

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

Basic Financial Statements

Year ended June 30, 2010

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(A Component Unit of the City of Pasadena, California)

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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, 2010 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, 2009 and, in our report dated September 30, 2009 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2010 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.

As described further in Note 5 to the financial statements, the Company changed its method of accounting for derivatives for the fiscal year ended June 30, 2010.

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 15, 2010 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 15, 2010

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, 2010.

FINANCIAL HIGHLIGHTS:

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by \$29,453,051 (net assets). Of this amount, \$6,753,225 is unrestricted net assets of which \$6,208,030 are further designated for the golf course master plan, capital improvements and the stadium Strategic Plan.

The RBOC's net assets increased by \$2,440,384 over the previous fiscal year.

The RBOC's total debt decreased by \$1,769,908 during the current fiscal year. The key factors are the \$50,808 and \$1,795,000 pay down in principal on the 2001 Certificate of Participation (COP) and the 2006 Variable Rate Demand Lease Revenue bond, respectively, net of the \$75,900 in amortization of the bond discount and refunding costs on the aforementioned 2006 bond, 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*.

The combining statements can be found on pages 7-10 of this report.

NOTES TO THE FINANCIAL STATEMENTS. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11-28 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 \$29,465,651 at the close of the most recent fiscal year.

By far the largest portion of the RBOC's net assets (77 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, 2010</u>	<u>June 30, 2009</u>
Current and other assets	\$16,908,743	\$14,437,813
Capital assets	<u>51,401,554</u>	<u>50,369,518</u>
Total assets	<u>68,310,297</u>	<u>64,807,331</u>
Long-term liabilities outstanding	29,991,537	31,827,972
Other liabilities	<u>8,853,109</u>	<u>5,966,692</u>
Total liabilities	<u>38,844,646</u>	<u>37,794,664</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	22,699,826	19,871,578
Restricted		
Unrestricted:		
Designated	6,237,309	6,556,350
Undesignated	<u>515,916</u>	<u>584,739</u>
Total net assets	<u>\$29,453,051</u>	<u>\$27,012,667</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 \$2,440,384 during the current fiscal year. This is due principally to the fact that ongoing operating revenues have outstripped similar increases in ongoing operating expenses. Non-operating revenue (expenses), which include investment income, interest expense, and capital contributions make-up the remaining balance.

Operating activities increased the RBOC's net assets by \$1,974,352, thereby accounting for 81 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, 2010</u>	<u>June 30, 2009</u>
Revenues:		
Green fees and other golf revenues	\$1,900,520	\$2,179,401
Parking revenue	1,896,870	803,261
Advertising revenue	956,320	922,675
Television revenue	107,787	154,466
Facility rentals & Admission Tax	6,696,503	4,098,403
Concessions	2,668,526	962,135
Pro Shop	50,564	59,846
Restaurant	335,974	451,977
Cost recoveries	2,547,195	2,015,013
Investment earnings	270,814	363,975
Other non-operating revenues	492,930	426,190
Capital Contributions	<u>724,471</u>	<u>2,000,000</u>
 Total revenue	 <u>18,648,474</u>	 <u>14,564,336</u>
Expenses:		
Salaries and benefits	2,200,417	2,167,531
General and administrative	2,471,886	2,272,883
Depreciation	3,129,895	3,036,947
Events	6,965,064	3,878,165
Interest expense	1,440,828	1,499,354
Transfer to/(from) City, net	<u> </u>	<u> </u>
 Total expenses	 <u>16,208,090</u>	 <u>12,854,880</u>
 Increase in net assets	 2,440,384	 1,079,456
Net assets at beginning of year	<u>27,012,667</u>	<u>25,303,211</u>
Net assets at end of year	<u>\$29,453,051</u>	<u>\$27,012,667</u>

There was an overall increase of \$5,386,088 in total operating revenues for the most recent fiscal year due mostly to higher facility rentals, admission tax, cost recoveries,

concessions and parking revenue. These higher figures were due as a result of the BCS National Championship Game, which unlike the previous two such games at the Rose Bowl, was not one in the same as the annual New Year's Rose Bowl Game. The New Year's Game was, in of itself, also very successful because it featured another classic "Pac-10" / "Big-10" match-up, this time between Ohio State and Oregon. Financially, UCLA performed much better than planned too. Additionally there were four (4) soccer games during the fiscal year, whereas there were none during the previous fiscal year. Three of these games were major matches with one including two national teams on their way to the recent World Cup in South Africa. The two other major ones included three famous European club teams and "The Galaxy". Further, there was the U2 Concert, which set a Rose Bowl record and at least three (3) national records. Overall the concessions were higher due to higher "Per Caps" (average spending per fan) and because of a new agreement in place with a different concessionaire. For the second consecutive year, the revenue generated by the golf course decreased after increasing three years in a row prior to that. For the first time in four years the years, restaurant revenue decreased.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

The RBOC's investment in capital assets for its activities as of June 30, 2010, amounts to \$51,401,554 (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 2.0 percent.

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

- Fairways & Bunkers – Golf Course \$ 94,129
- Clubhouse Maintenance \$ 170,332
- Major Maintenance – Stadium \$ 936,956
- Strategic Plan – Stadium \$2,329,262
- Field Drainage – Stadium \$ 381,928
- Concessions Upgrades – Stadium \$ 99,804
- Bollards – Stadium \$ 149,518

Rose Bowl Operating Company's Capital Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Buildings and Improvements	\$69,619,112	\$67,823,661
Machinery and equipment	5,076,796	4,827,474
Construction in Progress	<u>4,484,781</u>	<u>2,367,624</u>
Sub-total	79,180,689	75,018,759
Less accumulated depreciation	<u>(27,779,136)</u>	<u>(24,649,241)</u>
Total	<u>\$51,401,553</u>	<u>\$50,369,518</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 \$31,680,281. All debt is backed by the full faith and credit of the government.

Rose Bowl Operating Company's Outstanding Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
2006 Revenue Bond	\$31,627,378	\$33,346,478
2001 Certificates of Participation	\$ 52,903	\$ 103,711

The RBOC's total debt decreased by \$1,769,908 during the current fiscal year. As mentioned on Page 2 above, the key factors in this decrease are the \$50,808 and \$1,795,000 pay down in principal on the 2001 COP and 2006 Variable Rate Demand Lease Revenue bond, respectively, net of the \$75,900 in amortization of the bond discount and refunding costs on the aforementioned 2006 bond, 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 notes 4 and 5 on pages 20- 24 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, 2010
(with comparative totals for 2009)

	Rose Bowl	Golf Course	Totals	
			2010	2009
Assets:				
Current assets:				
Cash and investments (note 2)	\$ 7,883,319	1,848,765	9,732,084	9,953,801
Accounts receivable, net	366,268	223,994	590,262	1,155,098
Prepaid assets	41,520	-	41,520	28,530
Due from other funds	-	16,127	16,127	317
Other receivable	-	55,397	55,397	55,397
Total current assets	8,291,107	2,144,283	10,435,390	11,193,143
Noncurrent assets:				
Cash and investments with fiscal agent (note 2)	2,978,553	-	2,978,553	2,952,249
Other receivable	-	9,233	9,233	64,631
Unamortized bond issuance costs	211,520	-	211,520	227,790
Deferred outflow (note 5)	3,274,047	-	3,274,047	-
Capital assets (note 3):				
Construction in progress	4,135,386	349,396	4,484,782	2,367,624
Other capital assets, net	42,792,516	4,124,256	46,916,772	48,001,894
Total noncurrent assets	53,392,022	4,482,885	57,874,907	53,614,188
Total assets	61,683,129	6,627,168	68,310,297	64,807,331
Liabilities:				
Current liabilities:				
Accounts payable and other liabilities	1,817,900	30,097	1,847,997	1,617,801
Accrued salaries and benefits	36,475	4,650	41,125	32,319
Interest payable	149,947	-	149,947	582,501
Due to other funds	16,127	-	16,127	317
Due to the City of Pasadena (note 12)	289,390	140,865	430,255	415,806
Deposits	170,808	-	170,808	108,800
Deferred revenue	1,086,248	-	1,086,248	1,439,237
Current portion of compensated absences (note 4)	1,070	181	1,251	22,154
Current portion of certificates of participation (note 4)	1,847,904	-	1,847,904	1,769,911
Total current liabilities	5,415,869	175,793	5,591,662	5,988,846
Noncurrent liabilities:				
Compensated absences (note 4)	136,139	23,021	159,160	125,540
Derivative instrument liability (note 5)	3,274,047	-	3,274,047	-
Certificates of participation (note 4)	29,832,377	-	29,832,377	31,680,278
Total noncurrent liabilities	33,242,563	23,021	33,265,584	31,805,818
Total liabilities	38,658,432	198,814	38,857,246	37,794,664
Net assets (note 5):				
Invested in capital assets, net of related debt	18,226,174	4,473,652	22,699,826	19,871,578
Unrestricted:				
Designated	4,798,523	1,438,786	6,237,309	6,556,350
Undesignated	-	515,916	515,916	584,739
Total net assets	\$ 23,024,697	6,428,354	29,453,051	27,012,667

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, 2010
(with comparative totals for 2009)

	Rose Bowl	Golf Course	Totals	
			2010	2009
Operating revenues:				
Green fees and other golf revenues	\$ -	1,900,520	1,900,520	2,179,401
Parking revenues	1,896,870	-	1,896,870	803,261
Advertising revenue	956,320	-	956,320	922,675
Television revenue	107,787	-	107,787	154,466
Facility rentals	6,058,278	-	6,058,278	4,098,403
Concessions	2,668,526	-	2,668,526	962,135
Pro shop	-	50,564	50,564	59,846
Restaurant	-	335,974	335,974	451,977
Admission tax	638,225	-	638,225	126,994
Cost recoveries	2,529,795	17,400	2,547,195	2,015,013
Total operating revenues	14,855,801	2,304,458	17,160,259	11,774,171
Operating expenses:				
Salaries and benefits	1,952,326	248,091	2,200,417	2,167,531
General and administrative	1,898,650	573,236	2,471,886	2,272,883
Depreciation	2,914,377	215,518	3,129,895	3,036,947
Events	6,965,064	-	6,965,064	3,878,165
Total operating expenses	13,730,417	1,036,845	14,767,262	11,355,526
Operating income (loss)	1,125,384	1,267,613	2,392,997	418,645
Nonoperating revenues (expenses):				
Investment gain (loss)	126,969	143,845	270,814	363,975
Interest expense	(1,440,828)	-	(1,440,828)	(1,499,354)
Other nonoperating revenues	294,960	197,970	492,930	426,190
Total nonoperating revenues (expenses)	(1,018,899)	341,815	(677,084)	(709,189)
Income before transfers and capital contributions	106,485	1,609,428	1,715,913	(290,544)
Transfers in (out)	1,420,798	(1,420,798)	-	-
Capital contributions (note 13)	724,471	-	724,471	2,000,000
Increase (decrease) in net assets	2,251,754	188,630	2,440,384	1,709,456
Net assets at beginning of year	20,772,943	6,239,724	27,012,667	25,303,211
Net assets at end of year	\$ 23,024,697	6,428,354	29,453,051	27,012,667

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
Statement of Cash Flows
Year ended June 30, 2010
(with comparative totals for 2009)

	Rose Bowl	Golf Course	Totals	
			2010	2009
Cash flows from operating activities:				
Cash received from customers	\$ 15,245,836	2,745,243	17,991,079	12,281,584
Cash paid to employees for services	(1,931,418)	(246,626)	(2,178,044)	(2,176,827)
Cash paid to suppliers of goods and services	<u>(8,676,606)</u>	<u>(543,989)</u>	<u>(9,220,595)</u>	<u>(5,854,027)</u>
Net cash provided by (used for) operating activities	<u>4,637,812</u>	<u>1,954,628</u>	<u>6,592,440</u>	<u>4,250,730</u>
Cash flows from noncapital financing activities:				
Cash (paid) received to/from other funds	317	(317)	-	-
Transfers (to) from other funds, net	1,424,325	(1,424,325)	-	
Transfers (to) from the City of Pasadena, net	<u>(557)</u>	<u>6,370</u>	<u>5,813</u>	<u>203,517</u>
Net cash provided by (used for) noncapital financing	<u>1,424,085</u>	<u>(1,418,272)</u>	<u>5,813</u>	<u>203,517</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(3,897,468)	(264,461)	(4,161,929)	(1,654,809)
Capital contributions	724,471	-	724,471	2,000,000
Principal payments on certificates of participation	(1,845,808)	-	(1,845,808)	(1,768,817)
Interest payments on certificates of participation	<u>(1,781,212)</u>	<u>-</u>	<u>(1,781,212)</u>	<u>(842,580)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,800,017)</u>	<u>(264,461)</u>	<u>(7,064,478)</u>	<u>(2,266,206)</u>
Cash flows from investing activities:				
Proceeds from the sale of investments	36,353	-	36,353	105,381
Purchase of investments	(62,659)	-	(62,659)	-
Investment income	<u>126,969</u>	<u>143,845</u>	<u>270,814</u>	<u>363,975</u>
Net cash provided by (used for) investing activities	<u>100,663</u>	<u>143,845</u>	<u>244,508</u>	<u>469,356</u>
Net increase (decrease) in cash and cash equivalents	(637,457)	415,740	(221,717)	2,657,397
Cash and cash equivalents at beginning of year	<u>8,520,776</u>	<u>1,433,025</u>	<u>9,953,801</u>	<u>7,296,404</u>
Cash and cash equivalents at end of year	<u>\$ 7,883,319</u>	<u>1,848,765</u>	<u>9,732,084</u>	<u>9,953,801</u>

(Continued)

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY
Statement of Cash Flows
Year ended June 30, 2010
(Continued)

	Rose Bowl	Golf Course	Totals	
			2010	2009
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:				
Cash and investments	\$ 7,883,319	1,848,765	9,732,084	9,953,801
Cash and investments with fiscal agent	2,978,553	-	2,978,553	2,952,249
Total reported on Statement of Net Assets	10,861,872	1,848,765	12,710,637	12,906,050
Less non-cash equivalents	(2,978,553)	-	(2,978,553)	(2,952,249)
Cash and cash equivalents at end of year	<u>\$ 7,883,319</u>	<u>1,848,765</u>	<u>9,732,084</u>	<u>9,953,801</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,125,384	1,267,613	2,392,997	418,645
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Other nonoperating revenues	294,960	197,970	492,930	426,190
Depreciation	2,914,377	215,518	3,129,895	3,036,947
(Increase) decrease in accounts receivable	373,457	200,017	573,474	(93,803)
(Increase) decrease in prepaid assets	(12,990)	-	(12,990)	(23,844)
(Increase) decrease in other receivable	-	-	-	55,397
(Increase) decrease in other receivable-non-current		55,398	55,398	-
Increase (decrease) in accounts payable and other liabilities	212,697	16,647	229,344	320,865
Increase (decrease) in accrued salaries and benefits	9,656	-	9,656	(9,393)
Increase (decrease) in compensated absences	11,252	1,465	12,717	97
Increase (decrease) in deposits	62,008	-	62,008	71,900
Increase (decrease) in deferred revenue	(352,989)	-	(352,989)	47,729
Net cash provided by operating activities	<u>\$ 4,637,812</u>	<u>1,954,628</u>	<u>6,592,440</u>	<u>4,250,730</u>

Noncash investing, capital and financing activities

There were no significant noncash investing, capital and financing activities for the years ended June 30, 2010 or 2009.

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

Year ended June 30, 2010

(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 and net asset deficits 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.

(j) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 9,732,084
Cash and investments held by fiscal agent	<u>2,978,553</u>
Total cash and investments	<u>\$ 12,710,637</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	1,604,365
Investment in City of Pasadena investment pool	8,126,719
Investments held by fiscal agent	<u>2,978,553</u>
Total cash and investments	<u>\$ 12,710,637</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 <u>Policy</u>	*Maximum <u>Maturity</u>	*Maximum Percentage <u>Of Portfolio</u>	*Maximum Investment <u>In One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
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	\$8,126,719	8,126,719	-	-
Held by fiscal agent:				
Federal agency securities	2,916,056	-	2,916,056	-
Money market funds	<u>62,497</u>	<u>62,497</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,105,272</u>	<u>8,189,216</u>	<u>2,916,056</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	\$ 8,126,719	N/A	-	-	8,126,719
Held by fiscal agent:					
Federal agency securities	2,916,056	N/A	2,916,056	-	-
Money market funds	<u>62,497</u>	A	<u>62,497</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,105,272</u>		<u>2,978,553</u>	<u>-</u>	<u>8,126,719</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	\$2,916,056

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, 2010 is as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2010</u>
Buildings and improvements	\$62,657,416	1,595,946	-	64,253,362
Machinery and equipment	<u>4,518,345</u>	<u>249,322</u>	<u>-</u>	<u>4,767,667</u>
Total cost of depreciable assets	<u>67,175,761</u>	<u>1,845,268</u>	<u>-</u>	<u>69,021,029</u>
Less accumulated depreciation:				
Buildings and improvements	(20,131,488)	(2,716,026)	-	(22,847,514)
Machinery and equipment	<u>(3,182,648)</u>	<u>(198,351)</u>	<u>-</u>	<u>(3,380,999)</u>
Total accumulated depreciation	<u>(23,314,136)</u>	<u>(2,914,377)</u>	<u>-</u>	<u>(26,228,513)</u>
Net depreciable assets	43,861,625	(1,069,109)	-	42,792,516
Capital assets not depreciated:				
Construction in progress	<u>2,083,184</u>	<u>2,789,239</u>	<u>(737,037)</u>	<u>4,135,386</u>
Capital assets, net	<u>\$45,944,809</u>	<u>1,720,130</u>	<u>(737,037)</u>	<u>46,927,902</u>

Depreciation expense for the year was \$2,914,377.

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, 2010 is as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2010</u>
Buildings and improvements	\$5,166,245	199,505	-	5,365,750
Machinery and equipment	<u>309,129</u>	<u>-</u>	<u>-</u>	<u>309,129</u>
Total cost of depreciable assets	<u>5,475,374</u>	<u>199,505</u>	<u>-</u>	<u>5,674,879</u>
Less accumulated depreciation:				
Buildings and improvements	(1,098,079)	(197,728)	-	(1,295,807)
Machinery and equipment	<u>(237,026)</u>	<u>(17,790)</u>	<u>-</u>	<u>(254,816)</u>
Total accumulated depreciation	<u>(1,335,105)</u>	<u>(215,518)</u>	<u>-</u>	<u>(1,550,623)</u>
Net depreciable assets	4,140,269	(16,013)	-	4,124,256
Capital assets not depreciated:				
Construction in progress	<u>284,440</u>	<u>264,460</u>	<u>(199,505)</u>	<u>349,395</u>
Capital assets, net	<u>\$4,424,709</u>	<u>248,447</u>	<u>(199,905)</u>	<u>4,473,651</u>

Depreciation expense for the year was \$215,518.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt

Long-term liabilities for the year ended June 30, 2010 are as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions/ Amortizations</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>	<u>Due in One Year</u>
2001 Certificates of Participation (Refunding and Capital Project)	\$ 103,711	-	(50,808)	52,903	52,903
2006 Variable Rate Demand Lease Revenue Bond	33,585,000	-	(1,795,000)	31,790,000	1,795,000
Unamortized discounts and refunding costs	(238,522)	75,900	-	(162,622)	(75,896)
Compensated absences	<u>147,694</u>	<u>13,869</u>	<u>(1,152)</u>	<u>160,411</u>	<u>1,251</u>
Total long-term liabilities	<u>\$33,597,883</u>	<u>89,769</u>	<u>(1,846,960)</u>	<u>31,840,692</u>	<u>1,773,258</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

2001 Refunding and Capital Project

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 \$52,903 in January 2011. Interest is payable semiannually at rates ranging from 2.5% to 4.0%. Outstanding certificates at June 30, 2010 are \$52,903.

Annual requirements to amortize outstanding certificates of participation as of June 30, 2010 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	<u>\$52,903</u>	<u>2,116</u>
Total	<u>\$52,903</u>	<u>2,116</u>

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 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.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

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 \$2,814,496. The balance held in the reserve account as of June 30, 2010 was \$2,952,249.

The annual debt service requirements for the 2006 Revenue Bonds as of June 30, 2010 are as follows:

<u>June 30</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Hedging Derivative, Net</u>	<u>Total</u>
2011	\$1,795,000	89,012	955,290	2,839,302
2012	1,875,000	83,986	901,350	2,860,336
2013	1,955,000	78,736	845,006	2,878,742
2014	2,030,000	73,262	786,258	2,889,520
2015	2,110,000	67,578	725,257	2,902,835
2016	2,185,000	61,670	661,851	2,908,521
2017	2,185,000	55,552	596,192	2,836,744
2018	2,265,000	49,434	530,533	2,844,967
2019	2,345,000	43,092	462,470	2,850,562
2020	2,420,000	36,526	392,002	2,848,528
2021	2,500,000	29,750	319,281	2,849,031
2022	2,580,000	22,750	244,156	2,846,906
2023	2,735,000	15,526	166,627	2,917,153
2024	<u>2,810,000</u>	<u>7,868</u>	<u>84,441</u>	<u>2,902,309</u>
Total	<u>\$31,790,000</u>	<u>714,742</u>	<u>7,670,714</u>	<u>40,175,456</u>

The above table incorporates the net receipts/payments of the hedging derivative instrument associated with this debt issue. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. Refer to Note 5 for additional information regarding the derivative instrument associated with the debt of the Company.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(5) Derivative Instrument Liability

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2010 and the changes in fair value of the derivative instrument for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedge:					
Pay-fixed interest rate swaps	Deferred outflow	\$(997,383)	Debt	\$(3,274,047)	\$31,790,000

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

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the Company's hedging derivative instrument outstanding at June 30, 2010, along with the credit rating of the associated counterparty.

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 2006 Bonds	\$31,790,000	2/23/2006	12/1/2023	Pay 3.285%; receives 65% LIBOR index	A+/AA-

Credit risk. The Company is exposed to credit risk on hedging derivative instruments. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2010, was \$3,274,047. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Interest rate risk. The Company is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as the LIBOR swap index decreases, the Company's net payment on the swap increases.

Basis risk. The Company is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payments received by the Company on these hedging derivative instruments are based on a rate or index other than interest rates the Company pays on its hedged variable-rate debt, which is remarketed every 30 days. As of June 30, 2010, the

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(5) Derivative Instrument Liability, (Continued)

weighted-average interest rate on the Company's hedged variable-rate debt is .28%, while 65 percent of LIBOR is .228%.

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 City may optionally terminate the agreement on any date. If at the time of termination, a hedging derivative instrument is in a liability position, the Company would be liable to the counterparty for a payment equal to the liability.

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, or in the case of a termination option, if the counterparty exercises its option, the Company will be re-exposed to the risks being hedged by the hedging derivative instrument.

Collateral requirements. There are no collateral requirements.

(6) Net Assets

Net assets at June 30, 2010 consisted of the following:

Invested capital assets, net of related debt:	
Property, plant and equipment, net	\$51,401,554
Less: Outstanding debt issued to construct capital assets	(31,680,281)
Add back portion of debt associated with	
Debt service reserves	<u>2,978,553</u>
Total invested in capital assets, net of related debt	<u>22,699,826</u>
Unrestricted net assets:	
Designated:	
Golf course master plan	1,134,382
Clubhouse maintenance	304,404
Rose bowl stadium improvements	1,742,749
Strategic plan	3,026,495
Fleet replacement	29,279
Undesignated	<u>515,916</u>
Total unrestricted net assets	<u>6,753,225</u>
Total net assets	<u>\$29,453,051</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(7) 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, 2010, the outstanding receivable amounts to \$64,630, of which \$55,397 is short term and \$9,233 and is long term.

(8) 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. PERS issues a publically available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions

Participants are required to contribute 10% of their annual covered salary. The Company makes 6% of the contributions required of Company employees on their behalf and for their account. Additionally the Company is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS board of administration. The contribution requirements of the Plan members are established by state statute and the employer contribution rate is established and may be amended by PERS. When combining both the employee (10%) and employer portions (11.77%), total contributions amounted to 21.77% for the year ended June 30, 2010, with the Company effectively contributing 17.77%. Benefit provisions and all other requirements are established by state statute and contracts with employee bargaining groups.

For the fiscal years shown below, the Company has contributed the actuarially determined rate provided by PERS actuaries. Under GASB 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, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The Company's covered payroll for PERS was \$1,503,928 for the year ended June 30, 2010, while the Company's total payroll for all employees was \$1,635,148 during the same period. In

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan (PERS) (continued)

order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	11.72%	161,975	100%	-
6/30/09	11.63%	182,224	100%	-
6/30/10	11.77%	185,714	100%	-

(9) Self-Insurance Program

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

(10) 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, 2010, the Golf Course earned \$1,900,520 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 \$283,270 as of June 30, 2010, 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)

(11) 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.

(12) Related Party Transactions

During the current year, the Company incurred charges for the use of the City's building maintenance (electricians, plumbers), locksmiths, printing, and mail services. These non-event expenses totaled \$35,755 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 \$2,689,285. At June 30, 2010, amounts payable to the City totaled \$430,255.

(13) Capital Contributions

Capital contributions represent contributions to the Company that are required to be spent on capital acquisitions or construction. During the year ended June 30, 2010, the Company received the following capital contributions:

Pasadena Tournament of Roses Association	\$ 620,186
Sodexo-Magic Johnson Concessionaire	100,000
Other Parties	<u>4,285</u>
Total capital contributions	<u>\$ 724,471</u>

(14) Subsequent Events

Golf Course Management

On July 14, 2010, City Council approved a 5-year extension for American Golf Corporation (AGC). The extension is for the operation/maintenance of the Brookside golf courses and restaurant. The following are the major deal points:

- The 5-year extension is from February 1, 2011 thru January 31, 2016.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(14) Subsequent Events (continued)

- Under the expiring agreement, AGC has been paying the Company 30% on Green Fees and 40% on all other golf income (gross). When blended, this effectively amounts to 33.5%. With the new agreement, the Company will now receive 28.5% on all golf income (gross). In exchange, the Company's share of golf course parking income generated during stadium events increases.
- In terms of capital improvements specifically for the golf courses, each year AGC has been paying the Company an amount equivalent to 4% on all golf income (gross) or approximately \$215,000 per year. The Company will now receive 9.5%, which will amount to approximately \$485,000 annually by the second year. Also, AGC will pay the Company another \$100,000 per year for the first five (5) years for capital improvements on either the golf courses or clubhouse.
- With regards to the restaurant, AGC has been paying the Company 12.5% on day-to-day income (gross), 15% on catering income (gross) on UCLA game day and 20% on New Year's game day. Going forward, AGC will pay the Company 13%, 15% and 20%, respectively.

In the past the amount generated on New Year's game day has been applied towards the minimum, annual restaurant rent of \$425,000 that AGC pays the Company. Now, AGC and the Company will apply it towards the total combined golf and restaurant minimum, annual rent of \$1,825,000.

Strategic Plan

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

As of June 30, 2010, the Company has spent \$3,866,387 on the first phases of this project and has designated another \$3,026,494 in retained earnings to also be expended on this project.

The total estimated cost of the proposed Rose Bowl Renovation Project is \$152 million. The sources for these funds include a gross \$160 million lease-revenue financing issued by the City (net bond proceeds \$129.4 million), \$15 million equity contribution from the RBOC, Pasadena Tournament of Roses Association and the City of Pasadena, and \$7.5 million of funding that will be generated from a combination of items such as construction bids being more favorable than current estimates; revenues from future expected events such as a 2014 Bowl Championship Series; further improvement in interest rates prior to final bond issuance; and philanthropic efforts.