

LOS ANGELES MEMORIAL COLISEUM COMMISSION

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE AMOUNTS FOR 2017)**



LOS ANGELES MEMORIAL COLISEUM COMMISSION
BASIC FINANCIAL STATEMENTS
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(WITH COMPARATIVE AMOUNTS FOR 2017)

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Los Angeles Memorial Coliseum Commission (Commission), which comprise the statement of net position (deficit) as of June 30, 2018, 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

The Commission's management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2018, and the changes in its financial position and cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Commission as of June 30, 2017 and for the year then ended were audited by other auditors whose report dated January 5, 2018, expressed an unmodified opinion on those statements.

Emphasis of Matter

As described in Note 1 to the financial statements, in fiscal year 2017-2018, the Commission implemented new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

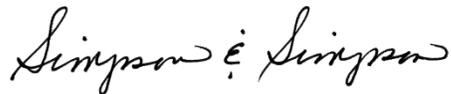
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and the required supplementary information on pages 36 and 37, 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 February 11, 2019 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.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
February 11, 2019

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

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, 2018. 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 and deferred inflows exceeded its assets and deferred outflows as of June 30, 2018 by \$9.01 million. The Commission had investment in capital assets at year-end of \$107,500. See further discussion on page 9.
- The Commission's total net deficit, including all activities, decreased by \$230,296 compared with an increase of \$799,082 during fiscal year 2016-2017.
- Total operating revenues decreased by \$57,383 and operating expenses decreased by \$470,947 in fiscal year 2017-2018 compared to the prior year.

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 16 to 20 of this report.

- The **Statement of Net Position (Deficit)** presents information on all of the Commission's assets, deferred outflows of resources, liabilities, deferred inflows 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.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

- The **Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)** presents 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 13 to 15 of this report. The component unit condensed financial statements are included in Note 2 starting on page 21.

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 16-34.

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 ANALYSIS

Condensed Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown in the table below, the Commission's liabilities and deferred inflows exceeded its assets and deferred outflows by \$9.01 million at June 30, 2018.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018

Table 1
Condensed Statement of Net Position (Deficit)
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 1,201,882	\$ 306,267
Deferred rent receivable	640,737	658,292
Capital assets, net of depreciation	<u>107,500</u>	<u>107,500</u>
Total Assets	<u>\$ 1,950,119</u>	<u>\$ 1,072,059</u>
Deferred Outflows of Resources	\$ 1,204,319	\$ 594,623
Liabilities:		
Current and other liabilities	\$ 105,445	\$ 25,486
Noncurrent liabilities	<u>11,376,694</u>	<u>10,648,252</u>
Total Liabilities	<u>\$ 11,482,139</u>	<u>\$ 10,673,738</u>
Deferred Inflows of Resources	\$ 681,463	\$ 232,404
Net Position		
Net Investment in Capital Assets	\$ 107,500	\$ 107,500
Unrestricted (Deficit)	<u>(9,116,664)</u>	<u>(9,346,960)</u>
Total Net Position (Deficit)	<u>\$ (9,009,164)</u>	<u>\$ (9,239,460)</u>

Significant changes in assets and liabilities included the following:

Current Assets

Current assets increased by \$895,615, or 292.43%, from the prior year largely due to an increase in cash resulting from a settlement received during the year in the amount of \$2.00 million.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Liabilities

Liabilities increased by \$808,401, or 7.57%, from the prior year primarily due to the increase in the net pension liability, other postemployment benefits (OPEB), and long-term debt.

Deferred Outflows of Resources and Deferred Inflows of Resources

Under Governmental Accounting Standards Board (GASB) 68 and 75, the Commission is required to defer the recognition of changes in investment gain/loss, actuarial assumptions and methods, and plan benefits related to pension and OPEB. At June 30, 2018, the Commission reported deferred outflows of resources of \$1.20 million, and deferred inflows of resources of \$681,463.

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

Net Investment in Capital Assets

As of June 30, 2018, the Commission had \$107,500 net investment in capital assets, all related to the freeway sign property.

Unrestricted Net Position (Deficit)

The Commission's total unrestricted net deficit is \$9.01 million. The deficit closely parallels the noncurrent liabilities for net pension liability, OPEB, straight-line rent accrual, and the University of Southern California (USC) line of credit which total \$11.31 million. The net deficit is expected to be covered by future USC rent revenue, except for the \$1.94 million USC line of credit and the \$3.22 million net pension liability.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

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.

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position (Deficit)
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Rent	\$ 1,282,446	\$ 1,342,258
Administrative services	501,166	498,369
Settlement revenue	2,001,825	364,597
Other	14,366	6,820
Total revenues	<u>3,799,803</u>	<u>2,212,044</u>
Expenses:		
Rent	1,248,936	1,248,936
General operating	1,905,363	1,434,416
Pension expense	411,942	209,981
Other	118,839	117,793
Total expenses	<u>3,685,080</u>	<u>3,011,126</u>
Change in net position (deficit)	\$ <u>114,723</u>	\$ <u>(799,082)</u>

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Revenue Highlights

Total revenues increased by \$1.59 million or 71.78% when compared with the prior year. This is primarily due to settlement income received during fiscal year 2017-2018.

Operating revenue provided by USC for rent remained consistent. 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 2017-2018, the Commission recognized rental income from this sublease in the amount of \$1.28 million for the rent due to the State. The Commission has also recorded lease revenue of \$501,166 from USC for the Commission operating expenses and OPEB, and \$2.00 million in settlement revenue.

Expense Highlights

Total expenses increased by \$673,954 or 22.38%, when compared with the prior year. This increase was primarily the result of increased legal expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets as of June 30, 2018 were \$107,500. Capital assets included land related to the freeway sign parcel.

Debt Administration

The Commission's liabilities for long-term debt increased by \$114,111 or 6.26% when compared with the prior year. This is due to the increase in the USC line of credit. Specific long-term debt changes are discussed in Note 5.

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

ECONOMIC FACTORS

In fiscal year 2017-2018, the Commission accepted a settlement agreement regarding a lawsuit brought against former promoters hired by the Commission. The Commission received \$2.00 million in fiscal year 2017-2018 and will receive an additional \$1.50 million over the next three years.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

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. Al Naipo, Chief Administrative Officer, at anaipo@bos.lacounty.gov or at Los Angeles Memorial Coliseum Commission, 500 West Temple Street, Room 383, Los Angeles, California 90012.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
Statement of Net Position (Deficit)
June 30, 2018
(With comparative amounts for June 30, 2017)

	2018	2017
Assets and Deferred Outflows of Resources (Note 1)		
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,182,636	\$ 277,619
Accounts receivable, net of allowance for doubtful accounts of \$93,828 in 2018 and 2017	-	-
Other receivables	6,301	2,216
Prepaid expenses	12,945	26,432
Total current assets	1,201,882	306,267
Non-current assets		
Deferred rent receivable (Note 8)	640,737	658,292
Capital assets, net (Note 4)	107,500	107,500
Total non-current assets	748,237	765,792
Total assets	1,950,119	1,072,059
Deferred Outflows of Resources		
Deferred pension related items (Note 6)	1,204,319	594,623
Total assets and deferred outflows of resources	\$ 3,154,438	\$ 1,666,682
Liabilities, Deferred Inflows of Resources and Net Position (Note 1)		
Current liabilities		
Accounts payable and other accrued expenses	\$ 105,445	\$ 25,486
Total current liabilities	105,445	25,486
Non-current liabilities		
Postretirement healthcare plan (Note 7)	4,279,622	3,833,703
Net pension liability (Note 6)	3,223,459	2,756,150
Straight-line rent accrual (Note 8)	1,863,830	1,914,894
Other long-term liabilities (Note 9)	71,603	319,436
Long-term debt (Note 5)	1,938,180	1,824,069
Total non-current liabilities	11,376,694	10,648,252
Total liabilities	11,482,139	10,673,738
Deferred Inflows of Resources		
Deferred pension related items (Note 6)	681,463	232,404
Net Position (Deficit)		
Net investment in capital assets	107,500	107,500
Unrestricted deficit	(9,116,664)	(9,346,960)
Total net position (deficit)	(9,009,164)	(9,239,460)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 3,154,438	\$ 1,666,682

See accompanying notes to the basic financial statements.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
Statement of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2018
(with comparative amounts for year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating revenue (Note 1):		
Rent (Note 8)	\$ 1,282,446	\$ 1,342,258
Administrative services	501,166	498,369
Other income	777	1,145
Total operating revenue	<u>1,784,389</u>	<u>1,841,772</u>
Operating expenses:		
Retiree healthcare (Note 7)	691,979	520,266
Rent (Note 8)	1,248,936	1,248,936
General operating expenses	2,517	6,510
Professional	352,396	317,866
Legal	858,471	589,774
Total operating expenses	<u>3,154,299</u>	<u>2,683,352</u>
Total operating (loss)	<u>(1,369,910)</u>	<u>(841,580)</u>
Nonoperating revenues (expenses):		
Interest income	13,589	5,675
Interest expense	(118,839)	(117,793)
Settlement income	2,001,825	364,597
Pension expense (Note 6)	(411,942)	(209,981)
Total nonoperating expenses	<u>1,484,633</u>	<u>42,498</u>
Change in net position	114,723	(799,082)
Net position (deficit), beginning of year, as restated (Note 1)	<u>(9,123,887)</u>	<u>(8,440,378)</u>
Net position (deficit), end of year	<u>\$ (9,009,164)</u>	<u>\$ (9,239,460)</u>

See accompanying notes to the basic financial statements.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
Statement of Cash Flows
Year Ended June 30, 2018
(With comparative amounts for year ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Receipts from customers	\$ 493,131	\$ 488,886
Payments to suppliers	(1,447,104)	(974,288)
Payments to employees	(156,424)	(141,356)
Net cash from operating activities	(1,110,397)	(626,757)
Cash flows from investing activities:		
Interest received	13,589	5,675
Cash received on settlement	2,001,825	364,597
Net cash from investing activities	2,015,414	370,272
Net increase (decrease) in cash and cash equivalents	905,017	(256,485)
Cash and cash equivalents, beginning of the year	277,619	534,105
Cash and cash equivalents, end of the year	\$ 1,182,636	\$ 277,619
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating income (loss)	\$ (1,369,910)	\$ (841,580)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
(Increase) decrease in assets:		
Deferred rent receivable	17,555	17,554
Other receivables	(4,085)	(323)
Prepaid expenses	13,487	-
Increase (decrease) in liabilities and deferred amounts:		
Accounts payable and other accrued expenses	79,959	(60,138)
Postretirement healthcare	561,492	353,563
Net pension liability	55,367	532,176
Straight-line rent accrual	(51,064)	(51,064)
Other long-term liabilities	(247,833)	98,321
Capital lease obligation	(4,728)	(70,117)
Deferred pension related items	(160,637)	(605,150)
Total adjustments	259,513	214,822
Net cash from operating activities	\$ (1,110,397)	\$ (626,758)
Supplemental schedule of noncash capital and related financing activities		
Lease payments made by tenant on capital lease obligation	\$ -	\$ 59,812

See accompanying notes to the basic financial statements.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

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 property of the former 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.

An additional 2017 amendment changed the number of members to six (6) members. The Coliseum Commission consists of two (2) members appointed by the Mayor of the City of Los Angeles subject to confirmation by the City Council of Los Angeles; two (2) members appointed by the Board of Supervisors of the County of Los Angeles; and two (2) members 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 Commission-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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

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

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.

The accompanying financial statements include the accounts of the Coliseum 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, 2018, the Commission had \$107,500 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, 2018, 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, 2018, the Commission had \$9.12 million in unrestricted net deficit.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

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

As of June 30, 2018, the Commission has a net deficit of \$9.01 million. The deficit balance is primarily from noncurrent liabilities for the postretirement healthcare plan, net pension liability, straight-line rent accrual, 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 and the rent liabilities over time, but the \$3.22 million net pension liability, the \$1.86 million USC line of credit, and the \$64,983 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.

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).

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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

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

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 (expenses/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 6.

Operating revenues and operating expenses: Operating revenues include gross receipts from rent due from its only tenant, USC, which is composed of a fixed monthly operating allowance, and amounts equal to the Commission’s payment obligations for: 1) retiree healthcare; and 2) rent to the State. 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.

Restatement of Net Position: The Commission implemented GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” (GASB 75) in fiscal year 2017-2018. The cumulative effect of applying the provisions of GASB 75 has been reported as a restatement of beginning net position.

Beginning net position	\$ (9,239,460)
Cumulative effect from adoption of GASB 75:	
Deletion of GASB 45 other postemployment benefit assets	3,833,703
Recognition of GASB 75 net OPEB liability	<u>(3,718,130)</u>
Beginning net position, as restated	<u>\$ (9,123,887)</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

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

Pronouncements issued and implemented during the year ended June 30, 2018:

In June 2015, GASB issued **Statement No. 75**, “*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.*” This Statement is to improve accounting and financial reporting by governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information about financial support that is provided by other entities for making decisions, assessing accountability, and creating additional transparency. This Statement replaces Statements No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,*” as amended, and No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.*” The provisions of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The cumulative effect of applying the provisions of GASB 75 has been reported as a restatement of beginning net position. Also, see Note 7 for additional information.

In March 2016, GASB issued **Statement No. 81**, “*Irrevocable Split Interest Agreements.*” This Statement is to improve accounting and financing reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial statements for reporting periods beginning after December 15, 2016. Implementation of the GASB Statement No. 81 did not have an impact on the Commission’s financial statements for the fiscal year ended June 30, 2018.

In March 2017, GASB issued **Statement No. 85**, “*Omnibus 2017.*” This Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). This Statement includes requirements for the timing and measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, and simplification of certain aspects of the alternative measurement method for OPEB. The provisions of Statement No. 85 are effective for financial statements for reporting periods beginning after June 15, 2017. See Note 7 for additional information.

In May 2017, GASB issued **Statement No. 86**, “*Certain Debt Extinguishment Issues.*” This Statement is to improve consistency in accounting and financing reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Implementation of the GASB Statement No. 86 did not have an impact on the Commission’s financial statements for the fiscal year ended June 30, 2018.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 2. Component Units of the Commission

The following is the condensed combining detail for the statement of net position (deficit) as of June 30, 2018:

	Coliseum Commission	Association	Eliminations	Combined
Current assets	\$ 1,053,033	\$ 148,849	\$ -	\$ 1,201,882
Deferred rent receivable	640,737	-	-	640,737
Capital assets	107,500	-	-	107,500
Total assets	<u>1,801,270</u>	<u>148,849</u>	<u>-</u>	<u>1,950,119</u>
 Deferred Outflows of Resources	 1,204,319			 1,204,319
Current liabilities	105,445	-	-	105,445
Long-term liabilities	11,376,694	-	-	11,376,694
Total liabilities	<u>11,482,139</u>	<u>-</u>	<u>-</u>	<u>11,482,139</u>
 Deferred Inflows of Resources	 681,463			 681,463
Net investment in capital assets	107,500	-	-	107,500
Unrestricted net position	(9,265,513)	148,849	-	(9,116,664)
Total net position (deficit)	<u>\$ (9,158,013)</u>	<u>\$ 148,849</u>	<u>\$ -</u>	<u>\$ (9,009,164)</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 2. Component Units of the Commission (Continued)

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, 2018:

	Coliseum Commission	Association	Eliminations	Combined
Operating revenues:				
Rental revenue	\$ 1,282,446	\$ -	\$ -	\$ 1,282,446
Other income	499,688	2,255	-	501,943
Total operating revenues	<u>1,782,134</u>	<u>2,255</u>	<u>-</u>	<u>1,784,389</u>
Operating expenses:				
Other operating expenses	1,905,333	30	-	1,905,363
Rental expense	1,248,936	-	-	1,248,936
Total operating expenses	<u>3,154,269</u>	<u>30</u>	<u>-</u>	<u>3,154,299</u>
Operating gain/ (loss)	<u>(1,372,135)</u>	<u>2,225</u>	<u>-</u>	<u>(1,369,910)</u>
Nonoperating revenues (expenses):				
Other nonoperating expenses	<u>1,484,633</u>	<u>-</u>	<u>-</u>	<u>1,484,633</u>
Total nonoperating expenses	<u>1,484,633</u>	<u>-</u>	<u>-</u>	<u>1,484,633</u>
Change in net position	112,498	2,225	-	114,723
Beginning net position (deficit), as restated	<u>(9,270,511)</u>	<u>146,624</u>	<u>-</u>	<u>(9,123,887)</u>
Ending net position (deficit)	<u>\$ (9,158,013)</u>	<u>\$ 148,849</u>	<u>\$ -</u>	<u>\$ (9,009,164)</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 2. 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, 2018:

	Coliseum Commission	Association	Combined
Net cash (used in) provided by operating activities	\$(1,110,367)	\$ (30)	\$(1,110,397)
Net cash (used in) provided by investing activities	2,013,234	2,180	2,015,414
Beginning cash and cash equivalents balances	131,731	145,888	277,619
Ending cash and cash equivalents balances	\$ 1,034,598	\$ 148,038	\$ 1,182,636

Note 3. Cash and Cash Equivalents

As of June 30, 2018, \$1.18 million was invested in the County of Los Angeles Investment Pool. In accordance with the California Government Code, cash balances of the 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, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions.

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, 2018. Detailed deposit and investment risk disclosures are included in Note 5 of the County of Los Angeles' Comprehensive Annual Financial Report.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 4. 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 5).

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Impairment</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Non-depreciable:					
Land—parking lots and freeway sign	\$ 107,500	\$ -	\$ -	\$ -	\$ 107,500
Total	<u>\$ 107,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,500</u>

Note 5. 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. 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.

Current year activity of long-term debt during the fiscal year ended June 30, 2018 is as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Non-Cash Additions (Deduction)</u>	<u>Payments</u>	<u>June 30, 2018</u>
Long-term debt:					
USC line of credit	\$ 1,824,069	\$ -	\$ 114,111	\$ -	\$ 1,938,180
Total long-term debt	<u>\$ 1,824,069</u>	<u>\$ -</u>	<u>\$ 114,111</u>	<u>\$ -</u>	<u>\$ 1,938,180</u>

Future minimum payments under the agreements at June 30, 2018 are as follows:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
Thereafter	<u>1,433,049</u>	<u>505,131</u>	<u>1,938,180</u>
	<u>\$ 1,433,049</u>	<u>\$ 505,131</u>	<u>\$ 1,938,180</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 6. Retirement Pension Plan

Plan Description

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.

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, 2018, 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, 2018, the Commission reported a liability of \$3.22 million for its proportionate share of the net pension liability in accordance with the parameters of GASB 68. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. At June 30, 2018, the Commission's proportionate share was 0.03250%.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 6. Retirement Pension Plan (Continued)

For the year ended June 30, 2018, the Commission recognized pension expense of \$411,942. 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, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 523,374	\$ 39,908
Difference between expected and actual experience	4,218	60,433
Net difference between projected and actual investment earnings	118,366	-
Differences between employer's contributions and proportionate share of contributions	-	414,906
Change in employer's proportion	453,091	166,216
Pension contributions made subsequent to measurement date	<u>105,270</u>	<u>-</u>
Total	<u>\$ 1,204,319</u>	<u>\$ 681,463</u>

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.

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

Year Ended June 30:	<u>Deferred (Inflows)/ Outflows of Resources</u>
2019	\$ 262,157
2020	148,633
2021	77,072
2022	(70,276)
2023	-
Thereafter	-

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 6. Retirement Pension Plan (Continued)

Actuarial Assumptions

Valuation Timing	June 30, 2016 rolled forward to June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Investment Rate of Return	7.15%, net of pension plan investment expense, including inflation
Projected Salary Increase	Varies depending on age, service, and type of employment
Discount Rate	7.15% as of June 30, 2017, net of pension plan, investment and administrative expense, including inflation
Postretirement 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 7.65% to 7.15%.

Discount Rate

The long-term expected rate of return on pension plan investments (7.15%, 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. 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits of cash flows as the one calculated using both short- 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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 6. Retirement Pension Plan (Continued)

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.

<u>Asset Class</u>	<u>Real Return Years 1 – 10⁽¹⁾</u>	<u>Real Return Years 11+(2)</u>
Global Equity	4.90%	5.38%
Fixed Income	0.80%	2.27%
Inflation Assets	0.60%	1.39%
Private Equity	6.60%	6.63%
Real Estate	2.80%	5.21%
Infrastructure and Forestland	3.90%	5.36%
Liquidity	-0.40%	-0.90%

(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 7.15%, 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 (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net Pension Liability	\$ 4,948,649	\$ 3,223,459	\$ 1,794,626

Pension Plan Fiduciary Net Position

Detailed information about CalPERS fiduciary net position as of June 30, 2018 is available in a separately issued CalPERS financial report, which can be found at www.calpers.ca.gov.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 7. 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. Effective July 29, 2013, all active employees were removed from the plan. Pursuant to the Commission-USC Lease, the healthcare insurance premiums for all retired participants paid by the Commission shall be reimbursed by USC.

Benefits Provided

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 2018:

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

The costs of these medical plans are shared by the Commission and the retiree. The Commission pays the costs of these medical plans as they are incurred. As of June 30, 2018, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. 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.

Employees Covered

As of the June 30, 2018, the Commission had 20 former employees receiving benefits of the plan. There are no active employees.

Contributions

For the fiscal year ended June 30, 2018, the Commission contributed \$156,493 to the plan.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 7. Postemployment Benefits Other Than Pensions (Continued)

Total Other Postemployment Benefit (OPEB) Liability

At June 30, 2018, the Commission reported a total OPEB liability of \$4.28 million. The total OPEB liability was measured using the alternative measurement method as of June 30, 2017, rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

Measurement Date	June 30, 2017
Valuation Timing	June 30, 2017 rolled forward to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	No inflation assumption was made
Salary Increases	No long-term payroll growth assumption was made
Mortality	Based on 1994 Group Annuity Mortality Table, Combined Rates
Discount Rate	3.5%
Healthcare Cost Trend Rates	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.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 3,718,130
Changes recognized for the measurement period:	
Interest	121,805
Changes in assumptions	528,623
Actuarial experience	67,557
Benefit payments	<u>(156,493)</u>
Net Changes	<u>561,492</u>
Balance at June 30, 2018	<u>\$ 4,279,622</u>

Changes in assumptions reflect a change in the discount rate from 4.5% to 3.5%.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 7. Postemployment Benefits Other Than Pensions (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%, the municipal bond rate as of June 30, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following represents the Commission's total OPEB liability calculated using the discount rate of 3.5%, as well as what the Commission's total liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB Liability	\$ 4,934,280	\$ 4,279,622	\$ 3,750,999

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the Commission's total OPEB liability, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 3,760,783	\$ 4,279,622	\$ 4,907,121

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Commission had no deferred outflows or inflows of resources related to OPEB as the Commission's OPEB does not have a fiduciary net position and pays the OPEB costs as they are incurred.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 8. 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 \$1.00 million, beginning January 1, 2008 and ending December 31, 2015, and \$1.30 million, 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, 2018, 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, 2018 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,300,000
2020	1,300,000
2021	1,300,000
2022	1,300,000
2023	1,300,000
2024-2028	6,500,000
2029-2033	6,500,000
2034-2038	6,500,000
2039-2043	6,500,000
2044-2048	6,500,000
2049-2053	6,500,000
2054	<u>1,300,000</u>
	<u>\$ 46,800,000</u>

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, 2018 was \$1.25 million, which is related to the Coliseum and Sports Arena rent expense. As a result, the Commission has recorded straight-line rent accrual liability of \$1.86 million as of June 30, 2018. 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 \$640,737 for the difference between the actual payments and the amount recognized as revenue.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 8. Leases (Continued)

Sublease with primary tenant: The Commission has a sublease agreement with USC (the Commission-USC lease) for the use of the Coliseum and the property of the former 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 property of the former 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.

Additional terms of the Commission-USC Lease require USC to: (1) make future rent payments to the State on behalf of the Commission; (2) reimburse the Commission for retiree healthcare premiums (estimated \$25,000 per month); (3) extend the term on the Coliseum Note Payable to USC (see Notes 5 and 8); and (4) 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 \$29,724 for the fiscal year ended June 30, 2018; however, future amounts will be determined based on annual budget deliberations with USC.

Note 9. Related Party Transactions

The Commission's cash and investments are pooled and invested by the County Treasurer and Tax Collector (TTC). For the years ended June 30, 2018 and 2017, interest income amounted to \$13,589 and \$5,675, respectively. Interest receivable was \$6,301 as of June 30, 2018 and \$2,216 as of June 30, 2017. The County maintains the books and records of the Commission. The County also provides other administrative and support services. Total fees paid to the County for these services amounted to \$308,193 and \$356,764 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018, and 2017, the total payable to the County was \$105,046 and \$0, respectively.

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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

Note 10. Commitments and Contingencies (Continued)

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 \$64,983 has been recorded in other long-term liabilities in the statement of net position (deficit).

Legal Commitments: The Commission entered into an agreement with legal counsel to pay fees incurred totaling approximately \$175,000 over a three-year period, without interest, beginning in June 2017. As of June 30, 2018, the Commission completed payments to legal counsel.

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 February 11, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Los Angeles Memorial Coliseum Commission
Required Supplementary Information
Schedule of Net Pension Liability and Related Ratios
Year Ended June 30, 2018

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Pension Plan's fiduciary net position as a percentage of total pension liability	73.31%	74.60%	78.40%	89.68%
Commission's proportionate share of the collective net pension liability	3,223,459	2,756,150	2,013,993	1,233,288
Commission's proportionate share as a percentage of the collective net pension liability	0.03250%	0.03185%	0.02934%	0.01982%
Covered Employee Payroll ⁽¹⁾	\$0	\$0	\$0	\$0
collective net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Schedule of Commission's Pension Plan Contributions
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contributions (ADC)	\$ 105,270	\$ 72,974	\$ 46,405	\$ 14,851
Less: Contributions in relation to the ADC	\$ 105,270	\$ 72,974	\$ 46,405	\$ 14,851
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
Covered Employee Payroll ⁽¹⁾	\$0	\$0	\$0	\$0
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

(1) The Commission no longer has any employees.

Los Angeles Memorial Coliseum Commission
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year ended June 30, 2018
Last Ten Years*

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ -
Interest on the total OPEB liability	121,805
Actual and expected experience difference	67,557
Changes in assumptions	528,623
Changes in benefit terms	-
Benefit payments	<u>(156,493)</u>
Net change in total OPEB liability	561,492
Total OPEB liability - beginning	<u>3,718,130</u>
Total OPEB liability - ending (a)	<u><u>\$ 4,279,622</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 156,493
Benefit payments	<u>(156,493)</u>
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 4,279,622</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%
Covered - employee payroll	N/A
Net OPEB Liability as a percentage of covered-employee payroll	0.00%

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 4.5 percent to 3.5 percent for the measurement period ended June 30, 2018.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, to pay related benefits.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF 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 financial statements of the Los Angeles Memorial Coliseum Commission (Commission) as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
February 11, 2019