

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

Basic Financial Statements

Year ended June 30, 2009

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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, 2009 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, 2008 and, in our report dated October 28, 2008 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, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2009 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  
September 30, 2009

## 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, 2009.

### FINANCIAL HIGHLIGHTS:

The assets of the RBOC exceeded its liabilities at the close of the most recent fiscal year by \$27,012,667 (net assets). Of this amount, \$7,141,089 are unrestricted net assets of which \$6,556,350 are further designated for the golf course master plan, capital improvements, the Strategic Plan and fleet replacement.

The RBOC's net assets increased by \$1,709,456 over the previous fiscal year.

The RBOC's total debt decreased by \$1,692,920 during the current fiscal year. The key factors are the \$48,817 and \$1,720,000 pay down in principal on the 2001 Certificate of Participation (COP) and the 2006 COP or Demand Lease Revenue bonds, respectively, net of the \$75,897 in amortization of the bond discount and refunding costs on the 2006 COP, the latter corresponding to the construction of the new locker rooms & media center.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis are intended to serve as an introduction to the RBOC's basic financial statements. The RBOC's financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### FUND FINANCIAL STATEMENTS.

The *statement of net assets* presents information on all of the RBOC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the RBOC is improving or deteriorating.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

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 11-26 of this report.

## FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the RBOC, assets exceeded liabilities by \$27,012,667 at the close of the most recent fiscal year.

By far the largest portion of the RBOC's net assets (73 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, 2009</u>	<u>June 30, 2008</u>
Current and other assets	\$14,437,813	\$11,852,381
Capital assets	<u>50,369,518</u>	<u>51,751,656</u>
Total assets	<u>64,807,331</u>	<u>63,604,037</u>
Long-term liabilities outstanding	31,827,972	33,597,786
Other liabilities	<u>5,966,692</u>	<u>4,703,040</u>
Total liabilities	<u>37,794,664</u>	<u>38,300,826</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	19,871,578	19,876,356
Restricted		
Unrestricted:		
Designated	6,556,350	4,880,256
Undesignated	<u>584,739</u>	<u>546,599</u>
Total net assets	<u>\$27,012,667</u>	<u>\$25,303,211</u>

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

The RBOC's net assets increased by \$1,709,456 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 \$402,658, thereby accounting for 23 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, 2009</u>	<u>June 30, 2008</u>
Revenues:		
Green fees and other golf revenues	\$2,179,401	\$2,309,057
Parking revenue	803,261	762,961
Advertising revenue	922,675	764,931
Television revenue	154,466	143,455
Facility rentals & Admission Tax	4,098,403	4,100,280
Concessions	962,135	1,025,041
Pro Shop	59,846	77,995
Restaurant	451,977	446,510
Cost recoveries	2,015,013	1,982,043
Investment earnings	363,975	579,443
Other non-operating revenues	426,190	484,719
Capital Contributions	<u>2,000,000</u>	<u>385,000</u>
 Total revenue	 <u>14,564,336</u>	 <u>13,061,435</u>
Expenses:		
Salaries and benefits	2,167,531	2,037,651
General and administrative	2,272,883	2,312,247
Depreciation	3,036,947	2,786,969
Events	3,878,165	3,652,530
Interest expense	1,499,354	1,264,041
Transfer to/(from) City, net	<u>                    </u>	<u>265,923</u>
 Total expenses	 <u>12,854,880</u>	 <u>12,319,361</u>
 Increase in net assets	 1,709,456	 742,074
Net assets at beginning of year	<u>25,303,211</u>	<u>24,561,137</u>
Net assets at end of year	<u>\$27,012,667</u>	<u>\$25,303,211</u>

There was an overall increase of \$161,898 in total operating revenues for the most recent fiscal year due mostly higher advertising as well as suite revenue, the latter partly due to multi-year contracts being renewed. Also, although a non-BCS National Championship Game, the New Year's Rose Bowl Game was very successful because of another classic "Pac-10" / "Big-10" match-up, this time between USC and Penn State. The "Madden Palooza" event contributed to this increase as did the several additional minor events that occurred. Unlike the previous three years, the revenue by the golf course decreased. On the other hand, like the previous three years, restaurant revenue increased.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets.

The RBOC's investment in capital assets for its activities as of June 30, 2009, amounts to \$50,369,518 (net of accumulated depreciation). This investment in capital assets includes buildings & improvements and machinery & equipment. The total decrease in the RBOC's investment in capital assets for the current fiscal year was 3.0 percent.

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

- Fairways & Bunkers – Golf Course   \$ 554,170
- Clubhouse Maintenance               \$ 200,264
- Major Maintenance – Stadium       \$ 857,879
- Strategic Plan – Stadium             \$ 576,901

### Rose Bowl Operating Company's Capital Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Buildings and Improvements	\$67,823,661	\$66,733,879
Machinery and equipment	4,827,474	4,769,860
Construction in Progress	<u>2,367,624</u>	<u>1,860,211</u>
Sub-total	75,018,759	73,363,950
Less accumulated depreciation	<u>(24,649,241)</u>	<u>(21,612,294)</u>
Total	<u>\$50,369,518</u>	<u>\$51,751,656</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 \$33,450,189. All debt is backed by the full faith and credit of the government.

Rose Bowl Operating Company's Outstanding Debt

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Certificate of Participation	\$33,450,189	\$35,143,109

The RBOC's total debt decreased by \$1,692,920 during the current fiscal year. As mentioned on Page 2 above, the key factors in this decrease are the \$48,817 and \$1,720,000 pay down in principal on the 2001 COP and 2006 COP, respectively, net of the \$75,897 in amortization of the bond discount and refunding costs on the 2006 COP, the latter corresponding to the construction of the new locker rooms & media center.

Additional information on the RBOC's long-term debt can be found in note 4 on pages 20- 22 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, 2009  
(with comparative totals for 2008)

	Rose Bowl	Golf Course	Totals	
			2009	2008
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and investments (note 2)	\$ 8,520,776	1,433,025	9,953,801	7,296,404
Accounts receivable, net	739,723	415,375	1,155,098	1,061,295
Prepaid assets	28,530	-	28,530	4,686
Due from other funds	317	-	317	12,880
Other receivable (note 6)	-	55,397	55,397	55,397
<b>Total current assets</b>	<b>9,289,346</b>	<b>1,903,797</b>	<b>11,193,143</b>	<b>8,430,662</b>
<b>Noncurrent assets:</b>				
Cash and investments with fiscal agent (note 2)	2,952,249	-	2,952,249	3,057,630
Other receivable (note 6)	-	64,631	64,631	120,028
Unamortized bond issuance costs	227,790	-	227,790	244,061
<b>Capital assets (note 3):</b>				
Construction in progress	2,083,184	284,440	2,367,624	1,860,211
Other capital assets, net	43,861,625	4,140,269	48,001,894	49,891,445
<b>Total noncurrent assets</b>	<b>49,124,848</b>	<b>4,489,340</b>	<b>53,614,188</b>	<b>55,173,375</b>
<b>Total assets</b>	<b>58,414,194</b>	<b>6,393,137</b>	<b>64,807,331</b>	<b>63,604,037</b>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and other liabilities	1,617,801	-	1,617,801	1,280,949
Accrued salaries and benefits	26,819	5,500	32,319	41,712
Interest payable	582,501	-	582,501	33,882
Due to other funds	-	317	317	12,880
Due to the City of Pasadena (note 11)	289,947	125,859	415,806	212,289
Deposits	108,800	-	108,800	36,900
Deferred revenue	1,439,237	-	1,439,237	1,391,508
Current portion of compensated absences (note 4)	18,894	3,260	22,154	22,224
Current portion of certificates of participation (note 4)	1,769,911	-	1,769,911	1,692,920
<b>Total current liabilities</b>	<b>5,853,910</b>	<b>134,936</b>	<b>5,988,846</b>	<b>4,725,264</b>
<b>Noncurrent liabilities:</b>				
Compensated absences (note 4)	107,063	18,477	125,540	125,373
Certificates of participation (note 4)	31,680,278	-	31,680,278	33,450,189
<b>Total noncurrent liabilities</b>	<b>31,787,341</b>	<b>18,477</b>	<b>31,805,818</b>	<b>33,575,562</b>
<b>Total liabilities</b>	<b>37,641,251</b>	<b>153,413</b>	<b>37,794,664</b>	<b>38,300,826</b>
<b>Net assets (note 5):</b>				
Invested in capital assets, net of related debt	15,446,869	4,424,709	19,871,578	19,876,356
<b>Unrestricted:</b>				
Designated	5,326,074	1,230,276	6,556,350	4,880,256
Undesignated	-	584,739	584,739	546,599
<b>Total net assets</b>	<b>\$ 20,772,943</b>	<b>6,239,724</b>	<b>27,012,667</b>	<b>25,303,211</b>

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, 2009  
(with comparative totals for 2008)

	Rose Bowl	Golf Course	Totals	
			2009	2008
<b>Operating revenues:</b>				
Green fees and other golf revenues	\$ -	2,179,401	2,179,401	2,309,057
Parking revenues	803,261	-	803,261	762,961
Advertising revenue	922,675	-	922,675	764,931
Television revenue	154,466	-	154,466	143,455
Facility rentals	4,098,403	-	4,098,403	3,977,830
Concessions	962,135	-	962,135	1,025,041
Pro shop	-	59,846	59,846	77,995
Restaurant	-	451,977	451,977	446,510
Admission tax	126,994	-	126,994	122,450
Cost recoveries	1,997,613	17,400	2,015,013	1,982,043
<b>Total operating revenues</b>	<b>9,065,547</b>	<b>2,708,624</b>	<b>11,774,171</b>	<b>11,612,273</b>
<b>Operating expenses:</b>				
Salaries and benefits	1,780,725	386,806	2,167,531	2,037,651
General and administrative	1,772,131	500,752	2,272,883	2,312,247
Depreciation	2,841,394	195,553	3,036,947	2,786,969
Events	3,878,165	-	3,878,165	3,652,530
<b>Total operating expenses</b>	<b>10,272,415</b>	<b>1,083,111</b>	<b>11,355,526</b>	<b>10,789,397</b>
<b>Operating income (loss)</b>	<b>(1,206,868)</b>	<b>1,625,513</b>	<b>418,645</b>	<b>822,876</b>
<b>Nonoperating revenues (expenses):</b>				
Investment gain (loss)	98,748	265,227	363,975	579,443
Interest expense	(1,499,354)	-	(1,499,354)	(1,264,041)
Other nonoperating revenues	199,170	227,020	426,190	484,719
<b>Total nonoperating revenues (expenses)</b>	<b>(1,201,436)</b>	<b>492,247</b>	<b>(709,189)</b>	<b>(199,879)</b>
<b>Income before other revenues, expenses, gains, losses, and other items</b>	<b>(2,408,304)</b>	<b>2,117,760</b>	<b>(290,544)</b>	<b>622,997</b>
Transfer (to) from other funds (note 1h)	1,848,151	(1,848,151)	-	-
Transfer (to) from City, net	-	-	-	(265,923)
Capital contributions (note 12)	2,000,000	-	2,000,000	385,000
<b>Increase (decrease) in net assets</b>	<b>1,439,847</b>	<b>269,609</b>	<b>1,709,456</b>	<b>742,074</b>
Net assets at beginning of year	19,333,096	5,970,115	25,303,211	24,561,137
Net assets at end of year	\$ 20,772,943	6,239,724	27,012,667	25,303,211

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Cash Flows  
Year ended June 30, 2009  
(with comparative totals for 2008)

	Rose	Golf	Totals	
	Bowl	Course	2009	2008
Cash flows from operating activities:				
Cash received from customers	\$ 9,079,041	3,202,543	12,281,584	13,071,904
Cash paid to employees for services	(1,788,067)	(388,760)	(2,176,827)	(2,051,946)
Cash paid to suppliers of goods and services	(5,353,275)	(500,752)	(5,854,027)	(5,932,909)
Net cash provided by (used for) operating activities	<u>1,937,699</u>	<u>2,313,031</u>	<u>4,250,730</u>	<u>5,087,049</u>
Cash flows from noncapital financing activities:				
Cash (paid) received to/from other funds	12,563	(12,563)	-	-
Transfers (to) from other funds, net	1,848,151	(1,848,151)	-	-
Transfers (to) from the City of Pasadena, net	215,904	(12,387)	203,517	(590,783)
Net cash provided by (used for) noncapital financing	<u>2,076,618</u>	<u>(1,873,101)</u>	<u>203,517</u>	<u>(590,783)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,409,285)	(245,524)	(1,654,809)	(3,770,574)
Capital contributions	2,000,000	-	2,000,000	385,000
Principal payments on certificates of participation	(1,768,817)	-	(1,768,817)	(1,686,930)
Interest payments on certificates of participation	(842,580)	-	(842,580)	(1,249,138)
Net cash provided by (used for) capital and related financing activities	<u>(2,020,682)</u>	<u>(245,524)</u>	<u>(2,266,206)</u>	<u>(6,321,642)</u>
Cash flows from investing activities:				
Proceeds from the sale of investments	105,381	-	105,381	1,901,296
Investment income	98,748	265,227	363,975	579,443
Net cash provided by (used for) investing activities	<u>204,129</u>	<u>265,227</u>	<u>469,356</u>	<u>2,480,739</u>
Net increase (decrease) in cash and cash equivalents	2,197,764	459,633	2,657,397	655,363
Cash and cash equivalents at beginning of year	<u>6,323,012</u>	<u>973,392</u>	<u>7,296,404</u>	<u>6,641,041</u>
Cash and cash equivalents at end of year	<u>\$ 8,520,776</u>	<u>1,433,025</u>	<u>9,953,801</u>	<u>7,296,404</u>

(Continued)

See accompanying notes to the basic financial statements.

ROSE BOWL OPERATING COMPANY  
Statement of Cash Flows  
Year ended June 30, 2009  
(Continued)

	Rose Bowl	Golf Course	Totals	
			2009	2008
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:				
Cash and investments	\$ 8,520,776	1,433,025	9,953,801	7,296,404
Cash and investments with fiscal agent	<u>2,952,249</u>	<u>-</u>	<u>2,952,249</u>	<u>3,057,630</u>
Total reported on Statement of Net Assets	11,473,025	1,433,025	12,906,050	10,354,034
Less non-cash equivalents	<u>(2,952,249)</u>	<u>-</u>	<u>(2,952,249)</u>	<u>(3,057,630)</u>
Cash and cash equivalents at end of year	<u>\$ 8,520,776</u>	<u>1,433,025</u>	<u>9,953,801</u>	<u>7,296,404</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,206,868)	1,625,513	418,645	822,876
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Other nonoperating revenues	199,170	227,020	426,190	484,719
Depreciation	2,841,394	195,553	3,036,947	2,786,969
(Increase) decrease in accounts receivable	(409,472)	315,669	(93,803)	684,797
(Increase) decrease in prepaid assets	(23,844)	-	(23,844)	21,886
(Increase) decrease in other receivable	-	55,397	55,397	55,398
Increase (decrease) in accounts payable and other liabilities	336,852	-	336,852	(56,465)
Increase (decrease) in accrued salaries and benefits	(14,893)	5,500	(9,393)	(34,119)
Increase (decrease) in compensated absences	7,551	(7,454)	97	18,507
Increase (decrease) in deposits	71,900	-	71,900	(31,410)
Increase (decrease) in deferred revenue	<u>151,896</u>	<u>(104,167)</u>	<u>47,729</u>	<u>333,891</u>
Net cash provided by operating activities	<u>\$ 1,953,686</u>	<u>2,313,031</u>	<u>4,266,717</u>	<u>5,087,049</u>

Noncash investing, capital and financing activities

There were no significant noncash investing, capital and financing activities for the years ended June 30, 2009 or 2008.

See accompanying notes to the basic financial statements.

# ROSE BOWL OPERATING COMPANY

## Notes to the Basic Financial Statements

Year ended June 30, 2009

### (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, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 9,953,801
Cash and investments held by fiscal agent	<u>2,952,249</u>
Total cash and investments	<u>\$ 12,906,050</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	4,519,608
Investment in City of Pasadena investment pool	5,433,193
Investments held by fiscal agent	<u>2,952,249</u>
Total cash and investments	<u>\$ 12,906,050</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	\$5,433,193	5,433,193	-	-
Held by fiscal agent:				
Federal agency securities	2,927,093	-	2,927,093	-
Money market funds	<u>25,156</u>	<u>25,156</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,385,442</u>	<u>5,458,349</u>	<u>2,927,093</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	\$ 5,433,193	N/A	-	-	5,433,193
Held by fiscal agent:					
Federal agency securities	2,927,093	N/A	2,927,093	-	-
Money market funds	<u>25,156</u>	A	<u>25,156</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,385,442</u>		<u>2,952,249</u>	<u>-</u>	<u>5,433,193</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	\$2,927,093

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, 2009 is as follows:

	Balance at June 30, 2008	Additions	Retirements	Balance at June 30, 2009
Buildings and improvements	\$62,107,057	550,359	-	62,657,416
Machinery and equipment	<u>4,460,731</u>	<u>57,614</u>	<u>-</u>	<u>4,518,345</u>
Total cost of depreciable assets	<u>66,567,788</u>	<u>607,973</u>	<u>-</u>	<u>67,175,761</u>
Less accumulated depreciation:				
Buildings and improvements	(17,478,256)	(2,653,232)	-	(20,131,488)
Machinery and equipment	<u>(2,994,486)</u>	<u>(188,162)</u>	<u>-</u>	<u>(3,182,648)</u>
Total accumulated depreciation	<u>(20,472,742)</u>	<u>(2,841,394)</u>	<u>-</u>	<u>(23,314,136)</u>
Net depreciable assets	46,095,046	(2,233,421)	-	43,861,625
Capital assets not depreciated:				
Construction in progress	<u>1,281,872</u>	<u>1,314,888</u>	<u>(513,576)</u>	<u>2,083,184</u>
Capital assets, net	<u>\$47,376,918</u>	<u>(918,533)</u>	<u>(513,576)</u>	<u>45,944,809</u>

Depreciation expense for the year was \$2,841,394

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, 2009 is as follows:

	Balance at June 30, 2008	Additions	Retirements	Balance at June 30, 2009
Buildings and improvements	\$4,626,822	539,423	-	5,166,245
Machinery and equipment	<u>309,129</u>	<u>-</u>	<u>-</u>	<u>309,129</u>
Total cost of depreciable assets	<u>4,935,951</u>	<u>539,423</u>	<u>-</u>	<u>5,475,374</u>
Less accumulated depreciation:				
Buildings and improvements	(920,437)	(177,642)	-	(1,098,079)
Machinery and equipment	<u>(219,115)</u>	<u>(17,911)</u>	<u>-</u>	<u>(237,026)</u>
Total accumulated depreciation	<u>(1,139,552)</u>	<u>(195,553)</u>	<u>-</u>	<u>(1,335,105)</u>
Net depreciable assets	3,796,399	343,870	-	4,140,269
Capital assets not depreciated:				
Construction in progress	<u>578,339</u>	<u>245,524</u>	<u>(539,423)</u>	<u>284,440</u>
Capital assets, net	<u>\$4,374,738</u>	<u>589,394</u>	<u>(539,423)</u>	<u>4,424,709</u>

Depreciation expense for the year was \$195,553.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt

Long-term liabilities for the year ended June 30, 2009 are as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions/ Amortizations</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>	<u>Due in One Year</u>
2001 Certificates of Participation (Refunding and Capital Project)	\$ 152,528		(48,817)	103,711	50,808
2006 Variable Rate Demand Lease Revenue Bond	35,305,000		(1,720,000)	33,585,000	1,795,000
Unamortized discounts and refunding costs	(314,419)	75,897	-	(238,522)	(75,897)
Compensated absences	<u>147,597</u>	<u>22,321</u>	<u>(22,224)</u>	<u>147,694</u>	<u>22,154</u>
Total long-term liabilities	<u>\$35,290,706</u>	<u>98,218</u>	<u>(1,791,041)</u>	<u>33,597,883</u>	<u>1,792,065</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, 2009 are \$103,711.

Annual requirements to amortize outstanding certificates of participation as of June 30, 2009 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 50,808	4,148
2011	<u>52,903</u>	<u>2,116</u>
Total	<u>\$103,711</u>	<u>6,264</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 and the Certificates were removed from the Company's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$412,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

Originally the certificates were issued at a variable rate not to exceed 12%; however, the City entered into a forward swap agreement for a fixed rate of 3.285% for the life of the bonds. Principal is payable in annual installments ranging from \$2,100,000 to \$3,600,000 commencing December 1, 2007 and ending December 1, 2023. The legal reserve requirement is \$2,814,496. The balance held in the reserve account as of June 30, 2009 was \$2,952,249.

The annual debt service requirements for the 2006 Revenue Bonds as of June 30, 2009 using the June 30, 2009 variable interest rate of .16% are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,795,000	53,736
2011	1,795,000	50,864
2012	1,875,000	47,992
2013	1,955,000	44,992
2014	2,030,000	41,864
2015	2,110,000	38,616
2016	2,185,000	35,240
2017	2,185,000	31,744
2018	2,265,000	28,248
2019	2,345,000	24,624
2020	2,420,000	20,872
2021	2,500,000	17,000
2022	2,580,000	13,000
2023	2,735,000	8,872
2024	<u>2,810,000</u>	<u>4,496</u>
Total	<u>\$33,585,000</u>	<u>462,160</u>



ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(5) Net Assets

Net assets at June 30, 2009 consisted of the following:

Invested capital assets, net of related debt:	
Property, plant and equipment, net	\$50,369,518
Less: Outstanding debt issued to construct capital assets	(33,450,189)
Add back portion of debt associated with Debt service reserves	<u>2,952,249</u>
Total invested in capital assets, net of related debt	19,871,578
Unrestricted net assets:	
Designated:	
Golf course master plan	1,030,540
Clubhouse maintenance	199,736
Rose bowl stadium improvements	2,076,991
Strategic plan	3,219,804
Fleet replacement	29,279
Undesignated	<u>584,739</u>
Total unrestricted net assets	<u>7,141,089</u>
Total net assets	<u>\$27,012,667</u>

(6) Parking Settlement Income

During the year ended June 30, 2006, the company entered into a \$337,000 Settlement Agreement with American Golf Corporation for past event parking from the time period January 2001 through May 2005. The amount is to be paid over seventy three equal monthly payments commencing January 2005 plus interest calculated at the federal funds rate. At June 30, 2009, the outstanding receivable is \$120,028, of which \$55,397 is short term and \$64,631 is long term.

(7) Defined Benefit Pension Plan (PERS)

Plan Description

The Rose Bowl Operating Company contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

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

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. 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, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2006. The Company's covered payroll for PERS was \$1,566,708 for the year ended June 30, 2009, while the Company's total payroll for all employees was \$1,733,255 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

*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>
6/30/07	9.54%	132,592	100%	-
6/30/08	11.72%	161,975	100%	-
6/30/09	11.63%	182,224	100%	-

(8) 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.

## ROSE BOWL OPERATING COMPANY

### Notes to the Basic Financial Statements

(Continued)

#### (9) Golf Course Management Contract

The Brookside Municipal Golf Course (Golf Course) is operated and maintained by American Golf Corporation (American Golf) under the terms of an agreement with the City originally expiring on January 31, 2006, with a five year option through January 31, 2011. The agreement entitles the Golf Course to a fixed minimum yearly amount or contractually defined percentage of annual gross receipts from golf course operations, whichever is greater. For the year ended June 30, 2009, the Golf Course earned \$2,179,402 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 \$310,108 as of June 30, 2009, 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.

#### (10) Operating Lease

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

#### (11) Related Party Transactions

During the current year, the Company incurred charges for the use of the City's building maintenance (electricians, plumbers), locksmiths, printing, and mail services. These non-event expenses totaled \$65,920 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 \$2,132,828. At June 30, 2009, amounts payable to the City totaled \$415,806.

ROSE BOWL OPERATING COMPANY

Notes to the Basic Financial Statements

(Continued)

(12) Capital Contributions

Capital contributions represent contributions to the Company that are required to be spent on capital acquisitions or construction. During the year ended June 30, 2009, the Company received the following capital contributions:

Pasadena Tournament of Roses Association	
– Stadium improvements	<u>\$ 2,000,000</u>
Total capital contributions	<u>\$ 2,000,000</u>

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