Los Angeles Memorial Coliseum Commission

Basic Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

BCA Watson Rice LLP
Certified Public Accountants and Advisors
21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503
t: (310) 792-4640 f: (310) 792-4140

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21250 Hawthorne Blvd. Suite 150
Torrance, CA 90503
www.bcawatsonrice.com

Telephone: 310.792.4640
Facsimile: 310.792.4331

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
Los Angeles Memorial Coliseum Commission
Los Angeles, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Los Angeles Memorial Coliseum Commission (the Commission), which comprise the statement of net position (deficit) as of June 30, 2016 and the related statements of revenues, expenses and changes in fund net position (deficit), and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2016, and the changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the basic financial statements of the Commission, and we expressed an unmodified audit opinion in our report dated March 25, 2016. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 7 and the Required Supplementary Information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, California
January 9, 2017

As management of the Los Angeles Memorial Coliseum Commission (the Coliseum Commission) and the Los Angeles Memorial Coliseum Association, Inc. (the Association) (hereafter collectively referred to as the Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the year ended June 30, 2016. The information contained in the Management's Discussion and Analysis (MD&A) should be considered in conjunction with the information contained in the Commission's financial statements.

This discussion is intended to:

- Assist the reader in understanding significant financial issues
- Provide an overview of the Commission's financial activities
- Identify changes in the Commission's financial position

FINANCIAL HIGHLIGHTS

- The Commission's liabilities exceeded its assets as of June 30, 2016 by $8.44 million. The Commission had investment in capital assets at year-end of $107,500. The unrestricted component of net deficit was $8.49 million. See further discussion on page 6.

- The Commission's total net deficit, including all activities, increased by $0.35 million as a result of operations compared with fiscal year 2014-2015.

- Total operating revenues and expenses remained consistent with the operating revenues and expenditures in fiscal year 2014-2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Commission's audited financial statements, which are comprised of the 1) basic financial statements; and 2) notes to the basic financial statements. This report also includes the required supplementary information.

The Commission's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles. It is designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. Additional information on the Commission's significant accounting policies can be found in Note 1 on pages 11-14 of this report.

- The **Statement of Net Position (Deficit)** presents information on all of the Commission's assets, deferred outflows of resources, liabilities, deferred inflow of resources, and resulting net position. Over time, an increase or decrease in net position may serve as a useful indicator of the Commission's financial position.

- The **Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)** present information showing how the Commission's net position (deficit) changed during the most recent fiscal year. All changes in fund net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenue and expenses are reported in these statements for some items that will result in cash flows in future periods.

- The **Statement of Cash Flows** relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Commission's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

A **blended component unit** is an organization that is legally separate from the Commission, but is at the same time related to the Commission financially (i.e., the Commission is financially accountable for it) or the nature of its relationship with the Commission is so significant that its exclusion would cause the Commission's financial statements to be misleading or incomplete. The Los Angeles Memorial Coliseum Association, Inc. is a blended component unit of the Commission and its financial activity has been included in the Commission's financial statements.

The Commission's financial statements are located on pages 8-10 of this report. The component unit combining statement is discussed in Note 3 starting on page 15.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements. Notes to the financial statements are on pages 11-24.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's net pension liability and related ratios, pension contributions and progress in funding its obligation to provide pension benefits and other postemployment benefits to former employees.

FINANCIAL ANAYLSIS

Condensed Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial positon. As shown in the table below, the Commission's liabilities exceeded its assets by $8.44 million at June 30, 2016.

Condensed Statement of Net Position (Deficit)
June 30, 2016 and 2015

	2016	2015
Assets:		
Current assets	$ 562,430	$ 869,648
Deferred rent receivable	675,846	543,401
Capital assets, net of depreciation	107,500	107,500
Total Assets	$ 1,345,776	$ 1,520,549
Deferred Outflows of Resources	$ 205,793	156,388
Liabilities:		
Current and other liabilities	$ 145,340	$ 819,013
Noncurrent liabilties	9,397,883	8,213,214
Total Liabilities	$ 9,543,223	$ 9,032,227
Deferred Inflows of Resources	$ 448,724	$ 736,302
Net Position		
Net Investment in Capital Assets	$ 47,784	$ (661,456)
Unrestricted (Deficit)	(8,488,162)	(7,430,136)
Total Net Position (Deficit)	$ (8,440,378)	$ (8,091,592)

Significant changes in assets and liabilities included the following:

Current Assets

Current assets decreased by $0.31 million, or 35.33%, from the prior year largely due to a reduction in cash and other receivables.

Liabilities

Liabilities increased by $0.51 million, or 5.66%, from the prior year primarily due to the increase in the net pension liability and an increase in the postretirement healthcare liability. A reduction of the long-term debt partially offset these increases.

Deferred Outflows of Resources / Deferred Inflows of Resources

Under Governmental Accounting Standards Board (GASB) 68 and 71, the Commission is required to defer the recognition of changes in investment gain/loss, actuarial assumptions and methods, and plan benefits. At June 30, 2016, the Commission reported deferred outflows of resources of $205,793 and deferred inflows of resources of $448,724.

The Commission’s total net position consists of the following two components:

Net Investment in Capital Assets

As of June 30, 2016, the Commission had $107,500 investment in capital assets, all related to the freeway sign property. However, the long-term debt related to the video board in the amount of $0.06 million has been netted against the capital assets.

Unrestricted Net Position (Deficit)

The Commission's total unrestricted net deficit is $8.49 million. The deficit closely parallels the noncurrent liabilities for net pension liability, postretirement healthcare, straight-line rent accrual, and the USC line of credit which total $9.16 million. The net deficit is expected to be covered by future USC rent revenue, except for the $1.7 million USC line of credit and the $2.01 million net pension liability.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)

The following table presents condensed information showing how the Commission's net position changed during the recent fiscal year as compared with the prior fiscal year.

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
June 30, 2016 and 2015

	2016	2015
Revenues:		
Rent	$ 2,000,190	$ 2,000,190
Administrative Services	462,559	448,745
Other	9,100	25,576
Total revenues	2,471,849	2,474,511
Expenses:		
Rent	1,248,936	1,248,936
General operating	953,234	959,607
Pension Expense	493,127	(261,751)
Other	125,338	154,015
Total expenses	2,820,635	2,100,807
Change in net position (deficit)	$ (348,786)	$ 373,704

Revenue Highlights

Total revenues decreased by $2,662 when compared with the prior year.

The agreement with USC requires semi-annual lease payments from USC on behalf of the Commission beginning in 2013 and, assuming the exercise of options, USC will continue making payments through 2054. During fiscal year 2016, the Commission recognized rental income from this sublease in the amount of $2.0 million for the rent due to the State and the Video Board note. The Commission has also recorded lease revenue for $0.30 million from USC for the Commission operating expenses. A reimbursement of expense from USC was also recorded for the $0.16 million postretirement healthcare expenditures.

Expense Highlights

Total expenses increased by $0.72 million, or 34.26%, when compared with the prior year. This increase was primarily the result of the recognition of pension expense as required by GASB 68.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets as of June 30, 2016 were $107,500. Capital assets included land related to the freeway sign parcel.

Debt Administration

The Commission's liabilities for long-term debt decreased by $608,000 or 25.50% when compared with the prior year. The decline was attributable to the reduction in the video board note payable as a result of $709,000 in payments during the year. These decreases were partially offset by the $101,000 increase in the USC line of credit. Included as part of the Commission-USC Lease, USC agreed to pay the video board note on a monthly basis until maturity. Specific long-term debt changes are discussed in Note 6.

The Commission does not plan to issue any new bonds or other debt instruments in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economy

The Commission's operating activities do not include taxes or fees from the general public. Accordingly, the condition of the local economy, while favorable, has little, if any impact on the Commission's revenues or expenses.

In January 2016, USC signed a contract with the Los Angeles Rams to play their home National Football League (NFL) games at the Coliseum until their new stadium in Inglewood is completed. This does not have a financial impact for the Commission as all revenue goes directly to USC.

Budget Outlook

The Commission's fiscal year 2016-17 budget has been approved. The budget projects decreases in net position in the amount of $0.34 million for fiscal year 2016-17. Total revenue is budgeted at $1.95 million and total expenses is budgeted at $2.29 million.

The fiscal year 2016-17 revenue budget is $0.60 million lower than the prior year's revenue budget. The decrease reflects the conclusion of revenue received from USC related to the Coliseum's videoboard lease and the conclusion of revenue received from USC related to the Coliseum's sound system.

The fiscal year 2016-17 expense budget is $0.65 million lower than the prior year's expense budget as a result of decreases in budgeted interest and depreciation expenses and an increase in budgeted legal expenses.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general review of the Commission's finances for those with an interest in the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Robert E. Osborne, Chief Administrative Officer, at rosborne@bos.lacounty.gov or at Los Angeles Memorial Coliseum Commission, 3911 South Figueroa Street, Los Angeles, California 90037-1207.

Los Angeles Memorial Coliseum Commission

Statement of Net Position (Deficit)
June 30, 2016
(With comparative totals for June 30, 2015)

Assets and Deferred Outflows of Resources (Notes 3 and 10)	2016	2015
Current Assets		
Cash and cash equivalents (Note 4)	$ 534,105	$ 741,103
Accounts receivable, net of allowance for doubtful accounts of $93,828 in 2016 and 2015		
Other receivables	1,893	102,113
Prepaid expenses	26,432	26,432
Total current assets	562,430	869,648
Noncurrent Assets		
Deferred rent receivable (Note 9)	675,846	543,401
Capital assets, net (Note 5)	107,500	107,500
Total assets	$ 1,345,776	$ 1,520,549
Deferred Outflows of Resources		
Deferred pension related items (Note 7)	$ 205,793	$ 156,388
Total Assets and Deferred Outflows of Resources	$ 1,551,569	$ 1,676,937
Liabilities, Deferred Inflows of Resources, and Net Position (Notes 3 and 10)		
Current Liabilities		
Accounts payable and other accrued expenses	$ 85,624	$ 109,773
Current portion of long-term debt (Note 6)	59,716	709,240
Total current liabilities	145,340	819,013
Noncurrent Liabilities		
Postretirement healthcare plan (Note 8)	3,480,140	3,149,942
Net pension liability (Note 7)	2,013,993	1,233,288
Straight-line rent accrual (Note 9)	1,965,958	1,867,022
Other long-term liabilties (Note 10)	221,115	287,907
Long-term debt, less current portion (Note 6)	1,716,677	1,675,055
Total liabilities	$ 9,543,223	$ 9,032,227
Deferred Inflows of Resources		
Deferred pension related items (Note 7)	$ 448,724	$ 736,302
Net Position (Deficit)		
Net investment in capital assets	47,784	(661,456)
Unrestricted deficit	(8,488,162)	(7,430,136)
Total net position (deficit)	(8,440,378)	(8,091,592)
Total liabilities, deferred Inflows of resources and net position (deficit)	$ 1,551,569	$ 1,676,937

See Notes to the Basic Financial Statements

Los Angeles Memorial Coliseum Commission

Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)
Year Ended June 30, 2016
(With comparative totals for year ended June 30, 2015)

	2016	2015
Operating revenues (Note 1):		
Rent (Note 9)	$ 2,000,190	$ 2,000,190
Administrative services	462,559	448,745
Other	3,828	12,113
Total operating revenues	2,466,577	2,461,048
Operating expenses:		
Retiree healthcare (Note 8)	490,774	553,416
Rent (Note 9)	1,248,936	1,248,936
General operating expenses	4,903	15,988
Insurance	-	58,665
Professional	335,517	302,432
Legal	122,040	29,106
Depreciation and amortization (Note 5)	-	-
Total operating expenses	2,202,170	2,208,543
Total operating income	264,407	252,505
Nonoperating revenues (expenses):		
Interest income	5,272	4,704
Interest expense	(125,338)	(137,400)
Settlement income, net	-	243
Pension expense (Note 7)	(493,127)	261,751
Settlement expense	-	(16,615)
Other	-	8,516
Total nonoperating revenues (expenses), net	(613,193)	121,199
Change in net position	(348,786)	373,704
Net position (deficit), beginning of year	(8,091,592)	(8,465,296)
Net position (deficit), end of year	$ (8,440,378)	$ (8,091,592)

See Notes to the Basic Financial Statements.

Los Angeles Memorial Coliseum Commission

Statement of Cash Flows
Year Ended June 30, 2016
(With comparative totals for year ended June 30, 2015)

	2016	2015
Cash Flows From Operating Activities		
Receipts from customers	$ 566,387	$ 460,858
Payments to suppliers	(568,675)	(103,759)
Payments to employees	(209,981)	(294,789)
Net cash provided by (used in) operating activities	(212,269)	62,310
Cash Flows From Investing Activities		
Interest received	5,271	4,704
Cash received on settlement	-	243
Cash payments on settlement	-	(16,615)
Other financing payment	-	8,516
Net cash provided by (used in) investing activities	5,271	(3,152)
Net increase (decrease) in cash and cash equivalents	(206,998)	59,158
Cash and Cash Equivalents, beginning of year	741,103	681,945
Cash and Cash Equivalents, end of year	$ 534,105	$ 741,103
Reconciliation of Operating Incom to Net Cash Provided by (Used in) by Operating Activities		
Operating income	$ 264,407	$ 252,505
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
(Increase) decrease in assets:		
Prepaid expenses	-	1
Deferred rent receivable	(132,445)	(282,446)
Other receivables	100,220	245,154
Increase (decrease) in liabilities and deferred amounts:		
Accounts payable and other accrued expenses	(24,149)	(70,984)
Post retirement health care	330,197	400,555
Net pension liability	287,579	(717,314)
Straight-line rent accrual	98,936	248,937
Other long-term liabilities	(66,792)	6,619
Capital lease obligation	(733,239)	(600,631)
Deferred pension related items	(336,983)	579,914
Total adjustments	(476,676)	(190,195)
Net cash provided by (used in) operating activities	$ (212,269)	$ 62,310
Supplemental schedule of noncash capital and related financing activities		
Lease payments made by tenant on capital lease obligation	$ (717,744)	$ (738,031)

See Notes to the Basic Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Los Angeles Memorial Coliseum Commission (the Coliseum Commission) was created pursuant to the Government Code of the State of California (the State) under a Joint Powers Agreement (JPA) between the City of Los Angeles (the City), the County of Los Angeles (the County), and the Sixth District Agricultural Association or California Science Center (CSC), an institution of the State (hereinafter referred to as the member agencies). The Coliseum Commission has a single purpose; to provide for the ongoing maintenance and operation of the Los Angeles Memorial Coliseum (the Coliseum), opened in 1923, and the Los Angeles Memorial Sports Arena (the Sports Arena), opened in 1959.

On July 29, 2013, a significant change in the management of these facilities occurred when the Coliseum Commission and the University of Southern California (USC) executed the Second Amendment to the Lease and Agreement (Commission-USC Lease), which transferred to USC the responsibility for the long-term operation of the Coliseum and Sports Arena and the capital renewal of the Coliseum. The Coliseum Commission deemed this action to be in the best interest of the community to ensure that the Coliseum, a national historic landmark, is upgraded and preserved for current and future generations. The Commission-USC Lease expires in 2033, or if all options are exercised, on December 31, 2054, the same date as the expiration of the Coliseum Commission's two leases with the State of California for the Coliseum and Sports Arena properties.

Following the commencement of the Commission-USC Lease, the Commission voted in September 2013 to enter into an agreement with the County Board of Supervisors Executive Office for that office to assume the administrative support functions of the Commission no later than January 1, 2014. On October 8, 2013, the Board of Supervisors of the County also approved that agreement. As of December 14, 2013, the Coliseum Commission no longer has any employees.

An amended JPA agreement was fully executed on February 26, 2014, after approval and execution by all three member agencies. This amended agreement revised the governance structure, meeting requirements and operating arrangements of the Coliseum Commission in view of the change in the level of the daily responsibilities of the Coliseum Commission as a result of the Commission-USC Lease. The amended JPA agreement changed the voting members from nine to three members. The Coliseum Commission consists of one (1) member appointed by the Mayor of the City of Los Angeles subject to confirmation by the City Council of Los Angeles; one (1) member appointed by the Board of Supervisors of the County of Los Angeles; and one (1) member appointed by the Governor of the State of California.

In February 1996, under the JPA, the Los Angeles Memorial Coliseum Association, Inc. (the Association) was established as a non-profit 501(c)(3) corporation in the State of California, which is the entity that provided the food and beverage operations for the Coliseum Commission until the day-to-day activities of the food and beverage operations were transferred to USC under the Coliseum-USC lease agreement. The Association is overseen by and for the benefit of the Coliseum Commission, the results of the Association are combined with those of the Coliseum Commission (collectively, the Commission). The Association is a blended component unit in the financial statements.

A summary of the Commission's significant accounting policies is as follows:

Financial statement presentation: The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units and the Commission is accounted for as a proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Commission records revenue primarily from rental income from the Commission-USC lease agreement and other charges for services to external users and reports its financial statements under guidance for special purpose entities engaged in only business-type activities. This model allows all financial information for the Commission to be reported in a single column in the basic financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The accompanying financial statements include the accounts of the Commission and the Association. All material-related party balances and transactions have been eliminated.

The Commission's financial statements are presented in accordance with the provisions of GASB No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2016, the Commission had $47,784 net investment in capital assets.

Restricted net position – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2016, the Commission had no restricted net position.

Unrestricted net position – When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used. As of June 30, 2016, the Commission had $8,488,162 unrestricted net deficit.

As of June 30, 2016, the Commission has a net deficit of $8.44 million. The deficit balance is primarily from noncurrent liabilities for the postretirement healthcare plan, net pension liability, straight line rent accrual, the video board note payable, the USC line of credit, and the liability related to International Alliance of Theatrical Stage Employees (IATSE). Under the Commission-USC Lease, USC will pay the postretirement healthcare plan liabilities, the rent liabilities, and the video board liabilities over time, but the $2.01 million net pension liability, the $1.72 million USC line of credit and the $0.22 million accounts payable liability of the IATSE payments will remain the responsibility of the Commission. The Commission is currently evaluating options to reduce the net deficit.

Cash and cash equivalents: Cash and cash equivalents represent funds held in the County of Los Angeles Treasury Pool. 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 of three months or less. For purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history and current economic conditions. An account receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statement of net position (deficit). The majority of the Commission's prepaid expenses are related to legal fees.

Capital assets: Capital assets are stated at cost or at the estimated fair value at the date of contribution, if contributed.

Depreciation is computed on the straight-line basis to the nearest whole month, starting in the year of acquisition, over the estimated useful lives of the respective assets, ranging from three to 10 years for equipment and 20 years for building improvements and structures. Maintenance and repair costs are expensed when incurred. Upon sale or other disposition, any gain or loss is included in income.

Straight-line rent accrual: Rent expense is recorded on a straight-line basis over the term of the lease with the State. Amounts recorded as expense over amounts paid are recorded as straight-line rent accrual in the statement of net position (deficit).

Deferred Outflows and Inflows of Resources: Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB 65 "Items Previously Reported as Assets and Liabilities", the Commission recognizes deferred outflows of resources and/or deferred inflows of resources in the statement of net position.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time, except for pension related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 7.

Operating revenues and operating expenses: Operating revenues include gross receipts from rent due from its only tenant, USC, which is comprised of a fixed monthly operating allowance, and amounts equal to the Commission's payment obligations for: 1) retiree healthcare; 2) rent to the State; and 3) a lease agreement with Kinetic Leasing. Operating expenses represent the direct and indirect costs for the operations of the Commission during the year. Revenues and expenses outside the normal course of operations are recorded as nonoperating revenues and expenses in the statement of revenues, expenses and changes in fund net position (deficit). Nonoperating revenues and expenses consist primarily of interest income, interest expense and pension expense.

Taxation: As a joint powers authority, the Commission is not subject to income or franchise taxation by federal or state authorities. The Association is recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management include, but are not limited to, contingent assets and liabilities, allowance for uncollectible receivables, inventory reserves and the recoverability of the carrying value of long-lived assets.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pronouncement issued and implemented during the year ended June 30, 2016:

In February 2015, GASB issued **Statement No. 72** *"Fair Value Measurement and Application."* This standard is applicable primarily to investments made by state and local governments and defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statement. This new standard also expands note disclosures to categorize fair values according to their relative reliability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. See Note 4 for additional information.

In June 2015, GASB issued **Statement No. 76** "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"* which reduces the GAAP hierarchy from four categories under GASB Statement No. 55 to two categories. The first category consists of GASB Statements of Governmental Accounting Standards and the second category comprises GASB Technical Bulletins, Implementation Guides, and guidance from the AICPA. The most significant change is the raising of the level of authority of the Implementation Guides. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. GASB 76 will improve the usefulness of financial statement information for making decisions, assessing accountability, and enhancing the comparability of financial statement information among governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. Implementation of the GASB Statement No. 76 did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2016.

In December 2015, GASB issued **Statement No. 79**, *"Certain External Investment Pools and Pool Participants."* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The provisions of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Implementation of the GASB Statement No. 79 did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2016.

Note 2. Restatement

The Commission has restated its previously issued Statement of Cash Flows for the fiscal year ended June 30, 2015 to correctly recognize the Commission's cash flow that included only cash transactions. This restatement did not have an effect on the Commission's Statement of Cash Flow for the fiscal year ended June 30, 2015. The following table summarizes the correction on each of the affected financial statement line items for the fiscal year ended June 30, 2015.

	As Previously Reported	Restatement Adjustment	As Restated
Net cash provided by operating activities	$ 800,341	$ (738,031)	$ 62,310
Net cash used in capital and related financing activities	(738,031)	738,031	-
Lease payments made by tenant on capital lease obligation	-	(738,031)	(738,031)

Note 3. Component Units of the Commission

The following is the condensed combining detail for the statement of net position (deficit) as of June 30, 2016:

	Coliseum Commission	Association	Eliminations	Combined
Current assets	$ 417,355	$ 145,075	$ -	$ 562,430
Deferred rent receivable	675,846	-	-	675,846
Capital assets	107,500	-	-	107,500
Total assets	1,200,701	145,075	-	1,345,776
Deferred Outflows of Resources	205,793			205,793
Current liabilities	145,340	-	-	145,340
Long-term liabilities	9,397,883	-	-	9,397,883
Total liabilities	9,543,223	-	-	9,543,223
Deferred Inflows of Resources	448,724			448,724
Net investment in capital assets	47,784	-	-	47,784
Unrestricted net position	(8,633,237)	145,075	-	(8,488,162)
Total net position (deficit)	$ (8,585,453)	$ 145,075	$ -	$ (8,440,378)

The following is the condensed combining detail for the statement of revenues, expenses and changes in fund net position (deficit) for the year ended June 30, 2016:

	Coliseum Commission	Association	Eliminations	Combined
Operating revenues:				
Rental revenue from related party	$ 2,000,190	$ -	$ -	$ 2,000,190
Other income	465,269	1,117	-	466,386
Total operating revenues	2,465,459	1,117	-	2,466,576
Operating expenses:				
Other operating expenses	953,223	10	-	953,233
Rental expense to related party	1,248,936	-	-	1,248,936
Total operating expenses	2,202,159	10	-	2,202,169
Operating gain (loss)	263,300	1,107	-	264,407
Nonoperating revenues (expenses):				
Other nonoperating expenses	(613,193)	-	-	(613,193)
Total nonoperating expenses	(613,193)	-	-	(613,193)
Change in net position	(349,893)	1,107	-	(348,786)
Beginning net position	(8,235,560)	143,968	-	(8,091,592)
Ending net position (deficit)	$ (8,585,453)	$ 145,075	$ -	$ (8,440,378)

Note 3. Component Units of the Commission (Continued)

The following is the condensed combining detail for the statement of cash flows for the year ended June 30, 2016:

	Coliseum Commission	Association	Combined
Net cash used in operating activities	$ (212,259)	$ (10)	$ (212,269)
Net cash provided by investing activities	4,177	1,094	5,271
Beginning cash and cash equivalents balances	597,556	143,547	741,103
Ending cash and cash equivalents balances	$ 389,474	$ 144,631	$ 534,105

Note 4. Cash and Cash Equivalents

As of June 30, 2016, $534,105 was invested in the County of Los Angeles Investment Pool. In accordance with the California Government Code, cash balances of the Coliseum Commission are deposited with and pooled and invested by the Los Angeles County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period.

Statutes authorize the County of Los Angeles to invest pooled investments in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Global Ratings Services or P-1 by Moody's Investors Services and F-1 by Fitch, bankers' acceptances, negotiable certificates of deposits, repurchase agreements, and reverse repurchase agreements.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investment policies and associated risk factors applicable to the Commission are included in the County of Los Angeles' Comprehensive Annual Financial Report for the year ended June 30, 2016. Detailed deposit and investment risk disclosures are included in Note 5 of the County of Los Angeles' Comprehensive Annual Financial Report.

Note 5. Capital Assets

The only asset remaining is the parcel of land related to the freeway sign located at 3843 S. Grand Avenue. This parcel of land is being used as collateral for a line of credit with USC (see Note 6).

	July 1, 2015	Additions	Impairment	Disposals	June 30, 2016
Non-depreciable:					
Land - parking lots and freeway sign	$ 107,500	$ -	$ -	$ -	$ 107,500
Total	$ 107,500	$ -	$ -	$ -	$ 107,500

Note 6. Long-Term Debt

USC line of credit: In March 2013, the Commission executed an agreement with USC providing a line of credit for $1.5 million secured by the Commission's real property, the freeway sign located at 3843 S. Grand Avenue, Los Angeles, California. The outstanding balance bears an interest rate of 6 percent per annum and originally was due on May 16, 2014. However, as part of the Commission-USC Lease, the agreement was amended to extend the maturity date to July 29, 2023.

Video board note payable: The Commission purchased a video board for the Coliseum Commission for approximately $5.7 million during the year ended June 30, 2011. The Commission paid $2.28 million in cash on the purchase and financed the remaining balance of $3.42 million. Monthly payments of $59,812 commenced in August 2011. The note bears interest at 1.9 percent per annum and is due over five years. In connection with the Commission-USC Lease, USC agreed to pay the note, on a monthly basis, directly to the lender on behalf of the Commission until its maturity.

Current year activity of long-term debt during the fiscal year ended June 30 is as follows:

	June 30, 2015	Additions	Non-Cash Additions (Deduction)	Payments Made by USC	June 30, 2016
Long-term debt:					
USC line of credit	$ 1,615,339	$ -	$ 101,338	$ -	$ 1,716,677
Video board	768,956	-	-	(709,239)	59,717
Total term debt	$ 2,384,295	$ -	$ 101,338	$ (709,239)	$ 1,776,394

Future minimum payments under the agreements at June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total Payments
2017	$ 59,717	$ 95	$ 59,812
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
Thereafter	1,716,677	-	1,716,677
	$ 1,776,394	$ 95	$ 1,776,489

Note 7. Retirement Pension Plan

<u>Plan Description</u>

The Commission's former employees were eligible to participate in the California Public Employee Retirement System (CalPERS) Miscellaneous Plan, a cost sharing multiple employer pension plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute and by employer contract with CalPERS. The Commission selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Note 7. Retirement Pension Plan (Continued)

Substantially all permanent Commission employees were eligible to participate in the Plan. Benefits vest after five years of service. Commission employees may retire at or after age 50 with five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. The Plan is based on a 2.5 percent at age 55 formula allowing employees retiring at age 55 with a minimum of five years of service to receive a benefit of 2.5 percent of their yearly salary (based on the average of the highest 36 consecutive months of service) multiplied by their number of years of service. Employees who retire earlier than age 55 receive less than 2.5 percent for each year of service. The Plan also provides death benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

For the year ended June 30, 2016, the Commission's actuarial determined contributions were $0.

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Commission reported a liability of $2.01 million for its proportionate share of the net pension liability in accordance with the parameters of GASB 68 and 71. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. At June 30, 2015, the Commission's proportionate share was 0.02934%.

For the year ended June 30, 2016, the Commission recognized pension expense of negative $493,127. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ -
Changes in proportion and differences between County contributions and proportionate share of contributions	156,388	193,032
Contributions made subsequent to measurement date	49,405	-
Difference between employer's contribution and proportionate share of contributions	-	255,692
TOTAL	$ 205,793	$ 448,724

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68.

Note 7. Retirement Pension Plan (Continued)

Amounts currently reported as deferred inflows and outflows of resources, other than contributions related to pension, will be recognized in pension expense as follows:

	Deferred (Inflows)/Outflows of Resources
Year Ended June 30:	
2017	$ (84,459)
2018	(95,630)
2019	(112,248)
2020	-
2021	-
Thereafter	-

Actuarial Assumptions

Valuation Timing	June 30, 2014 rolled forward to June 30, 2015
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Projected salary increase	Varies depending on age, service, and type of employment
Discount Rate	7.50% as of June 30, 2014 Net of pension plan, investment and administrative expense, including inflation
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Experience Study	Covers the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Change in Assumptions

The discount rate was changed from 7.50% to 7.65% to be consistent with GASB 68 which requires the discount rate to include administrative expenses.

Discount Rate

The long-term expected rate of return on pension plan investments (7.65%, net of investment expenses) was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 years) using a building block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits

Note 7. Retirement Pension Plan (Continued)

of cash flows as the one calculated using both the short term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded to the nearest one quarter of one percent.

The table below reflects the long term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 – 10[(1)]	Real Returns Years 11+[(2)]
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

(1) An expected inflation rate of 2.5% used for this period.
(2) An expected inflation rate of 3.0% used for this period.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Commission's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.65%, as well as what the Commission's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability/(Asset)	$ 3,654,479	$ 2,013,993	$ 659,581

Pension Plan Fiduciary Net Position

Detailed information about CalPERS fiduciary net position as of June 30, 2016 is available in a separately issued CalPERS financial report, which can be found at www.calpers.ca.gov.

Note 8. Postemployment Benefits Other Than Pensions

Plan description: The Commission administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides lifetime healthcare insurance for retirees and their spouses through the Commission's group health insurance plan, which covers both active and retired members. To become eligible to retire, an employee must have been 50 years of age or higher with five or more years vested in CalPERS (see Note 6). The Retiree Health Plan does not issue a publicly available financial report. As of July 29, 2013, all active employees were removed from the plan, and the obligation for payment of all premiums for all retired participants was transferred to USC. In connection with the Commission-USC Lease, the Commission still pays premiums but is reimbursed by USC.

Note 8. Postemployment Benefits Other Than Pensions (Continued)

Retirees can choose among several options: PPO, HMO or EPO. All options permit Medicare supplement plans for those members eligible for Medicare. Health plans offered, covered benefits, monthly rates and co-payments are determined by the CalPERS Board, which reviews health plan contracts annually. The following HMO and PPO plans were available during fiscal years 2011 to 2015:

- Basic HMO Plans (Blue Shield Access+, Blue Shield Net Value or Kaiser Permanente).
- Basic PPO Plans (PERS Select, PERS Choice and PERSCare).

The costs of these medical plans are shared by the Commission and the retiree.

Funding policy: The Commission pays the costs of these medical plans as they are incurred. As of June 30, 2016, no trust or retirement fund was established or maintained to secure the employer's share of this postemployment benefit. Effective February 2012, the Commission established contribution rates of 78 percent for employer and 22 percent for employee. Prior to this, the employer/employee contribution rates varied slightly depending upon the specific plan chosen by the retiree. For the fiscal year ended June 30, 2016, the Commission contributed $160,576 to the plan.

Annual OPEB cost and net OPEB obligation: The Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years.

The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation to the Retiree Health Plan:

	June 30, 2016	June 30, 2015
Calculation of Interest on Net OPEB Obligation:		
Net OPEB obligation at end of prior year	$ 3,149,942	$ 2,749,387
Employer's investment rate of return	4.50%	4.50%
Interest on net OPEB obligation	141,747	123,722
Calculation of Annual OPEB Cost:		
ARC	349,027	427,397
Interest on net OPEB obligation	141,747	123,722
Annual OPEB cost	$ 490,774	$ 551,119
Calculation of Net OPEB Obligation:		
Net OPEB obligation at beginning of year	$ 3,149,942	$ 2,749,387
Annual OPEB cost	490,774	551,119
Less actual employer contributions	(160,576)	(150,564)
Net OPEB obligation at end of year	$ 3,480,140	$ 3,149,942

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 533,246	25.51%	$ 2,749,387
June 30, 2015	551,119	27.32%	3,149,942
June 30, 2016	490,774	32.72%	3,480,140

Note 8. Postemployment Benefits Other Than Pensions (Continued)

Funded status and funding progress: As of June 30, 2016, the actuarial accrued liability for benefits was $3,748,395, all of which was unfunded. Because all employees were transferred to USC, there is no longer any covered payroll.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age: The plan covers only those currently retired. The Commission no longer has any active employees.

Marital status: Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality: Life expectancies were based on the Group Annuity Mortality Table, Combined Rates.

Turnover: None was assumed.

Healthcare cost trend rate: The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 10 percent initially, reduced to an ultimate rate of 5 percent after 10 years, was used.

Health insurance premiums: 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate: No inflation assumption was made.

Payroll growth rate: No long-term payroll growth assumption was made.

Based on the expected returns of the Commission's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over 15 years.

Note 9. Leases

Leases: The Coliseum and Sports Arena ground leases were extended by the Commission on September 3, 2003 to continue through December 31, 2054. The rental terms for the extended leases were agreed to by the Commission and State on February 13, 2008. The aggregate annual rent is $1,000,000, beginning January 1, 2008 and ending December 31, 2015, and $1,300,000, beginning January 1, 2016 and ending December 31, 2054, with the annual amount beginning January 1, 2017 to be adjusted according to the U.S. Consumer Price Index. In addition to the annual base rents, the Commission must pay to the State a portion of any revenue received for naming rights of the Coliseum and the Sports Arena in the amounts of 3.125 percent and 1.875 percent, respectively. The naming rights provision of the agreement also applies to the Commission-USC lease. For the year ended June 30, 2016, the Commission did not receive any revenue related to naming rights of the Coliseum or the Sports Arena.

Future minimum payments under these agreements at June 30, 2016 are as follows:

Years Ending June 30,		Amount
2017	$	1,300,000
2018		1,300,000
2019		1,300,000
2020		1,300,000
2021		1,300,000
2022-2026		6,500,000
2027-2031		6,500,000
2032-2036		6,500,000
2037-2041		6,500,000
2042-2046		6,500,000
2047-2051		6,500,000
2052-2054		4,550,000
	$	50,050,000

Rent expense is recorded on a straight-line basis over the lease term. Amounts expensed in excess of amounts paid are recorded as straight-line rent accrual liability. Rent expense for the year ended June 30, 2016 was $1,248,936, which is related to the Coliseum and Sports Arena rent expense. As a result, the Commission has recorded straight-line rent accrual liability of $1,965,958 as of June 30, 2016. Because USC pays the rent directly to the State, the Commission also recognizes rental revenue on a straight-line basis and recognized a deferred rent receivable of $675,846 for the difference between the actual payments and the amount recognized as revenue.

Sublease with primary tenant: The Commission has a sublease agreement with USC (the Commission-USC lease) for the use of the Coliseum and Sports Arena. On July 25, 2013, the Commission and USC executed an amended and restated sublease that transferred the operations and all associated assets of both the Coliseum and the Sports Arena to USC on July 29, 2013 through at least July 29, 2033, with options for USC to extend through December 31, 2054 (the date that the current lease with the State of California expires). The sublease also provides USC with full control of the property located at 3843 S. Grand Avenue (the Freeway Sign). In addition, USC has obtained first rights to negotiate with the State of California to extend the sublease beyond December 31, 2054. In return, USC is required to make specific capital improvements to the Coliseum, which are estimated to cost in excess of $70 million, to be completed before the Centennial Anniversary of the Coliseum on July 29, 2023. USC also has the right to terminate the sublease with respect to the Sports Arena at any time after three years after the commencement of the amended and restated sublease agreement.

Note 9. Leases (Continued)

Additional terms of the Commission-USC Lease require USC to: (1) offer a minimum of six months employment to current Commission employees; (2) make future rent payments to the State on behalf of the Commission; (3) make future monthly payments on the $2.1 million note payable with Kinetic Leasing for the video board on behalf of the Commission; (4) reimburse the Commission for retiree healthcare premiums (estimated $25,000 per month); (5) pay $300,000 for recent sound system upgrades (in three annual $100,000 installments); (6) relieve the Commission of the $471,830 liability to USC for self-funded capital improvements on the Coliseum; (7) extend the term on the Coliseum Note Payable to USC (see Notes 5 and 8); and (8) provide the Commission with a monthly allowance for the Commission's general operating expenses. The total monthly allowance, including a trademark royalty of $1,667, was set at $25,000 for the fiscal year ended June 30, 2016; however, future amounts will be determined based on annual budget deliberations with USC.

Note 10. Commitments and Contingencies

Collective bargaining agreements: The Coliseum Commission had two collective bargaining agreements (CBA), and the Association had one CBA. The Coliseum Commission CBAs were with IATSE Local 33 and Service Employees International Union (SEIU) Local 1877. The IATSE CBA covered employees who performed load-in, setting, striking, load-out operating and preventive maintenance duties in connection with performance-related equipment for those events presented or otherwise sponsored and produced by the Commission or tenants. The IATSE CBA expired on July 28, 2013. The SEIU CBA was effective January 1, 2013 through December 31, 2013, and was automatically terminated upon management transfer of the facilities to USC on July 28, 2013. The SEIU CBA covers employees who performed janitorial services. The Association CBA with the Unite Here Local 11 union was extended through June 30, 2013 and continued on a month-to-month basis until July 28, 2013, at which time it was terminated. The CBA with Unite Here covered most food service employees.

On October 30, 2013, the Commission received a claim letter from the IATSE Pension Trust alleging that the Coliseum Commission/Association has incurred a pension trust fund withdrawal liability of $378,102. The balance of the accrued liability for $221,115 has been recorded in other long term liabilities in the statement of net position (deficit).

The Commission is exposed to claims encountered in the normal course of business. In the opinion of management, the resolution of these matters, except as discussed above, will be covered by insurance and/or will not have a material adverse effect on the Commission's net position or results of operations.

Note 11. Subsequent Events

Subsequent events have been evaluated through January 9, 2017, which is the date the financial statements were available to be issued.

Los Angeles Memorial Sports Arena

In the fall of 2016, the Los Angeles Memorial Sports Arena (Sports Arena) was demolished to allow for the construction of a privately-owned and financed professional soccer stadium and auxiliary structure on the same site. The Sports Arena had no carrying value in the accompanying financial statements and there was no gain or loss recognized for the Sports Arena's demolition during the fiscal year ended June 30, 2016.

The land upon which the Arena was located continues to be leased by the Commission from the California Science Center and sublet to the University of Southern California.

Los Angeles Memorial Coliseum Commission
Required Supplementary Information (Unaudited)
Schedule of Net Pension Liability and Related Ratios
Year Ended June 30, 2016

	6/30/2015	06/30/2014
Pension Plan's fiduciary net postion as a percentage of total pension liability	78.40%	89.68%
Commission's proportionate share of the collective net pension liability	$ 2,013,993	$ 1,233,288
Commission's proportionate share as percentage of the collective net pension liability	0.02934%	0.01982%
Covered Employee Payroll (1)	$0	$0
Commission's proportionate share of the collective net pension liability as a percentage of covered payroll	NA	NA
Proportionate Share of the agregate employer contributions'	347,011	

Schedule of Commission's Contributions
Year Ended June 30, 2016

	2016	2015
Actuarially Determined Contribution (ADC)	$ 49,405	$ 14,851
Less: Contributions in relation to the ADC	$ 49,405	$ 14,851
Contribution Deficiency (Excess)	$0	$0
Covered Employee Payroll (1)	0	0
Contributions as a percentage of covered payroll	NA	NA

(1) The Commission no longer has any employees.

Los Angeles Memorial Coliseum Commission
Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Retirement Healthcare
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL), Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
June 30, 2014	$ -	4,590,043	4,590,043	0%	NA	NA
June 30, 2015	-	4,590,043	4,590,043	0%	NA	NA
June 30, 2016	-	3,748,395	3,748,395	0%	NA	NA

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Commission obtains an actuarial valuation on an annual basis.

BCA Watson Rice LLP
Certified Public Accountants and Advisors

21250 Hawthorne Blvd. Suite 150
Torrance, CA 90503
www.bcawatsonrice.com

Telephone: 310.792.4640
Facsimile 310.792.4331

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

To the Honorable Members
Los Angeles Memorial Coliseum Commission
Los Angeles, California

We have audited, 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, the basic financial statements of the Los Angeles Memorial Coliseum Commission (the Commission) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Restriction on Use

This report is intended for the information and use of the Members of the Commission, management and others within the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, CA
January 9, 2017