

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

Basic Financial Statements

Year ended June 30, 2005

**CONRAD** AND  
**ASSOCIATES, L.L.P.**

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CERTIFIED PUBLIC ACCOUNTANTS

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

Basic Financial Statements

Year ended June 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information	2
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11

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, 2005 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.

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, 2005 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.

*Conrad and Associates, L.L.P.*

September 16, 2005

## 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, 2005.

### FINANCIAL HIGHLIGHTS:

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by \$19,979,157 (net assets). Of this amount, \$2,271,998 are unrestricted net assets of which \$1,378,926 are further designated for capital improvements, the golf course master plan and fleet replacement. Still another \$470,000 of this \$2,271,998 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 \$1,334,113 over the previous fiscal year.

The RBOC's total debt decreased by \$1,592,542 during the current fiscal year. The key factor in this decrease was the principal pay down on its existing bonds.

### 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 basic financial 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 \$19,979,157 at the close of the most recent fiscal year.

By far the largest portion of the RBOC's net assets (88 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, 2005</u>	<u>June 30, 2004</u>
Current and other assets	\$ 6,189,866	\$ 9,018,926
Capital assets	<u>37,720,406</u>	<u>37,577,424</u>
Total assets	<u>43,910,272</u>	<u>46,596,350</u>
Long-term liabilities outstanding	20,010,734	21,678,555
Other liabilities	<u>3,920,381</u>	<u>6,272,751</u>
Total liabilities	<u>23,931,115</u>	<u>27,951,306</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	17,593,833	15,846,265
Restricted	113,326	127,569
Unrestricted:		
Designated	1,848,926	2,114,327
Undesignated	<u>423,072</u>	<u>556,883</u>
Total net assets	<u>\$19,979,157</u>	<u>\$18,645,044</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 government's net assets increased by \$1,334,113 during the current fiscal year. About 78 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 nonoperating revenue including a parking settlement.

Operating activities increased the RBOC's net assets by \$1,037,926, thereby accounting for 78 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, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Green fees and other golf revenues	\$1,858,230	\$1,557,373
Parking revenue	921,631	485,882
Advertising revenue	497,840	402,444
Television revenue	122,714	95,504
Facility rentals & Admission Tax	3,455,371	3,428,389
Concessions	790,545	710,242
Pro Shop	98,235	119,875
Restaurant	348,629	342,944
Cost recoveries	1,668,135	1,042,842
Investment earnings	136,815	17,543
Other non-operating revenues	359,809	427,043
Transfers from the City	273,137	217,630
Parking Settlement Revenue	337,000	
Miscellaneous	<u>45,501</u>	
 Total revenue	 <u>10,913,592</u>	 <u>8,847,711</u>
Expenses:		
Salaries and benefits	1,741,817	1,508,849
General and administrative	1,895,344	1,814,205
Depreciation	1,878,028	1,894,605
Events	3,253,716	2,716,912
Interest expense	628,736	439,989
Transfers to the City	0	177,750
Pre-expansion expenses	<u>181,838</u>	<u>70,623</u>
Total expenses	<u>9,579,479</u>	<u>8,622,933</u>
 Increase in net assets	 1,334,113	 224,778
Net assets at beginning of year	<u>18,645,044</u>	<u>18,420,266</u>
Net assets at end of year	<u>\$19,979,157</u>	<u>\$18,645,044</u>

There was an overall increase of \$1,621,336 in total operating revenues for the most recent fiscal year due primarily to “The Billy Graham Crusade” and the UCLA vs. USC football game, whereby USC ended the season ranked as the #1 team in country for the second consecutive year. Another reason involves the recording of the “10% of Green Fees” as both revenue and an expense on separate line items. In the previous fiscal years, these line items were netted and shown as \$0.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The RBOC’s investment in capital assets for its activities as of June 30, 2005, amounts to \$37,720,406 (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 less than 1 percent.

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

- New Tee Boxes – Course # 2 (golf course) \$320,573
- Major Maintenance: (3 Year City’s Dept. of Public Works Report) \$82,103
- Parking Lot B \$23,950
- Stadium Wall Repair \$34,030
- Locker Rooms \$211,083
- Seismic Upgrade \$1,228,087

#### Rose Bowl Operating Company’s Capital Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Buildings and Improvements	\$46,727,395	\$44,417,774
Machinery and equipment	4,011,138	3,986,602
Construction in Progress	<u>1,816,663</u>	<u>2,129,810</u>
Sub-total	52,555,196	50,534,186
Less accumulated depreciation	<u>(14,834,790)</u>	<u>(12,956,762)</u>
Total	<u>\$37,720,406</u>	<u>\$37,577,424</u>

Additional information on the RBOC's capital assets can be found in note 3 on pages 19 and 20 of this report.

**Long-term debt.** At the end of the current fiscal year, the RBOC's had total debt outstanding of \$21,649,619. All debt is backed by the full faith and credit of the government.

Rose Bowl Operating Company's Outstanding Debt

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Certificates of Participation	\$21,649,619	\$23,242,161

The RBOC's total debt decreased by \$1,592,542 (7 percent) during the current fiscal year. The key factor in this decrease was the principal pay down of the existing bond debt for the RBOC's 1991 Press box Certificate of Participation (COP) and 1996 Stadium Capital Improvements COP.

Additional information on the RBOC's long-term debt can be found in note 4 on pages 21- 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, 2005  
(with comparative totals for 2004)

	Rose Bowl	Golf Course	Totals	
			2005	2004
<b>Assets:</b>				
Current assets:				
Cash and investments (note 2)	\$ -	2,813,893	2,813,893	3,137,358
Due from other funds	-	-	-	2,473,198
Other receivable (note 9)	-	83,096	83,096	-
Accounts receivable, net	993,300	522,627	1,515,927	1,897,368
Total current assets	993,300	3,419,616	4,412,916	7,507,924
Noncurrent assets:				
Cash and investments held by fiscal agent (note 2)	1,523,046	-	1,523,046	1,511,002
Other receivable (note 9)	-	253,904	253,904	-
Capital assets (note 3):				
Construction in progress	1,496,090	320,573	1,816,663	2,129,810
Other capital assets, net	32,672,292	3,231,451	35,903,743	35,447,614
Total noncurrent assets	35,691,428	3,805,928	39,497,356	39,088,426
Total assets	36,684,728	7,225,544	43,910,272	46,596,350
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and other liabilities	736,870	1,306	738,176	481,708
Accrued salaries and benefits	51,708	-	51,708	44,153
Due to other funds	-	-	-	2,473,198
Due to the City of Pasadena (note 14)	274,524	136,299	410,823	258,597
Deposits	41,134	-	41,134	105,099
Deferred revenue	935,589	-	935,589	1,269,036
Current portion of certificates of participation (note 4)	1,742,951	-	1,742,951	1,640,960
Total current liabilities	3,782,776	137,605	3,920,381	6,272,751
Noncurrent liabilities:				
Compensated absences	83,153	20,913	104,066	77,354
Long-term portion of certificates of participation (note 4)	19,906,668	-	19,906,668	21,601,201
Total noncurrent liabilities	19,989,821	20,913	20,010,734	21,678,555
Total liabilities	23,772,597	158,518	23,931,115	27,951,306
<b>Net assets (note 5):</b>				
Invested in capital assets, net of related debt	14,041,809	3,552,024	17,593,833	15,846,265
Restricted (notes 5 and 12)	-	113,326	113,326	127,569
Unrestricted:				
Designated	1,465,251	383,675	1,848,926	2,114,327
Undesignated	(2,594,929)	3,018,001	423,072	556,883
Total net assets	\$ 12,912,131	7,067,026	19,979,157	18,645,044

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, 2005  
(with comparative totals for 2004)

	Rose Bowl	Golf Course	Totals	
			2005	2004
<b>Operating revenues:</b>				
Green fees and other golf revenues	-	1,858,230	1,858,230	1,557,373
Parking revenues	921,631	-	921,631	485,882
Advertising revenue	497,840	-	497,840	402,444
Television revenue	122,714	-	122,714	95,504
Facility rentals	3,347,521	-	3,347,521	3,428,389
Concessions	790,545	-	790,545	710,242
Pro shop	-	98,235	98,235	119,875
Restaurant	-	348,629	348,629	342,944
Admission tax	107,850	-	107,850	-
Cost recoveries	1,653,135	15,000	1,668,135	1,042,842
Miscellaneous	45,501	-	45,501	-
<b>Total operating revenues</b>	<b>7,486,737</b>	<b>2,320,094</b>	<b>9,806,831</b>	<b>8,185,495</b>
<b>Operating expenses:</b>				
Salaries and benefits	1,450,353	291,464	1,741,817	1,508,849
General and administrative	1,459,143	436,201	1,895,344	1,814,205
Depreciation	1,754,114	123,914	1,878,028	1,894,605
Events	3,253,716	-	3,253,716	2,716,912
<b>Total operating expenses</b>	<b>7,917,326</b>	<b>851,579</b>	<b>8,768,905</b>	<b>7,934,571</b>
<b>Operating income (loss)</b>	<b>(430,589)</b>	<b>1,468,515</b>	<b>1,037,926</b>	<b>250,924</b>
<b>Nonoperating revenues (expenses):</b>				
Investment gain (loss)	52,007	84,808	136,815	17,543
Interest expense	(628,736)	-	(628,736)	(439,989)
Other nonoperating revenues	107,677	252,132	359,809	427,043
<b>Total nonoperating revenues (expenses)</b>	<b>(469,052)</b>	<b>336,940</b>	<b>(132,112)</b>	<b>4,597</b>
<b>Income before other revenues, expenses, gains, losses, and other items</b>	<b>(899,641)</b>	<b>1,805,455</b>	<b>905,814</b>	<b>255,521</b>
Transfer (to) from the City of Pasadena, net (note 7)	239,599	33,538	273,137	39,880
Transfer to the Rose Bowl from the Golf Course	4,616,914	(4,616,914)	-	-
Parking settlement revenue	-	337,000	337,000	-
Pre-expansion expenses (note 8)	(181,838)	-	(181,838)	(70,623)
<b>Increase (decrease) in net assets</b>	<b>3,775,034</b>	<b>(2,440,921)</b>	<b>1,334,113</b>	<b>224,778</b>
Net assets at beginning of year	9,137,097	9,507,947	18,645,044	18,420,266
<b>Net assets at end of year</b>	<b>\$ 12,912,131</b>	<b>7,067,026</b>	<b>19,979,157</b>	<b>18,645,044</b>

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Cash Flows  
Year ended June 30, 2005  
(with comparative totals for 2004)

	Rose	Golf	Totals	
	Bowl	Course	2005	2004
Cash flows from operating activities:				
Cash received from customers	\$ 7,350,510	2,800,159	10,150,669	8,958,326
Cash paid to employees for services	(1,422,560)	(284,990)	(1,707,550)	(1,502,129)
Cash paid to suppliers of goods and services	(4,299,903)	(440,463)	(4,740,366)	(5,109,727)
Net cash provided by (used for) operating activities	<u>1,628,047</u>	<u>2,074,706</u>	<u>3,702,753</u>	<u>2,346,470</u>
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	2,143,716	(2,143,716)	-	-
Transfers (to) from the City of Pasadena, net	<u>239,599</u>	<u>33,538</u>	<u>273,137</u>	<u>39,880</u>
Net cash provided by (used for) noncapital financing	<u>2,383,315</u>	<u>(2,110,178)</u>	<u>273,137</u>	<u>39,880</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,648,209)	(372,801)	(2,021,010)	(1,575,783)
Payment of pre-expansion expenses	(181,838)	-	(181,838)	(70,623)
Principal payments on certificates of participation	(1,592,542)	-	(1,592,542)	(1,490,761)
Interest payments on certificates of participation	(628,736)	-	(628,736)	(439,988)
Net cash provided by (used for) capital and related financing activities	<u>(4,051,325)</u>	<u>(372,801)</u>	<u>(4,424,126)</u>	<u>(3,577,155)</u>
Cash flows from investing activities:				
Investment income	<u>40,289</u>	<u>84,808</u>	<u>125,097</u>	<u>17,543</u>
Net cash provided by (used for) investing activities	<u>40,289</u>	<u>84,808</u>	<u>125,097</u>	<u>17,543</u>
Net increase (decrease) in cash and cash equivalents	326	(323,465)	(323,139)	(1,173,262)
Cash and cash equivalents at beginning of year	<u>62,564</u>	<u>3,137,358</u>	<u>3,199,922</u>	<u>4,373,184</u>
Cash and cash equivalents at end of year	<u>\$ 62,890</u>	<u>2,813,893</u>	<u>2,876,783</u>	<u>3,199,922</u>

(Continued)

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Cash Flows  
Year ended June 30, 2005  
(Continued)

	Rose Bowl	Golf Course	Totals	
			2005	2004
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:				
Cash and investments	\$ -	2,813,893	2,813,893	3,137,358
Cash and investments held by fiscal agent	<u>1,523,046</u>	<u>-</u>	<u>1,523,046</u>	<u>1,511,002</u>
Total reported on Statement of Net Assets	1,523,046	2,813,893	4,336,939	4,648,360
Less non-cash equivalents	<u>(1,460,156)</u>	<u>-</u>	<u>(1,460,156)</u>	<u>(1,448,438)</u>
Cash and cash equivalents at end of year	<u>\$ 62,890</u>	<u>2,813,893</u>	<u>2,876,783</u>	<u>3,199,922</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (430,589)	1,468,515	1,037,926	250,924
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Other nonoperating revenues (expenses)	107,677	252,132	359,809	427,043
Parking settlement income	-	337,000	337,000	-
Depreciation	1,754,114	123,914	1,878,028	1,894,605
(Increase) decrease in accounts receivable, net	153,508	227,933	381,441	187,017
(Increase) decrease in other receivable, net	-	(337,000)	(337,000)	-
Increase (decrease) in accounts payable	269,460	(12,992)	256,468	(827,243)
Increase (decrease) in accrued salaries and benefits	7,555	-	7,555	4,244
Increase (decrease) in due to City of Pasadena	143,496	8,730	152,226	258,597
Increase (decrease) in compensated absences	20,238	6,474	26,712	(7,488)
Increase (decrease) in deposits	(63,965)	-	(63,965)	50,205
Increase (decrease) in deferred revenues	<u>(333,447)</u>	<u>-</u>	<u>(333,447)</u>	<u>108,566</u>
Net cash provided by operating activities	<u>\$ 1,628,047</u>	<u>2,074,706</u>	<u>3,702,753</u>	<u>2,346,470</u>

Noncash investing, capital and financing activities

There were no significant noncash investing, capital and financing activities for the year ended June 30, 2005.

See accompanying notes to the basic financial statements.

# ROSE BOWL OPERATING COMPANY

## Notes to the Basic Financial Statements

Year ended June 30, 2005

### (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 contradict 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, 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 is 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.

(j) Reclassifications

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 2,813,893
Cash and investments held by fiscal agent	<u>1,523,046</u>
Total cash and investments	<u>\$ 4,336,939</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	4,221
Investments:	
Investment in City of Pasadena investment pool	2,808,672
Investments held by fiscal agents	<u>1,523,046</u>
Total cash and investments	<u>\$ 4,336,939</u>



ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
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 (LAIF)	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.

## ROSE BOWL OPERATING COMPANY

### Notes to the Basic Financial Statements

(Continued)

#### (2) Cash and Investments, (Continued)

##### 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.

<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.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, Continued

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 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Held by fiscal agent:				
Federal Farm Credit Bank	\$ 1,460,156	-	1,460,156	-
Money market mutual funds	<u>62,890</u>	<u>62,890</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,523,046</u>	<u>62,890</u>	<u>1,460,156</u>	<u>-</u>

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>Aaa</u>
Held by fiscal agent:				
Federal Farm Credit Bank	\$ 1,460,156	N/A	1,460,156	-
Money market mutual funds	<u>62,890</u>	Aaa	<u>-</u>	<u>62,890</u>
Total	<u>\$ 1,523,046</u>		<u>1,460,156</u>	<u>62,890</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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 Farm Credit Bank	Federal agency securities	\$1,460,156

Custodial Credit Risk

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

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

Rose Bowl

Capital asset activity for the year ended June 30, 2005 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2005</u>
Buildings and improvements	42,379,526	669,498	-	43,049,024
Machinery and equipment	<u>3,740,177</u>	<u>24,536</u>	<u>-</u>	<u>3,764,713</u>
Total cost of depreciable assets	<u>46,119,703</u>	<u>694,034</u>	<u>-</u>	<u>46,813,737</u>
Less accumulated depreciation:				
Buildings and improvements	(9,962,408)	(1,648,385)	-	(11,610,793)
Machinery and equipment	<u>(2,424,923)</u>	<u>(105,729)</u>	<u>-</u>	<u>(2,530,652)</u>
Total accumulated depreciation	<u>(12,387,331)</u>	<u>(1,754,114)</u>	<u>-</u>	<u>(14,141,445)</u>
Net depreciable assets	33,732,372	(1,060,080)	-	32,672,292
Capital assets not depreciated:				
Construction in progress	<u>541,915</u>	<u>1,636,171</u>	<u>(681,996)</u>	<u>1,496,090</u>
Capital assets, net	<u>\$34,274,287</u>	<u>576,091</u>	<u>(681,996)</u>	<u>34,168,382</u>

Depreciation expense for the year was \$1,754,114.

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, 2005 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2005</u>
Buildings and improvements	\$2,038,248	1,640,123	-	3,678,371
Machinery and equipment	<u>246,425</u>	<u>-</u>	<u>-</u>	<u>246,425</u>
Total cost of depreciable assets	<u>2,284,673</u>	<u>1,640,123</u>	<u>-</u>	<u>3,924,796</u>
Less accumulated depreciation:				
Buildings and improvements	(410,763)	(112,550)	-	(523,313)
Machinery and equipment	<u>(158,668)</u>	<u>(11,364)</u>	<u>-</u>	<u>(170,032)</u>
Total accumulated depreciation	<u>(569,431)</u>	<u>(123,914)</u>	<u>-</u>	<u>(693,345)</u>
Net depreciable assets	1,715,242	1,516,209	-	3,231,451
Capital assets not depreciated:				
Construction in progress	<u>1,587,895</u>	<u>372,801</u>	<u>1,640,123</u>	<u>320,573</u>
Capital assets, net	<u>\$3,303,137</u>	<u>1,889,010</u>	<u>1,640,123</u>	<u>3,552,024</u>

Depreciation expense for the year was \$123,914.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt

Long-term liabilities for the year ended June 30, 2005 are as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions/ Amortizations</u>	<u>Deletions/ Principal Repayments</u>	<u>Balance at June 30, 2005</u>	<u>Amounts Due Within One Year</u>
1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement project)	\$ 7,400,000	-	(700,000)	6,700,000	700,000
1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Project)	16,000,000	-	(900,000)	15,100,000	1,000,000
2001 Certificates of Participation (Refunding and Capital Project)	<u>328,413</u>	<u>-</u>	<u>(40,959)</u>	<u>287,454</u>	<u>42,951</u>
Total Certificates of Participation	23,728,413	-	(1,640,959)	22,087,454	1,742,951
Unamortized issuance costs and discounts	(486,252)	48,417	-	(437,835)	-
Compensated absences	<u>77,354</u>	<u>26,712</u>	<u>-</u>	<u>104,066</u>	<u>-</u>
Total long-term liabilities	<u>\$23,319,515</u>	<u>75,129</u>	<u>(1,640,959)</u>	<u>21,753,685</u>	<u>1,742,951</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

As of June 30, 2005, certificates of participation payable consisted of the following:

1991 Rose Bowl Improvement Project

Outstanding as  
of June 30, 2005

Certificates of participation (COPs) were issued to defease COPs originally issued by the City in 1983 and to finance certain construction projects and infrastructure improvements in the City, consisting primarily of improvements to the Rose Bowl Stadium. The 1983 COPs were paid in full in fiscal year ending June 30, 1995. The certificates are payable in varying amounts ranging from \$600,000 on December 1, 2001 to \$1,200,000 on December 1, 2011. Debt service is to be paid from new revenues to be derived from the Rose Bowl Fund. Interest is payable monthly at a variable rate and is not to exceed 12.00%. The interest rate at June 30, 2005 is 2.28%. The unamortized issuance cost at June 30, 2005 is \$94,765.

\$ 6,700,000

1996 Rose Bowl Improvement Project

Certificates of participation were issued in connection with financing certain construction and infrastructure projects in the City, including improvements to the Rose Bowl Stadium. The certificates are payable in varying amounts ranging from \$800,000 on December 1, 2001 to \$1,600,000 on December 8, 2016. Interest is payable monthly at a variable rate which is not to exceed 12.00%. The interest rate at June 30, 2005 is 2.28%. The unamortized discount and issuance cost at June 30, 2005 is \$343,070.

15,100,000

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 \$53,025 in January 2011. Interest is payable semiannually at rates ranging from 2.5% to 4.0%.

287,454

Total certificates of participation

\$22,087,454



ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

Annual requirements to amortize outstanding certificates of participation as of June 30, 2005 are as follows:

June 30	1991 COPs		1996 COPs		2001 COPs	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 700,000	152,760	1,000,000	344,280	42,951	11,591
2007	800,000	136,800	1,000,000	321,480	45,045	9,658
2008	900,000	118,560	1,000,000	298,689	46,931	7,856
2009	1,000,000	98,040	1,100,000	275,880	48,817	5,979
2010	1,000,000	75,240	1,200,000	250,800	50,807	4,148
2011	1,100,000	52,440	1,200,000	223,440	52,903	2,116
2012	1,200,000	27,360	1,300,000	196,080	-	-
2013	-	-	1,300,000	166,440	-	-
2014	-	-	1,400,000	136,800	-	-
2015	-	-	1,500,000	104,880	-	-
2016	-	-	1,500,000	70,680	-	-
2017	-	-	1,600,000	36,480	-	-
Total payments	<u>\$6,700,000</u>	<u>661,200</u>	<u>15,100,000</u>	<u>2,425,920</u>	<u>287,454</u>	<u>41,348</u>

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(5) Net Assets

Net assets at June 30, 2005 consisted of the following:

Invested capital assets, net of related debt:	
Property, plant and equipment, net	\$37,720,406
Less: Outstanding debt issued to construct capital assets	(21,649,618)
Add back portion of debt associated with bond reserve funds	<u>1,523,046</u>
Total invested in capital assets, net of related debt	17,593,833
Restricted net assets:	
10% green fees	<u>113,326</u>
Unrestricted net assets:	
Designated:	
Golf course master plan	383,675
Stadium improvements	928,558
Fleet replacement	66,693
Other	470,000
Undesignated	<u>423,072</u>
Total unrestricted net assets	<u>2,271,998</u>
Total net assets	<u>\$19,979,157</u>

(6) Interfund Transfers

Transfers from the Golf Course to the Rose Bowl are comprised of the following for the fiscal year ended June 30, 2005:

Transfers from the Golf Course to the Rose Bowl \$4,616,914

During the year ended June 30, 2005, the Golf Course transferred \$2,473,198 to the Rose Bowl to eliminate the 6/30/04 payable to the Rose Bowl and \$2,143,716 to eliminate the 6/30/05 negative cash balance in the Rose Bowl fund.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(7) Transfers (to) from the City of Pasadena

Transfers (to) from the City of Pasadena are comprised of the following for the fiscal year ended June 30, 2005:

Transfers from the City	<u>\$ 273,137</u>
Total transfers (to) from the City, net	<u>\$ 273,137</u>

During the year ended June 30, 2005, the City transferred \$91,049 to the Company from the Fleet Replacement Fund. The City also transferred \$148,550 to the Company for unspent bond proceeds that the Company will use for stadium capital improvements. Additionally, the City transferred \$33,538 to the Company for Golf Course Clubhouse renovation.

(8) Pre-Expansion Expenses

The Rose Bowl Operating Company has been actively seeking a new major tenant for the Rose Bowl stadium. The Company and City of Pasadena staff have held a number of discussions with the National Football League (NFL) regarding the possibility of placing a professional football team at the Rose Bowl as well as undertaking renovation and rehabilitation of the Rose Bowl stadium. For the year ended June 30, 2005, pre-expansion costs were \$181,838.

(9) Parking Settlement Income

During the year ended June 30, 2005, 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. None of the settlement payments were received as of June 30, 2005. The \$337,000 is reported as *other receivable* on the Statement of Net Assets (\$83,096 short-term and \$253,904 long-term).

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan (PERS)

Full-time employees and part-time employees with 10,000 hours or more of service of the Company are members of the California Public Employees' Retirement System (CalPERS) which is a defined benefit pension plan.

The Company contributes to the California Public Employees Retirement System (PERS), an agent 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. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

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 town contract 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, 2004 to June 30, 2005 has been determined by an actuarial valuation of the plan as of June 30, 2002. The contribution rate for the indicated period is 8.373% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2005, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2004 to June 30, 2005.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	60 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	8.25% (net of administrative expenses)
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment
Inflation	3.50%
Payroll Growth	3.75%

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

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

Individual Salary Growth      A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

For the plan, the unfunded actuarial liability is amortized over a period ending June 30, 2017.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

*Required Supplementary Information*

Valuation Date	Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/01	\$360,459	278,667	81,792	77.3%	883,003	9.3%
6/30/02	502,562	364,830	137,732	72.6%	983,863	14.0%
6/30/03	722,522	527,211	195,311	73.0%	949,398	20.6%

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

Fiscal Year	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/03	\$76,997	100%	-
6/30/04	89,644	100%	-
6/30/05	96,874	100%	-

## ROSE BOWL OPERATING COMPANY

### Notes to the Basic Financial Statements

(Continued)

#### (11) 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.

#### (12) 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 expiring on January 31, 2006. 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, 2005, the Golf Course earned \$1,854,289 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 \$256,073 as of June 30, 2005, and are reported as admission fee revenue and maintenance of Arroyo Park.

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.

#### (13) Operating Lease

On March 1, 2004, the Company entered into an 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.

#### (14) Related Party Transactions

During the current year, the Company incurred internal service charges from the City's Information Services and Building Maintenance Internal Service Funds. The internal service costs of \$47,241 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 \$1,568,061. At June 30, 2005, amounts payable to the City totaled \$410,823.