

LOS ANGELES MEMORIAL COLISEUM COMMISSION

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**



LOS ANGELES MEMORIAL COLISEUM COMMISSION
BASIC FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2019)

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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 financial statements of the Los Angeles Memorial Coliseum Commission (Commission), which comprise the statement of net position (deficit) as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in fund net position (deficit), and cash flows for the years 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, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 through 9 and the required supplementary information on pages 32 and 33, 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 12, 2021 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 black ink that reads "Simpson & Simpson".

Los Angeles, California
February 12, 2021

LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020

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, 2020. 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 of resources exceeded its assets and deferred outflows of resources as of June 30, 2020 by \$11.79 million. The Commission had investment in capital assets at year-end of \$0.11 million. The restricted net position and unrestricted deficit were \$0.01 million and \$11.91 million, respectively. See further discussion on page 8.
- The Commission's total net deficit, including all activities, increased by \$2.38 million during fiscal year 2019-2020 compared to an increase of \$0.40 million during fiscal year 2018-2019.
- Total operating revenues and expenses remained consistent in fiscal year 2019-2020 compared to fiscal year 2018-2019.

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 13-17 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.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020**

- 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 10-12 of this report. The component unit combining statement is discussed in Note 2 starting on page 18.

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 13-31.

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 other employment benefits liability and related ratios, pension and OPEB 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 exceeded its assets by \$11.79 million at June 30, 2020.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020**

The following table summarizes the Commission's net position (Deficit):

Table 1
Condensed Statement of Net Position (Deficit)
June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 1,055,913	\$ 1,222,338	\$ 1,201,882
Deferred rent receivable	605,628	623,183	640,737
Capital assets, net of depreciation	<u>107,500</u>	<u>107,500</u>	<u>107,500</u>
Total assets	<u>1,769,041</u>	<u>1,953,021</u>	<u>1,950,119</u>
Deferred Outflows of Resources	855,681	725,531	1,204,319
Liabilities:			
Current and other liabilities	126,946	105,508	105,446
Noncurrent liabilities	<u>13,755,891</u>	<u>11,372,687</u>	<u>11,376,693</u>
Total liabilities	<u>13,882,837</u>	<u>11,478,195</u>	<u>11,482,139</u>
Deferred Inflows of Resources	527,645	609,791	681,463
Net Position:			
Net investment in capital assets	107,500	107,500	107,500
Restricted for Court of Honors plaques	17,600	-	-
Unrestricted (deficit)	<u>(11,910,860)</u>	<u>(9,516,934)</u>	<u>(9,116,664)</u>
Total net position (deficit)	<u>\$ (11,785,760)</u>	<u>\$ (9,409,434)</u>	<u>\$ (9,009,164)</u>

Significant changes in assets and liabilities included the following:

Current Assets

Current assets decreased by \$0.17 million, or 13.62%, from fiscal year 2018-2019 due to an increase in operating expenses.

Current Liabilities

Current liabilities increased by \$0.02 million, or 20.32%, from fiscal year 2018-2019 largely due to an increase in accrued expenses.

Noncurrent Liabilities

Noncurrent liabilities increased by \$2.38 million, or 20.96%, from fiscal year 2018-2019 largely due to an increase in other postemployment benefits (OPEB) liability, resulting from discount rate changed from 3.5% for the measurement period ended June 30, 2018 as compared to 1.67% for the measurement period ended June 30, 2019.

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020**

Deferred Outflows of Resources / Deferred Inflows of Resources

Under Governmental Accounting Standards Board (GASB) Statements 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 other postretirement benefits (OPEB). At June 30, 2020, the Commission reported deferred outflows of resources of \$0.86 million, and deferred inflows of resources of \$0.53 million.

As of June 30, 2020, the Commission's total net position consists of the following three components:

Net Investment in Capital Assets

The Commission had \$0.11 million investment in capital assets, all related to the freeway sign property.

Restricted Net Position

The Commission's restricted net position is \$0.01 million, all related to the Court of Honors plaques.

Unrestricted Net Position (Deficit)

The Commission's total unrestricted net deficit is \$11.91 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 \$13.75 million. The net deficit is expected to be covered by future USC rent revenue, except for the \$2.19 million USC line of credit and the \$3.53 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 (deficit) changed during the fiscal years 2019-20, 2018-19 and 2017-2018.

Table 2
Condensed Statement of Revenues, Expenses and Changes of Net Position (Deficit)
June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:			
Rent	\$ 1,282,446	\$ 1,282,446	\$ 1,282,446
Administrative services	546,356	530,561	501,166
Settlement income	335,833	339,083	2,001,825
Other	40,594	62,744	14,366
Total revenues	<u>2,205,229</u>	<u>2,214,834</u>	<u>3,799,803</u>
Expenses:			
Rent	1,248,936	1,248,936	1,248,936
General operating	751,909	694,042	1,343,871
Retiree healthcare	2,000,677	(13,431)	561,492
Pension expense	450,822	563,305	411,942
Other	129,211	122,252	118,839
Total expenses	<u>4,581,555</u>	<u>2,615,104</u>	<u>3,685,080</u>
Change in net position (deficit)	<u>\$ (2,376,326)</u>	<u>\$ (400,270)</u>	<u>\$ 114,723</u>

**LOS ANGELES MEMORIAL COLISEUM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020**

Revenue Highlights

Total revenues decreased by \$0.01 million, or 0.43% when compared with fiscal year 2018-2019. This remained consistent when compared with fiscal year 2018-19.

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 2019-2020, 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 \$0.55 million from USC for the Commission operating expenses and the postretirement healthcare expenditures, and \$0.34 million in settlement revenue.

Expense Highlights

Total expenses increased by \$1.97 million or 75.20%, when compared with fiscal year 2018-2019. This decrease was primarily the result of increased retiree healthcare expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets as of June 30, 2020 were \$0.11 million. Capital assets included land related to the freeway sign parcel.

Debt Administration

The Commission's liabilities for long-term debt as of June 30, 2020 were \$2.19 million, which increased by \$0.13 million or 6.27% when compared with fiscal year 2018-2019. This is due to the interest accrued on the USC line of credit. 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

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 a net of \$1.14 million in fiscal year 2017-2018, \$0.21 million in fiscal year 2018-2019 and 2019-2020, and will receive the final settlement in fiscal year 2021-22.

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, 3911 South Figueroa Street, Los Angeles, California 90037-1207.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
Statement of Net Position
Year Ended June 30, 2020

(With comparative amounts for year ended June 30, 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,039,341	\$ 1,215,730
Accounts receivable, net of allowance for doubtful accounts of \$93,828 in 2020 and 2019	-	-
Other receivables	3,241	6,608
Prepaid expenses	13,331	-
Total current assets	1,055,913	1,222,338
Non-current assets		
Deferred rent receivable (Note 8)	605,628	623,183
Capital assets, net (Note 4)	107,500	107,500
Total non-current assets	713,128	730,683
Total assets	1,769,041	1,953,021
Deferred Outflows of Resources		
Deferred pension related items (Note 6)	855,681	725,531
Liabilities		
Current liabilities		
Accounts payable and other accrued expenses	126,946	105,508
Total current liabilities	126,946	105,508
Non-current liabilities		
Postretirement healthcare plan (Note 7)	6,266,868	4,266,191
Net pension liability (Note 6)	3,532,075	3,227,682
Straight-line rent accrual (Note 8)	1,761,702	1,812,766
Other long-term liabilities	6,619	6,619
Long-term debt (Note 5)	2,188,627	2,059,429
Total non-current liabilities	13,755,891	11,372,687
Total liabilities	13,882,837	11,478,195
Deferred Inflows of Resources		
Deferred pension related items (Note 6)	527,645	609,791
Net Position (Deficit)		
Net investment in capital assets	107,500	107,500
Restricted for Court of Honors plaques	17,600	-
Unrestricted deficit	(11,910,860)	(9,516,934)
Total net position (deficit)	\$ (11,785,760)	\$ (9,409,434)

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, 2020

(With comparative amounts for year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenue (Note 1):		
Rent (Note 8)	\$ 1,282,446	\$ 1,282,446
Administrative services	546,356	530,561
Other income	21,520	38,057
Total operating revenue	<u>1,850,322</u>	<u>1,851,064</u>
Operating expenses:		
Retiree healthcare (Note 7)	167,949	149,787
Rent (Note 8)	1,248,936	1,248,936
General operating expenses	1,307	2,791
Professional	449,320	394,700
Legal	133,333	133,333
Total operating expenses	<u>2,000,845</u>	<u>1,929,547</u>
Net operating (loss)	<u>(150,523)</u>	<u>(78,483)</u>
Nonoperating revenues (expenses):		
Interest income	19,074	24,687
Interest expense	(129,211)	(122,252)
Settlement income	335,833	339,083
Retiree healthcare (Note 7)	(2,000,677)	-
Pension expense (Note 6)	(450,822)	(563,305)
Total nonoperating expenses	<u>(2,225,803)</u>	<u>(321,787)</u>
Change in net position	<u>(2,376,326)</u>	<u>(400,270)</u>
Net position (deficit), beginning of year	<u>(9,409,434)</u>	<u>(9,009,164)</u>
Net position (deficit), end of year	<u>\$ (11,785,760)</u>	<u>\$ (9,409,434)</u>

See accompanying notes to the basic financial statements.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
Statement of Cash Flows
Year Ended June 30, 2020

(With comparative amounts for year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$ 557,913	\$ 580,253
Payments to suppliers	(907,928)	(760,656)
Payments to employees	(181,281)	(150,273)
Net cash from operating activities	<u>(531,296)</u>	<u>(330,676)</u>
 Cash flows from investing activities:		
Interest received	19,074	24,687
Cash received on settlement	335,833	339,083
Net cash from investing activities	<u>354,907</u>	<u>363,770</u>
 Net increase (decrease) in cash and cash equivalents	(176,389)	33,094
 Cash and cash equivalents, beginning of the year	<u>1,215,730</u>	<u>1,182,636</u>
Cash and cash equivalents, end of the year	<u>\$ 1,039,341</u>	<u>\$ 1,215,730</u>
 Reconciliation of operating loss to net cash from operating activities:		
Operating income (loss)	\$ (150,523)	\$ (78,483)
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	3,367	(307)
Prepaid expenses	(13,331)	12,945
Increase (decrease) in liabilities and deferred amounts:		
Accounts payable and other accrued expenses	21,438	63
Postretirement healthcare	-	(13,431)
Net pension liability	(146,429)	(559,083)
Straight-line rent accrual	(51,064)	(51,064)
Other long-term liabilities	-	(64,983)
Capital lease obligation	(13)	(1,003)
Deferred pension related items	(212,296)	407,116
Total adjustments	<u>(380,773)</u>	<u>(252,193)</u>
Net cash from operating activities	<u>\$ (531,296)</u>	<u>\$ (330,676)</u>

See accompanying notes to the basic financial statements.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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 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 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, 2020

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

In May 2019, under the JPA, the Los Angeles Memorial Coliseum Foundation (the Foundation), a non-profit 501(c)(3) corporation in the State of California, was established to replace the Los Angeles Memorial Coliseum Association, Inc. The Foundation's purpose is (a) to preserve and promote the Los Angeles Memorial Coliseum by engaging the public, Exposition Park stakeholders, civic leaders and others to ensure its historic legacy for future generations, (b) to encourage public participation at the Los Angeles Memorial Coliseum by hosting to the greatest extent possible, an array of on-site public interest events year-round which are open and free to the public for purposes of education and enjoyment, (c) to preserve and publicly display the historical artifacts and memorabilia of the Los Angeles Memorial Coliseum and Sports Arena properties detailing the history of these iconic facilities, and (d) to provide support to the Coliseum Commission, a joint exercise of powers agency and public instrumentality organized under the laws of the State of California to exercise essential public functions (the "Coliseum Commission"), including financial assistance for the continued administration and operational expenses of the Coliseum Commission.

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, the Association, and the Foundation. The Foundation which was established in May 2019 did not have any financial activities during fiscal year 2019-2020. 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 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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

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, 2020, 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, 2020, the Commission's restricted net position consists of contributions of \$17,600 restricted for the Court of Honor plaques.

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, 2020, the Commission had \$11,910,860 in unrestricted net deficit.

As of June 30, 2020, the Commission has a net deficit of \$11,785,760. The deficit balance is primarily from noncurrent liabilities for the postretirement healthcare plan, net pension liability, straight-line rent accrual, and the USC line of credit. Under the Commission-USC Lease, USC will pay the postretirement healthcare plan liabilities and the rent liabilities over time, but the net pension liability of \$3,532,075 and USC line of credit of \$2,188,627 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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

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 3 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 6.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

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; 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 and the Foundation are recognized by the Internal Revenue Service (IRS) as tax-exempt organizations 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.

Pronouncements issued and implemented during the year ended June 30, 2020:

In June 2018, GASB issued **Statement No. 89**, "*Accounting for Interest Cost Incurred before the End of the Construction Period*". The primary purpose of this Statement is to establish accounting requirements for interest cost incurred before the end of a construction period for business-type activities and enterprise funds. It requires that such interest cost be recognized as an expense in the period in which the cost is incurred. Accordingly, such interest costs for business type activity and enterprise funds are no longer capitalized as part of the historical cost of a capital asset. Implementation of the GASB Statement No. 89 did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2020.

In May 2020, GASB issued **Statement No. 95**, "*Postponement of Effective Date of Certain Authoritative Guidance*". The objective of this Statement is to provide temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation guides that are scheduled to become effective for periods beginning after June 15, 2018, and later. Implementation of the GASB Statement No. 95 did not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2020.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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, 2020:

	Coliseum Commission	Association	Eliminations	Combined
Current assets	\$ 494,124	\$ 561,789	\$ -	\$ 1,055,913
Deferred rent receivable	605,628	-	-	605,628
Capital assets	107,500	-	-	107,500
Total assets	<u>1,207,252</u>	<u>561,789</u>	<u>-</u>	<u>1,769,041</u>
Deferred Outflows of Resources	855,681			855,681
Current liabilities	126,946	-	-	126,946
Long-term liabilities	13,755,891	-	-	13,755,891
Total liabilities	<u>13,882,837</u>	<u>-</u>	<u>-</u>	<u>13,882,837</u>
Deferred Inflows of Resources	527,645			527,645
Net investment in capital assets	107,500	-	-	107,500
Restricted for Court of Honors plaques	17,600			17,600
Unrestricted net position	(12,472,649)	561,789	-	(11,910,860)
Total net position (deficit)	<u>\$ (12,347,549)</u>	<u>\$ 561,789</u>	<u>\$ -</u>	<u>\$ (11,785,760)</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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, 2020:

	Coliseum Commission	Association	Eliminations	Combined
Operating revenues:				
Rental revenue from related party	\$ 1,282,446	\$ -	\$ -	\$ 1,282,446
Other income	567,876	-	-	567,876
Total operating revenues	<u>1,850,322</u>	<u>-</u>	<u>-</u>	<u>1,850,322</u>
Operating expenses:				
Other operating expenses	618,482	133,427	-	751,909
Rental expense to related party	1,248,936	-	-	1,248,936
Total operating expenses	<u>1,867,418</u>	<u>133,427</u>	<u>-</u>	<u>2,000,845</u>
Net Operating revenue (loss)	<u>(17,096)</u>	<u>(133,427)</u>	<u>-</u>	<u>(150,523)</u>
Nonoperating revenues (expenses):				
Nonoperating revenue	14,101	340,806	-	354,907
Other nonoperating expenses	<u>(2,580,710)</u>	<u>-</u>	<u>-</u>	<u>(2,580,710)</u>
Total nonoperating revenue (expenses)	<u>(2,566,609)</u>	<u>340,806</u>	<u>-</u>	<u>(2,225,803)</u>
Change in net position	<u>(2,583,705)</u>	<u>207,379</u>	<u>-</u>	<u>(2,376,326)</u>
Beginning net position (deficit)	<u>(9,763,844)</u>	<u>354,410</u>	<u>-</u>	<u>(9,409,434)</u>
Ending net position (deficit)	<u>\$ (12,347,549)</u>	<u>\$ 561,789</u>	<u>\$ -</u>	<u>\$ (11,785,760)</u>

The following is the condensed combining detail for the statement of cash flows for the year ended June 30, 2020:

	Coliseum Commission	Association	Combined
Net cash used in operating activities	\$ (397,868)	\$ (133,428)	\$ (531,296)
Net cash provided by investing activities	14,101	340,806	354,907
Beginning cash and cash equivalents balances	863,186	352,544	1,215,730
Ending cash and cash equivalents balances	<u>\$ 479,419</u>	<u>\$ 559,922</u>	<u>\$ 1,039,341</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 3. Cash and Cash Equivalents

As of June 30, 2020, \$1,039,341 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.

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External Investment Pool (Pool) and SPI funds in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, shares of beneficial interest of a Joint Powers Authority (JPA) 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), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board. As permitted by the California Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, the Treasurer's investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2020, to support the value of shares in the Pool.

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, 2020. 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, 2020

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, 2019</u>	<u>Additions</u>	<u>Impairment</u>	<u>Disposals</u>	<u>June 30, 2020</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, 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.

Current year activity of long-term debt during the fiscal year ended June 30, 2020 is as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Non-Cash Additions (Deduction)</u>	<u>Payments</u>	<u>June 30, 2020</u>
Long-term debt:					
USC line of credit	\$ 2,059,429	\$ -	\$ 129,198	\$ -	\$ 2,188,627
Total	<u>\$ 2,059,429</u>	<u>\$ -</u>	<u>\$ 129,198</u>	<u>\$ -</u>	<u>\$ 2,188,627</u>

Future minimum payments under the agreements at June 30, 2020 are as follows:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	1,433,049	755,578	2,188,627
	<u>\$ 1,433,049</u>	<u>\$ 755,578</u>	<u>\$ 2,188,627</u>

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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 5 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, 2020, the Commission's actuarial determined contributions were \$358,725.

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, 2020, the Commission reported a liability of \$3.53 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. At June 30, 2020, the Commission's proportionate share was 0.0345%.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 6. Retirement Pension Plan (Continued)

For the year ended June 30, 2020, the Commission recognized pension expense of \$450,822. 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, 2020, 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
Change of assumptions	\$ 168,427	\$ 59,706
Difference between expected and actual experience	245,317	19,007
Net difference between projected and actual investment earnings	-	61,752
Differences between employer contributions and the proportionate share of contributions	-	339,690
Change in employer's proportion	83,212	47,490
Pension contributions made subsequent to the measurement date	358,725	-
Total	<u>\$ 855,681</u>	<u>\$ 527,645</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:	Deferred (Inflows)/Outflows of Resources
2021	\$ 64,031
2022	(107,242)
2023	43
2024	12,479

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 6. Retirement Pension Plan (Continued)

Actuarial Assumptions

Valuation timing	June 30, 2018 rolled forward to June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Inflation	2.50%
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, 2019, net of pension plan, investment and administrative expense, including inflation
Postretirement benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter
Mortality rate table	Derived using CalPERS' Membership Data for all Funds. The table includes 15 years of mortality improvements using the Society of Actuaries 90% of scale MP 2016.
Experience study	Covers the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates.

Change in Assumptions

The discount rate remained at 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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 6. Retirement Pension Plan (Continued)

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.

<u>Asset Class⁽¹⁾</u>	<u>Real Return Years 1 – 10⁽²⁾</u>	<u>Real Return Years 11+⁽³⁾</u>
Global Equity	4.80%	5.98%
Fixed Income	1.00%	2.62%
Inflation Assets	0.77%	1.81%
Private Equity	6.30%	7.23%
Real Assets	3.75%	4.93%
Liquidity	0.00%	-0.92%

- (1) In the CalPERS' Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (2) An expected inflation rate of 2.00% used for this period.
- (3) An expected inflation rate of 2.92% 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/(asset)	\$ 5,221,455	\$ 3,532,075	\$ 2,137,612

Pension Plan Fiduciary Net Position

Detailed information about CalPERS fiduciary net position as of June 30, 2020 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, 2020

Note 7. Postemployment Benefits Other Than Pension

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 5 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.

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 2019 and 2020:

- Basic HMO Plans (Blue Shield Advantage +, 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. The Commission pays the costs of these medical plans as they are incurred. As of June 30, 2020, 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.

Employees Covered

As of the June 30, 2019 actuarial valuation, the Commission had 19 former employees currently receiving benefits of the plan. There are no active employees.

Contributions

For the fiscal year ended June 30, 2020, the Commission contributed \$167,949 to the plan.

Total Other Postemployment Benefit (OPEB) Liability

At June 30, 2020, the Commission reported a total OPEB liability of \$6.27 million. The total OPEB liability was measured at July 1, 2019 for the period July 1, 2019 to June 30, 2020.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 7. Postemployment Benefits Other Than Pension (Continued)

Actuarial Methods and Assumptions

Measurement date	July 1, 2019
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 the 1994 Group Annuity Mortality Table, Combined Rates
Discount rate	1.67%
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, was used. 2029 is the year ultimate rate is reached.

Changes in the OPEB Liability

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

Balance at June 30, 2019	\$ 4,266,191
Changes recognized for the measurement period:	
Interest	(23,306)
Changes in assumptions	1,443,448
Actuarial experience	748,484
Benefit payments	(167,949)
	<hr/>
Net Changes	2,000,677
	<hr/>
Balance at June 30, 2020	\$ 6,266,868
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LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 7. Postemployment Benefits Other Than Pension (Continued)

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 1.67%, 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 (0.67%) or 1-percentage point higher (2.67%) than the current rate:

	1% Decrease (0.67%)	Discount Rate (1.67%)	1% Increase (2.67%)
Net OPEB liability	\$ 7,340,647	\$ 6,266,868	\$ 5,408,544

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	\$ 5,437,070	\$ 6,266,868	\$ 7,276,451

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.

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 \$1,000,000, 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, 2020, the Commission did not receive any revenue related to naming rights of the Coliseum or the Sports Arena.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 8. Leases (Continued)

Future minimum payments under these agreements at June 30, 2020 are as follows:

Years Ending June 30,	Amount
2021	\$ 1,300,000
2022	1,300,000
2023	1,300,000
2024	1,300,000
2025	1,300,000
2026-2030	6,500,000
2031-2035	6,500,000
2036-2040	6,500,000
2041-2045	6,500,000
2046-2050	6,500,000
2051-2055	5,850,000
	\$ 44,850,000

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, 2020 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 \$1.76 million as of June 30, 2020. 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 \$605,628 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.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

Note 8. Leases (Continued)

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 \$31,534 for the fiscal year ended June 30, 2020; 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, 2020 and 2019, interest income amounted to \$19,074 and \$24,687, respectively. Interest receivable was \$3,241 as of June 30, 2020 and \$6,608 as of June 30, 2019. 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 \$432,740 and \$380,550 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020, and 2019, the total payable to the County was \$119,356 and \$103,216, respectively.

Note 10. Commitments and Contingencies

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 12, 2021, which is the date the financial statements were available to be issued.

Note 12. Covid-19 Impact

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES MEMORIAL COLISEUM COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Net Pension Liability and Related Ratios
Last Ten Years*
(Unaudited)

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Pension Plan's fiduciary net position as a percentage of total pension liability	77.73%	77.69%	75.39%	74.06%	78.40%
Commission's proportionate share of the collective net pension liability	\$ 3,532,075	\$ 3,227,682	\$ 3,223,459	\$ 2,756,150	\$ 2,013,993
Commission's proportionate share as a percentage of the collective net pension liability	0.03447%	0.03350%	0.03250%	0.03185%	0.02934%
Covered employee payroll ⁽¹⁾	\$0	\$0	\$0	\$0	\$0
Commission's proportionate share of the collective net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Schedule of Commission's Pension Plan Contributions
Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution (ADC)	\$ 358,725	\$ 151,966	\$ 105,270	\$ 72,974	\$ 49,405
Less: Contributions in relation to the ADC	\$ 358,725	\$ 151,966	\$ 105,270	\$ 72,974	\$ 49,405
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered employee payroll ⁽¹⁾	\$0	\$0	\$0	\$0	\$0
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

(1) The Commission no longer has any employees.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to ten years as information becomes available.

See accompanying independent auditor's report.

LOS ANGELES MEMORIAL COLISEUM COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Net OPEB Liability and Related Ratios
Last Ten Years*
(Unaudited)

Measurement Period	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability			
Service cost	\$ -	\$ -	\$ -
Interest on the total OPEB liability	(23,306)	149,787	121,805
Actual and expected experience difference	748,484	-	67,557
Changes in assumptions	1,443,448	-	528,623
Changes in benefit terms	-	-	-
Benefit payments	(167,949)	(163,218)	(156,493)
Net change in total OPEB liability	2,000,677	(13,431)	561,492
Total OPEB liability - beginning	4,266,191	4,279,622	3,718,130
Total OPEB liability - ending (a)	\$ 6,266,868	\$ 4,266,191	\$ 4,279,622
 Plan Fiduciary Net Position			
Net change in plan fiduciary net position	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 6,266,868	\$ 4,266,191	\$ 4,279,622

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 3.5 percent for the measurement period ended June 30,2019 to 1.67 percent for the measurement period ended June 30, 2020.

* 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.

See accompanying independent auditor's report.



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**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, 2020, 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 12, 2021.

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 12, 2021