>

Annual requirements to amortize outstanding certificates of participation as of June 30, 2007 are as follows:

2001 Certificates of Participation

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 46,931	7,856
2009	48,817	5,979
2010	50,807	4,148
2011	<u>52,903</u>	<u>2,116</u>
Total	<u>\$199,458</u>	<u>20,099</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt. (Continued)

2006 Rose Bowl Variable Rate Demand Lease Revenue Bonds

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

Originally the certificates were issued at a variable rate not to exceed 12%; however, the City entered into a forward swap agreement for a fixed rate of 3.285% for the life of the bonds. Principal is payable in annual installments ranging from \$2,100,000 to \$3,600,000 commencing December 1, 2007 and ending December 1, 2023. The legal reserve requirement is \$3,000,702. The balance held in the reserve account as of June 30, 2007 was \$2,894,466.

The annual debt service requirements for the 2006 Revenue Bonds as of June 30, 2007 are as follows:

2006 Variable Rate Revenue Bonds

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$1,640,000	1,326,326
2009	1,720,000	1,267,449
2010	1,795,000	1,205,702
2011	1,795,000	1,141,261
2012	1,875,000	1,076,820
2013	1,955,000	1,009,508
2014	2,030,000	939,324
2015	2,110,000	866,446
2016	2,185,000	790,698
2017	2,185,000	712,256
2018	2,265,000	633,814



ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

2006 Variable Rate Revenue Bonds, (Continued)

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2019		2,345,000	552,501
2020		2,420,000	468,316
2021		2,500,000	381,437
2022		2,580,000	291,688
2023		2,735,000	199,065
2024		<u>2,810,000</u>	<u>100,879</u>
Total		<u>\$36,945,000</u>	<u>12,963,490</u>

(5) Net Assets

Net assets at June 30, 2007 consisted of the following:

Invested capital assets, net of related debt:	
Property, plant and equipment, net	\$50,768,052
Less: Outstanding debt issued to construct capital assets	(36,604,957)
Add back portion of debt associated with	
Unspent bond proceeds	1,996,696
Debt service reserves	<u>2,894,466</u>
Total invested in capital assets, net of related debt	19,054,257
Unrestricted net assets:	
Designated:	
Golf course master plan	920,215
Locker room improvements	1,691,383
Rose bowl stadium improvements	1,975,516
Fleet replacement	70,230
Other	470,000
Undesignated*	<u>379,536</u>
Total unrestricted net assets	<u>5,506,880</u>
Total net assets	<u>\$24,561,137</u>

\*Undesignated net assets were increased by \$892,430 subsequent to year end for repayment of bond project costs originally paid for with unrestricted funds.

## ROSE BOWL OPERATING COMPANY

### Notes to the Basic Financial Statements

(Continued)

#### (6) Parking Settlement Income

During the year ended June 30, 2006, the company entered into a \$337,000 Settlement Agreement with American Golf Corporation for past event parking from the time period January 2001 through May 2005. The amount is to be paid over seventy three equal monthly payments commencing January 2005 plus interest calculated at the federal funds rate. At June 30, 2007, the outstanding receivable is \$230,822, of which \$55,397 is short term and \$175,425 is long term.

#### (7) Defined Benefit Pension Plan (PERS)

##### Plan Description

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

##### Contributions

Participants are required to contribute 7% of their annual covered salary. The Company makes the contributions required of Company employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and contracts with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rate indicated for the period is 9.535% of payroll for the miscellaneous plan. The Company's covered payroll for PERS was \$1,518,150 for the year ended June 30, 2007, while the Company's total payroll for all employees was \$1,597,168 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(7) Defined Benefit Pension Plan (PERS), (Continued)

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 96,874	100%	-
6/30/06	132,834	100%	-
6/30/07	132,592	100%	-

(8) Self-Insurance Program

The Company is part of the City's self-insurance program for general liability insurance. The City is self-insured for the first \$5,000,000 on each general liability claim against the City.

(9) Golf Course Management Contract

The Brookside Municipal Golf Course (Golf Course) is operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement with the City originally expiring on January 31, 2006, with a five year option through January 31, 2011. 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. For the year ended June 30, 2007, the Golf Course earned \$2,250,654 from the agreement with American Golf. The agreement also provides for American Golf to provide 10% of gross green fee receipts to the Company for projects related to the development of the Arroyo Seco. The amounts collected and expended under this contract provision amounted to \$305,769 as of June 30, 2007, and are reported as admission fee revenue and maintenance of Arroyo Park (reported under general and administrative expenses).

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 pays 4% of gross golf revenue to the Company biannually.

## ROSE BOWL OPERATING COMPANY

### Notes to the Basic Financial Statements

(Continued)

#### (10) Operating Lease

On March 1, 2004, the Company entered into a 20-year agreement with the University of California, Los Angeles (UCLA) for use of the Rose Bowl and surrounding parking areas. UCLA is required to pay the Company an amount equal to eight percent (8%) of the sale of admission tickets and television revenues as rental consideration. In accordance with the contract, the company is required to make certain improvements to the stadium as specified in the agreement.

#### (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 non-event expenses totaled \$74,403 and are included within general and administrative expenses. During the current year, the Company also paid the City for police, fire and public works services, primarily for events, amounting to \$1,787,957. At June 30, 2007, amounts payable to the City totaled \$469,385.

#### (12) Capital Contributions

During the year ended June 30, 2007, the Company received capital contributions for the following projects:

Strategic plan	\$158,691
Homeland security grant	<u>138,839</u>
Total capital contributions	<u>\$297,530</u>