DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 18-1-17ES

January 2018

OIG

WASHINGTON CONVENTION AND SPORTS AUTHORITY:

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS (WITH REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS) FOR FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation * Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration * Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership * Transparency * Empowerment * Courage * Passion * Leadership

WE ARE WASHINGTON DC

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

January 31, 2018

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
1350 Pennsylvania Avenue, N.W., Suite 316
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *Washington Convention and Sports Authority: Financial Statements for Fiscal Years Ended September 30, 2017, and 2016* (OIG No. 18-1-17ES). SB & Company, LLC (SB&C) conducted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2017.

On December 28, 2017, SB&C issued its opinion on the financial statements and concluded that the financial statements present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America. SB&C identified no significant deficiencies or material weaknesses in internal control over financial reporting.

If you have any questions concerning this report, please contact me or Benjamin Huddle, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/fg

Enclosure

cc: See Distribution List

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WASHINGTON CONVENTION AND SPORTS AUTHORITY
T/A EVENTS DC

A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

FINANCIAL STATEMENTS
(Together with Report of Independent Public Accountants)
SEPTEMBER 30, 2017 and 2016

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

WASHINGTON CONVENTION AND SPORTS AUTHORITY
FINANCIAL STATEMENTS
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SEPTEMBER 30, 2017 and 2016

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The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the Washington Convention and Sports Authority
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority'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 controls 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 audits. We conducted our audits 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 controls 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 controls. 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 Authority as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of net position by fund and schedule of revenues, expenses and changes in net position by fund are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017 on our consideration of the Authority's internal controls 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 controls 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 Authority's internal controls over financial reporting and compliance.

Washington, DC
December 28, 2017

SB + Company, LLC

As management of Washington Convention and Sports Authority (Authority) doing business as Events DC, we present this Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2017 and 2016, with comparative information for 2015. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Introduction

On October 1, 2009, in accordance with the Washington Convention Center Authority (WCCA) and D.C. Sports and Entertainment Commission (DCSEC) Merger Amendment Act of 2009, DCSEC was absorbed as a program of the WCCA and its mission, responsibilities and assets were transferred to WCCA. Following the transfer, the WCCA was renamed the Washington Convention and Sports Authority. This transfer created one umbrella organization with a broadened charter for increasing economic development through the promotion of key sports and entertainment offerings, as well as major national and international conventions, meetings and special events held in the District of Columbia (the District). As part of the Amendment Act, the District's Department of General Services (DGS) became responsible for the facility maintenance tasks previously performed by the DCSEC.

To further the effort of the expanded mission, the Authority created a new brand identity, "Events DC," on June 22, 2011. The new name is the centerpiece of a marketing effort intended to draw more events to the Convention Center, RFK Stadium, the DC Armory, and Carnegie Library at Mount Vernon Square. The new name is also designed to align with the existing brands for Washington D.C. and the city's tourism arm, Destination DC.

About Our Business

The Authority operates three distinct business divisions that generate significant regional economic impact by attracting conventions, tradeshows, sports and entertainment and other special events. The Convention & Meetings Division includes the Walter E. Washington Convention Center (WEWCC) and Carnegie Library at Mt. Vernon Square which generate event-related revenues primarily from the sale and use of meeting and exhibition space and other ancillary services such as commissions on telecommunications, audio-visual, electrical, and catering services. The Sports and Entertainment Division (SED), includes Robert F. Kennedy Memorial Stadium, the DC Armory, and the surrounding Festival Grounds, Gateway DC, and functions as landlord for Nationals Park. SED generates revenue primarily from hosting a full season of DC United major league soccer games and other entertainment and community events. Through the Special Events Division, the Authority is actively involved in the planning and support of some of the city's most anticipated events, attracting thousands of attendees to locations around the District which bring economic impact to our nation's capital.

Fiscal Year 2017 Financial Highlights

- Net position increased by \$60.1 million or 19% when compared to the fiscal year ended September 30, 2016. The increase is primary attributed to a 9% and 13% increase in operating and non-operating revenues, respectively, offset by 1% increase in total operating expenses.

- Operating expenses increased by \$1.3 million or 1% from fiscal year 2016, due to increases in personal and contractual services offset by reduction in occupancy expenses.

- Operating revenues increased by \$2.6 million or 9% from fiscal year 2016, resulting in total operating revenues of \$33 million.

- The Authority's long-term debt, excluding current maturities, decreased to \$578.5 million or 3% compared to fiscal year 2016, mainly due to payment of the scheduled current portion of debt outstanding.

- The Statements of Cash Flows reflect an increase in cash and cash equivalents of \$4.3 million.

- The Authority's bonds are rated "Aa3" by Moody's, "A" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services. This is the first time that the Authority received the next highest tier of ratings from both Moody's & Fitch rating agencies.

Fiscal Year 2016 Financial Highlights

- Net position increased by \$45.7 million or 16% when compared to the fiscal year ended September 30, 2015. Significant factors contributing to the \$45.7 million increase in net position included a \$7.1 million increase in dedicated taxes, and a \$1.2 million increase in TIF revenues coupled with an increase in operating revenues of \$1.8 million.

- Operating expenses increased by \$1.2 million or 1% from fiscal year 2015, due to increases in personal and contractual services offset by reduction in occupancy expenses.

- Operating revenues increased by \$1.8 million or 6% from fiscal year 2015, resulting in total operating revenues of \$30.4 million.

- The Authority's long-term debt, excluding current maturities, decreased to \$598.4 million or 3% compared to fiscal year 2015, mainly due to payment of the scheduled current portion of debt outstanding.

- The Statements of Cash Flows reflect a decrease in cash and cash equivalents of \$1.6 million.

- The Authority's bonds are rated "A1" by Moody's, "A" by Standard & Poor's Corporation and "A+" by Fitch Rating Services.

(1) *Overview of the Financial Statements*

The Authority's financial report includes Management's Discussion and Analysis, the Financial Statements, and Notes to the Financial Statements.

— The Financial Statements are designed to provide readers with a broad overview of the Authority's financial activities in a manner similar to a private-sector business. These financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units on a full accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. The basic financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed therein.

— The Statements of Net Position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is classified as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

— The Statements of Revenues, Expenses and Changes in Net Position report both the operating and non-operating revenues and expenses and other changes in net position for the end of the fiscal year.

— The Statements of Cash Flows present information showing how the Authority's cash and cash-equivalents position changed during the fiscal years. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, noncapital financing activities and investing activities.

(2) *Financial Analysis*

The Authority's audited Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented on pages 15 through 17.

(2) Financial Analysis (Continued)

The following table reflects a summary of the Authority's net position at September 30, 2017, 2016 and 2015 *(in thousands)*:

Table 1
Condensed Statements of Net Position
(in thousands)

				Percentage Change	
	2017	**2016**	**2015**	**2017-2016**	**2016-2015**
Assets:					
Currents assets	$ 217,690	$ 154,236	$ 133,765	41%	15%
Capital assets, net of accumulated depreciations	519,361	529,892	554,825	-2%	-4%
Other non-current assets	276,635	278,782	247,860	-1%	12%
Total Assets	1,013,686	962,910	936,450		
Deferred outflow of resources	13,320	14,504	15,688	-8%	-8%
Total Assets and Deferred Outflow of Resources	1,027,006	977,414	952,138		
Liabilities:					
Current liabilities	64,840	55,535	55,827	17%	-1%
Noncurrent liabilities	578,457	598,358	618,535	-3%	-3%
Total Liabilities	643,297	653,893	674,362		
Net Position:					
Net investment in capital assets	146,870	142,344	151,890	3%	-6%
Restricted	150,820	157,294	114,030	-4%	38%
Unrestricted	86,019	23,883	11,856	260%	101%
Total Net Position	$ 383,709	$ 323,521	$ 277,776	19%	16%

2017 - For the year ended September 30, 2017, the Authority's overall financial position remained strong with total assets of $1 billion and liabilities of $643 million. Current asset increased by $63.5 million or 41% and other non-current assets decreased by $2 million or 1% for the year ended September 30, 2017. The increase in current assets is due to purchase of additional investments from unspent dedicated tax balance. The decrease in non-current assets is due to receipt of other receivables and depreciation expenses.

The total net position of the Authority increased by $60.1 million or 19% for the year ended September 30, 2017. As of September 30, 2017, the Authority had total net position amounting to approximately $383.7 million, with the largest portion of the Authority's net position, $150.8 million, or 39%, representing resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). Of the Authority's remaining net position, $146.9 million or 38%, reflects its net investment in capital assets used to acquire the assets. The remaining balance of $86 million or 23% is unrestricted.

(2) Financial Analysis (Continued)

2016 – The Authority's overall financial position improved during fiscal year 2016. The total net position of the Authority increased by $45.7 million or 16% for the year ended September 30, 2016. As of September 30, 2016, the Authority had total net position amounting to approximately $323.5 million, with the largest portion of the Authority's net position, $157.3 million, or 49%, representing resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). Of the Authority's remaining net position, $142.3 million or 44%, reflects its investment in capital assets used to acquire the assets. The remaining balance of $23.9 million or 7% is unrestricted.

The Authority uses its capital assets to fulfill its mission of promoting conventions, tourism and sports and entertainment events in the District. The resources to repay the debt are derived from dedicated tax collections which are composed of (i) 4.45% sales and use tax on hotel room charges and (ii) a 1% sales and use tax on restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges in the District.

(2) Financial Analysis (Continued)

Table 2

Condensed Statements of Revenues, Expenses and Changes in Net Position

(in thousands)

	2017	2016	2015	Percentage Change 2017-2016	Percentage Change 2016-2015
Operating Revenues and Expenses:					
Building rental	$ 9,704	$ 10,231	$ 10,316	-5%	-1%
Plumber's building rental	2,440	2,369	2,300	3%	3%
Ancillary charges and other	20,876	17,830	15,988	17%	12%
Total Operating Revenues	33,020	30,430	28,604	9%	6%
Operating Expenses:					
Personal services	25,718	24,407	23,092	5%	6%
Contractual services	20,763	19,341	17,432	7%	11%
Depreciation	32,543	32,032	31,890	2%	0%
Occupancy	5,249	6,478	9,085	-19%	-29%
Payment to District	2,056	2,643	2,378	-22%	11%
Miscellaneous	1,140	1,199	1,009	-5%	19%
Bad debt	64	176	231	-64%	-24%
Total Operating Expenses	87,533	86,276	85,117	1%	1%
Operating loss	(54,513)	(55,846)	(56,513)	-2%	-1%
Non-operating Revenues and (Expenses)					
Interest income	2,092	970	2,744	116%	-65%
Dedicated taxes	138,128	123,551	116,448	12%	6%
TIF revenue	21,079	19,513	18,298	8%	7%
Miscellaneous revenue	2,763	2,615	2,634	6%	-1%
Bond interest and amortization issue costs	(31,531)	(32,458)	(33,340)	-3%	-3%
Marketing agencies payments	(14,830)	(12,600)	(12,270)	18%	3%
Miscellaneous expenses	(3,000)	-	-	100%	-
Total Non-operating Revenues and (Expenses)	114,701	101,591	94,514	13%	7%
Changes in net position	60,188	45,745	38,001	32%	20%
Net position, beginning of year	323,521	277,776	239,775	16%	16%
Net Position, End of Year	$ 383,709	$ 323,521	$ 277,776	19%	16%

(2) Financial Analysis (Continued)

Analysis of Changes in Net Position

Revenues

For the fiscal years ended September 30, 2017, 2016 and, 2015 the Authority's operating revenues were $33 million, $30.4 million and $28.6 million, respectively.

2017 – *The Authority's FY2017* operating revenues increased by 9% compared to FY2016. The increase was primarily due to an increase in food service, electrical, rigging, telecommunication, and retail & office space rental revenue. The net increase is attributed to the nature and size of events and the amount of revenues derived from each event hosted during the year.

During fiscal year 2017, non-operating revenues of $164.1 million increased by 12% compared to fiscal year 2016. This was due to an increase in dedicated taxes, TIF revenues and investment income.

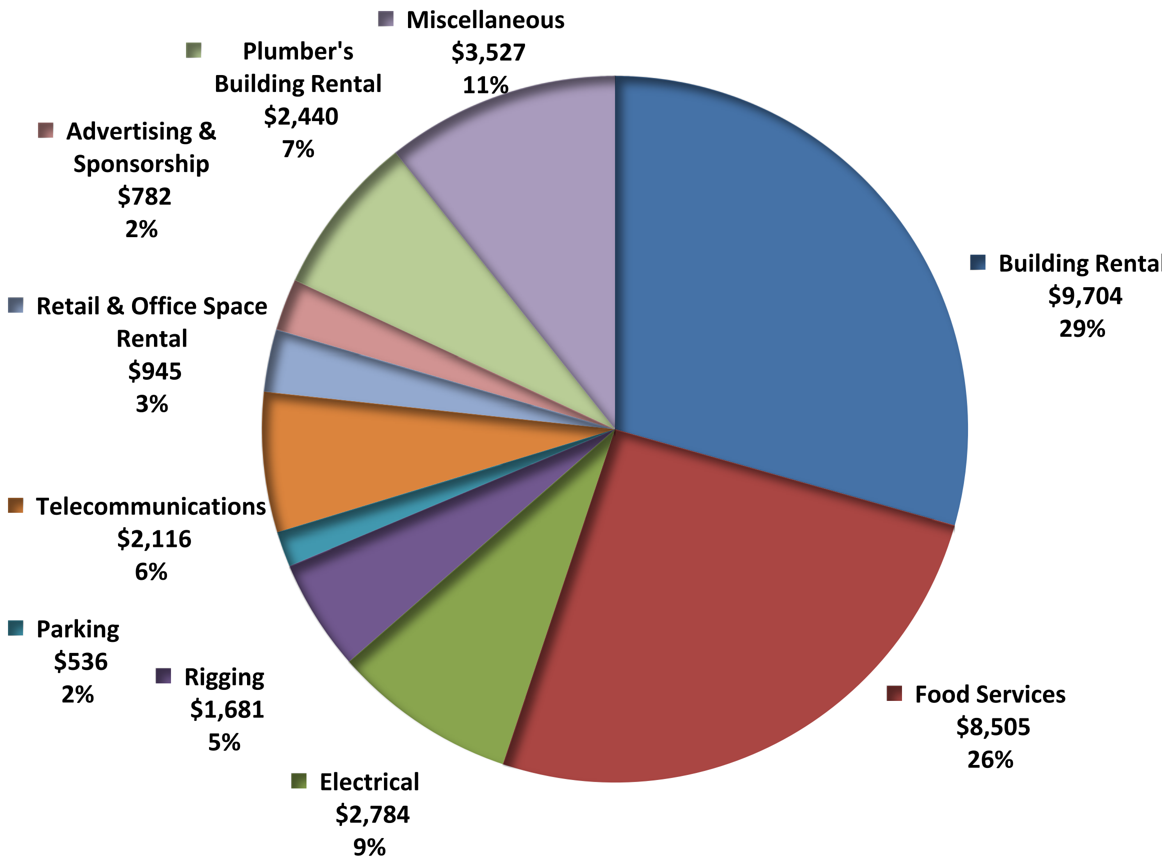
2016 – Total operating revenues generated in fiscal year 2016 amounted to $30.4 million, a $1.8 million or 6% increase compared to the prior year total of $28.6 million. The change was primarily due to an increase in food service, electrical, rigging, telecommunication, retail & office space rental and miscellaneous revenues. The net increase is attributed to the nature of events and the amount of revenues derived from each event hosted during the year.

During fiscal year 2016, non-operating revenues of $146.6 million increased by 5% compared to fiscal year 2015. This was due to an increase in the dedicated taxes and TIF revenues.

(2) Financial Analysis (Continued)

The following is a graphic illustration of 2017 operating revenues by source.

(In Thousands)



Expenses

For fiscal years 2017, 2016 and 2015, the Authority's total operating expenses were $87.5 million, $86.3 million and $85.1 million, respectively.

2017 – Total operating expenses increased by $1.3 million or 1% from fiscal year 2016. The increase was driven by a rise in personal services and increased contractual services offset by specific cost containment efforts by management in the area of utility expenses.

Personal services, which include salaries and benefits, increased by $1.3 million or 5%. The increase was due to new hires, fringe benefits, and positions being filled that were vacant in the previous year. Contractual services costs increased by $1.4 million or 7% compared to fiscal year 2016. This was primarily due to increased cost in legal services and consulting services related to the RFK redevelopment study as well as an increase in spending in opportunity cost to attract new and out of town shows and business.

(2) Financial Analysis (Continued)

Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, accounted for $5.2 million or 6%; payment to the Department of General Services (DGS) for RFK stadium and DC Armory maintenance services totaled $2.1 million or 2%; and miscellaneous expenses accounted for $1.1 million or 1%. Depreciation expense, primarily for the convention center building, amounted to $32.5 million or 37%.

The Authority's non-operating expenses consisted of $31.5 million in bond interest and amortization, $14.8 million in payments to marketing entities and, miscellaneous expenses of $3 million. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund for the purpose of promoting conventions and tourism in the District of Columbia.

2016 – Total operating expenses increased by $1.2 million or 1% from fiscal year 2015. The increase was driven by rise in salaries and fringe benefits associated with new hiring's, filled vacant positions, and increased contractual services offset by specific cost containment efforts by management in the area of utility expenses.

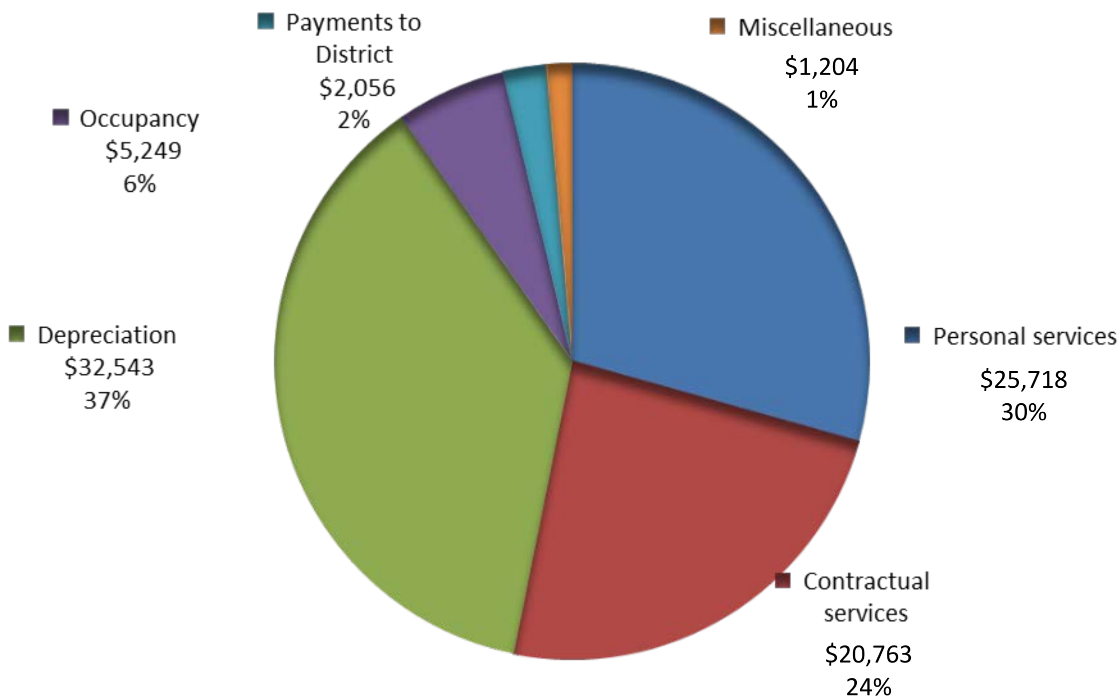
Personal services increased by $1.3 million or 6%. The increase was due to new hires, alignment of salaries, and positions being filled that were vacant in the previous year. Contractual services costs increased by $1.9 million or 11% compared to fiscal year 2015. This was primarily due to increased cost in legal services and consulting services related to the RFK redevelopment study as well as an increase in spending in opportunity cost to attract new and out of town shows and business. Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled $6.5 million, a decrease of 29% from fiscal year 2015. This was mainly due to previous year onetime cumulative payment of $2.6 million to District of Columbia Water and Sewer Authority to cover Clean Rivers Impervious charges for RFK Stadium and parking lot area. Depreciation expense, primarily for the convention center building, amounted to $32 million.

The Authority's non-operating expenses consisted of $32.5 million in bond interest and amortization, and $12.6 million in payments to marketing entities. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund for the purpose of promoting conventions and tourism in the District of Columbia.

(2) Financial Analysis (Continued)

The following is a graphic illustration of 2017 operating expenses.

(In Thousands)



(3) ***Capital Asset and Debt Administration***

Capital Assets

The Authority has invested $519.4 million and $529.9 million in capital assets, net of depreciation for 2017 and 2016, respectively. The Authority's 2017 net capital assets decreased by $10.5 million compared to fiscal year 2016, which was primarily due to depreciation expenses of $32.5 million partially offset by $22 million building improvements, parking lot improvements, and construction in progress and purchase of furniture, machinery, and equipment during the year.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2017, 2016, and 2015. The changes are presented in detail in Note 4 to the financial statements.

(3) Capital Asset and Debt Administration (*Continued)*

Table 3
Capital Assets (Net of Depreciation)
(in thousands)

	2017	2016	2015	**Percentage Change 2017-2016**	**Percentage Change 2016-2015**
Non-depreciable					
Land	$ 4,785	$ 4,785	$ 4,785	0%	0%
Construction in progress	13,679	843	-	1523%	100%
Artwork	2,742	2,742	2,742	0%	0%
Total Non-depreciable Capital Assets	21,206	8,370	7,527		
Depreciable					
Building	769,409	769,409	769,409	0%	0%
Building improvements	37,377	35,113	32,340	6%	9%
Plumber's building	33,425	33,425	33,425	0%	0%
Building improvements- SED	38,344	38,230	38,210	0%	0%
Stadium structure	19,037	19,037	19,037	0%	0%
Parking lot improvements	7,041	7,016	6,801	0%	3%
Central plant	16,265	16,265	16,265	0%	0%
Carnegie Library	14,798	13,386	13,386	11%	0%
Carnegie Library-building improvements	1,466	529	251	177%	111%
Financial systems	1,645	1,446	1,446	14%	0%
Furniture and fixtures	25,403	23,988	23,469	6%	2%
Furniture and fixtures-SED	1,566	1,168	1,139	34%	3%
Machinery and equipment	20,496	18,084	15,664	13%	15%
Total Depreciable Capital Assets	986,272	977,096	970,842		
Less: accumulated depreciation	488,117	455,574	423,544	7%	8%
Net Depreciable Capital Assets	$ 498,155	$ 521,522	$ 547,298		

Debt Administration

The Authority had $599.3 million and $618.3 million in long-term liabilities outstanding, including current maturities, as of September 30, 2017 and 2016, respectively. Principal payments of $19.8 million and $18.9 million were made during fiscal years 2017 and 2016, respectively. The long-term liabilities of the Authority are summarized below and is presented in more detail in the financial statements (see Note 8 for more information on long-term debt).

(3) Capital Asset and Debt Administration (continued)

Table 4
Long-Term Debt Outstanding
(in thousands)

	2017	2016	2015	Percentage Change 2017-2016	Percentage Change 2016-2015
Bonds payable, premium	$ 592,931	$ 613,199	$ 632,608	-3%	-3%
Capital lease obligation	5,123	3,824	3,937	34%	-3%
Compensated absences	1,284	1,260	1,078	2%	17%
Total Debt Outstanding	599,338	618,283	637,623	-3%	-3%
Current portion of debt outstanding	20,806	19,870	19,013	5%	5%
Debt Outstanding less Current Portion	$ 578,532	$ 598,413	$ 618,610	-3%	-3%

The Authority's bonds are rated "Aa3" by Moody's for fiscal year 2017 and "A" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services.

(4) ***Budgetary Controls***

The Authority adopts an operating and capital budget, which is approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted, if necessary, and changes are approved by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's Financial Management System. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels.

After approval by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia to be included in the District's budgets that are sent to the United States Congress for approval.

(5) ***Request for Information***

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Henry W. Mosley, Chief Financial Officer, Washington Convention and Sports Authority, 801 Mount Vernon Place, N.W., Washington, D.C. 20001.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2017 and 2016
(In Thousands)

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash and Cash Equivalents	$ **13,285**	$ 10,501
Restricted Cash	**9,690**	8,204
Investments	**176,323**	119,329
Due from District of Columbia	**12,909**	13,161
Accounts Receivable, Net of Allowance for Uncollectible Accounts	**3,851**	2,287
Prepaid Expenses and Other Assets	**988**	357
Accrued Interest Receivable	**644**	397
Total Current Assets	**217,690**	154,236
Noncurrent Assets:		
Other Asset	**46,000**	47,000
Restricted Investments	**230,635**	231,782
Non-Depreciable Capital Assets	**21,206**	8,370
Depreciable Capital Assets, Net of Accumulated Depreciation	**498,155**	521,522
Total Noncurrent Assets	**795,996**	808,674
Total Assets	**1,013,686**	962,910
Deferred Outflow of Resources		
Bond Deferral of Refunding Costs	**13,320**	14,504
Total Assets and Deferred Outflow of Resources	**1,027,006**	977,414
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	**12,126**	6,273
Other Liabilities	**8,845**	7,951
Due to District Government	**2,991**	2,051
Compensation Liabilities	**1,259**	1,141
Unearned Revenue	**3,394**	2,365
Accrued Interest Payable	**15,419**	15,884
Capital Lease - Current Portion	**151**	110
Bonds Payable - Current Portion	**20,655**	19,760
Total Current Liabilities	**64,840**	55,535
Noncurrent Liabilities:		
Compensated Absences	**1,209**	1,205
Capital Lease, Net of Current Portion	**4,972**	3,714
Bonds Payable, Net of Current Portion	**572,276**	593,439
Total Noncurrent Liabilities	**578,457**	598,358
Total Liabilities	**643,297**	653,893
Net Position		
Net Investment in Capital Assets	**146,870**	142,344
Restricted:		
Debt Service and Capital Interest	**25,754**	25,273
Capital Renewal	**18,851**	18,609
Operating and Marketing Fund	**48,812**	42,330
Debt Service Reserve	**33,700**	33,700
ESA Project	**23,559**	37,238
Kenilworth Park	**144**	144
Unrestricted Net Position	**86,019**	23,883
Total Net Position	**$ 383,709**	$ 323,521

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2017 and 2016
(In Thousands)

	2017	2016
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Building Rental	**$ 9,704**	$ 10,231
Food Services	**8,505**	5,853
Electrical	**2,784**	2,090
Rigging	**1,681**	1,318
Parking	**536**	826
Telecommunications	**2,116**	1,726
Retail & Office Space Rental	**945**	701
Advertising & Sponsorship	**782**	1,211
Plumber's Building Rental	**2,440**	2,369
Miscellaneous	**3,527**	4,105
Total Operating Revenues	**33,020**	30,430
Operating Expenses:		
Personal Services	**25,718**	24,407
Contractual Services	**20,763**	19,341
Depreciation	**32,543**	32,032
Occupancy	**5,249**	6,478
Payment to District	**2,056**	2,643
Miscellaneous	**1,140**	1,199
Bad Debt	**64**	176
Total Operating Expenses	**87,533**	86,276
Operating Loss	**(54,513)**	(55,846)
Non-operating Revenues and (Expenses):		
Interest Income	**2,092**	970
Dedicated Taxes	**138,128**	123,551
TIF Revenue	**21,079**	19,513
Miscellaneous Revenue	**2,763**	2,615
Interest Expense	**(30,856)**	(31,783)
Amortization of Bond Issuance Costs	**(675)**	(675)
Marketing Agencies Payments	**(14,830)**	(12,600)
Miscellaneous Expenses	**(3,000)**	-
Total Non-operating Revenues and (Expenses)	**114,701**	101,591
Changes in Net Position	**60,188**	45,745
Net Position, Beginning of Year	**323,521**	277,776
Net Position, End of Year	**$ 383,709**	$ 323,521

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 and 2016
(In Thousands)

	2017	2016
Cash Flows from Operating Activities:		
Receipts from Customers	$ 32,421	28,692
Payments to Suppliers	(21,036)	(27,983)
Payments to Employees	(25,596)	(24,635)
Other Payments	(1,116)	(915)
Net Cash Used for Operating Activities	(15,327)	(24,841)
Cash Flows from Noncapital Financing Activities:		
Dedicated Tax Receipts	138,380	121,648
Tax Increment Financing Tax Receipts	21,079	19,513
Transfer to Tourism Responsibility Centers	(14,830)	(12,600)
Other Payments	(3,000)	-
Other Receipts	3,763	3,135
Net Cash Provided by Noncapital Financing Activities	145,392	131,696
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(20,600)	(7,099)
Capital Lease Payment	(113)	(113)
Bonds Payable Payment	(19,760)	(18,900)
Interest Expense Payments	(31,320)	(32,746)
Net Cash Used in Capital and Related Financing Activities	(71,793)	(58,858)
Cash Flows from Investing Activities:		
Proceeds from Sale and Maturities of Investment Securities	112,418	96,898
Purchases of Investment Securities	(168,266)	(147,238)
Interest and Dividends on Investments	1,845	792
Net Cash Used in Investing Activities	(54,002)	(49,548)
Net Increase (Decrease) in Cash and Cash Equivalents	4,270	(1,551)
Cash and Cash Equivalents, Beginning of Year	18,705	20,256
Cash and Cash Equivalents, End of Year	$ 22,975	$ 18,705
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	$ (54,513)	$ (55,846)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	32,543	32,032
Provision for Doubtful Accounts	(43)	176
(Increase) in Receivables	(1,521)	(618)
(Increase) in Prepaid and Other Assets	(631)	(80)
Increase in Payables	7,691	844
Increase (Decrease) in Compensation Liabilities	118	(228)
Decrease (Increase) in Unearned Revenue	1,029	(1,121)
Net Cash Used in Operating Activities	$ (15,327)	$ (24,841)
Supplemental Cash Flow Disclosure		
Increase in Capital Asset and related Liability from Capital Lease entered into	$ 1,412	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

- ***Reporting Entity***

  The Washington Convention Center Authority (WCCA or Authority), a corporate body and independent authority of the District of Columbia (District) Government, was created pursuant to the Washington Convention Center Authority Act of 1994 (the WCCA Act), effective September 28, 1994.

  The Authority was established for the purpose of acquiring, constructing, equipping, maintaining, and operating a new convention center in the District of Columbia. The Authority engages in activities deemed appropriate to promote trade shows, conventions, and other events closely related to activities of the new convention center.

  The Washington Convention and Sports Authority (the Authority) was formed on October 1, 2009 following the transfer of D.C. Sports and Entertainment Commission's mission, responsibilities and assets to WCCA in accordance with the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009.

  Following the transfer, the Authority's Board of Directors (the Board) grew from nine to eleven members. Two members serve as ex-officio voting members of the Board. One of the ex-officio members must be the chief financial officer of the District of Columbia and the mayor designates the other. The remaining nine public members are appointed by the mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. The mayor appoints one public member as chairperson with the advice and consent of the Council.

  The Authority receives its funding by generating operating revenues from conventions, meetings, sports events, parking, advertising, sponsorships, and ancillary operations. In addition, it receives dedicated taxes from the hospitality industry as well as interest and dividend income from investments. The dedicated taxes were established pursuant to the WCCA Act. The dedicated taxes consist of separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and a sales and use tax of 1% (of the District's 10%) on restaurant meals, alcoholic beverages consumed on premises, and rental vehicle charges. The dedicated taxes are collected on behalf of the Authority in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District and a financial institution.

  The Authority is a component unit of the District of Columbia Government.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The Authority's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets, deferred outflows of resources, liabilities, and deferred inflow of resources associated with the operations and are included on the Statements of Net Position.

The financial statements have been prepared in accordance with GAAP as prescribed by GASB and are presented as required by these standards to provide a comprehensive perspective of the Authority's net position, changes in net position, and cash flows.

For the purposes of financial reporting, the Authority is considered to be a single enterprise fund. However, for accounting purposes, and to ensure observation of limitations and restrictions placed on the use of the resources available to the Authority, accounts are maintained in accordance with the principles of fund accounting.

The Authority accounts for its activities in nine separate funds: the Operating (WEWCC) Fund, the Building Fund, the Marketing Fund, Capital (WEWCC) Fund, Operating (SED) Fund, New Stadium Fund, Capital (SED) Fund, Operating (Carnegie Library) Fund and Capital (Carnegie Library) Fund. The following activities are reported in each fund.

a. Operating (WEWCC) Fund – The operating fund accounts for the transactions related to the operation of the convention center.

b. Building Fund – The building fund accounts for the transactions related to the new hotel and expansion projects.

c. Marketing Fund – The marketing fund accounts for the transactions related to marketing and promoting conventions and tourism in the District.

d. Capital (WEWCC) Fund – The capital fund accounts for the transactions related to the improvement of the convention center.

e. Operating (SED) Fund – The operating SED fund accounts for transactions related to the operation of Robert F. Kennedy Memorial Stadium and DC Armory.

f. New Stadium Fund – The new stadium fund accounts for transactions related to the new Nationals Park Stadium.

g. Capital (SED) Fund – The SED capital fund accounts for the transactions related to the improvement of the Robert F. Kennedy Memorial Stadium and DC Armory.

h. Operating Carnegie Library Fund – The operating fund accounts for transactions related to the operation of Carnegie Library.

i. Capital Carnegie Library Fund – The capital fund accounts for the transactions related to the improvement of the Carnegie Library.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Current and Noncurrent***

  Current assets are used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with normal business operations. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

- ***Use of Restricted Components of Net Position***

  The Authority spends restricted reserve funds only when the unrestricted amounts are insufficient or unavailable.

- ***Cash and Cash Equivalents***

  The Authority considers all highly liquid instruments purchased with an original maturity of less than ninety (90) days to be cash equivalents.

- ***Accounts Receivable***

  Accounts receivable, which is recorded at net realizable value, is related to transactions involving building rental, electrical, telecommunications, audio-visual, advertising, sponsorships, parking, and miscellaneous revenue. As of September 30, 2017 and 2016, gross accounts receivable was $4.2 million and $2.7 million, respectively.

- ***Allowance for Uncollectible Accounts***

  The Authority establishes an allowance for uncollectible accounts for all account receivables over 180 days old and based on management review of specific accounts. As of September 30, 2017 and 2016, the allowance for uncollectible accounts was $364 thousand and $407 thousand, respectively.

- ***Investments***

  Investments in money markets and repurchase agreements are recorded at market value which approximates fair value. Treasury obligations and commercial paper are recorded at amortized cost which approximates fair value.

- ***Restricted Assets***

  Assets are reported as restricted when limitations on their use change the nature of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Capital Assets and Depreciation***

Capital assets are carried at cost. The Authority capitalizes assets with an original cost of $5,000 or greater. Donated capital assets are recorded at fair market value at the date donated and capital lease assets are recorded at the net present value of minimum lease payments. Land and artwork are carried on the Authority's books at cost and are not depreciated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Financial Systems	5 years
Machinery and Equipment	5 years
Furniture and Fixtures	10 years
Central Plant	20 years
Building and Building Improvements	30 years
Structure and Parking Lot Improvements	5-35 years
RFK Stadium	50 years

Expenditures for repairs and maintenance that do not increase the economic useful lives of related assets are charged to operations during the fiscal year in which the costs are incurred. Improvements are capitalized.

- ***Bond Deferral of Refunding Costs***

Bond deferral of refunding costs represents the defeasance of Series 1998A bonds and $25 million of the 2007A bonds obtained for a portion of the land acquisition related to Headquarters Hotel for the Convention Center. The cost is the difference between the reacquisition price and the net carrying amount of the old debts and is deferred and amortized over the remaining life of the old debt. Series 1998 bonds are amortized over 22 years and the 2007A bonds are amortized over 18 years. As of September 30, 2017 and 2016, bond deferral costs which are reflected as deferred outflow of resources in the Statements of Net Position totaled $13.3 million and $14.5 million, respectively.

- ***Bond Premium and Discount***

The bond premium and discount is recorded as an increment of the carrying cost of the bonds. Both are amortized based upon the weighted average of bonds outstanding over the term of the bonds.

- ***Unearned Revenue***

Unearned revenue represents revenue and deposits received in advance from show managers and promoters for events booked at the Walter E. Washington Convention Center and the Sports & Entertainment Division.

- ***Revenue Recognition***

Revenues are recorded when earned. Dedicated and Tax Increment Financing taxes are recorded in the period when the exchange transaction on which the tax is imposed occurs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Compensated Absences***

The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours at September 30. Employees earn annual leave during the year at varying rates, depending on the employee's classification and years of service. Generally, non-union employees may carry over a maximum of 240 hours of annual leave and union employees may carry a maximum of 320 hours beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 and 320 hours is permitted with the approval of appropriate Authority officials. The accrued maximum annual leave balance is payable to employees upon termination of employment.

- ***Components of Net Position***

Net position is reported in the following categories:

Net investment in capital assets- This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted- This amount represents a required reserve in accordance with Series 2007 & 2010 Bonds Trust agreements. The Net position is also restricted for construction of the Washington Wizards practice facility and entertainment arena.

Unrestricted- This amount is the portion of net position that does not meet the definition of invested in capital asset or restricted.

- ***Revenues and Expenses***

The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, retail/office, advertisements and sponsorship and miscellaneous revenues such as audio-visual, event services, meeting setup charges and equipment rental. Operating expenses include personnel services, contractual services, depreciation, occupancy, payment to District of Columbia and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- ***Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***New Accounting Pronouncements to Be Implemented in the Future***

  In June 2017, GASB issued Statement No. 87, *Leases*. The objective of GASB No. 87 is to improve the accounting and financial reporting for leases by requiring recognition of certain lease asset and liabilities for leases that were previously classified as operating leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB No. 87 is effective for reporting periods beginning after December 15, 2019, the Authority's fiscal year 2021. The Authority is currently evaluating the impact of adopting GASB No. 87 on its financial statements and disclosures.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amounts of the Authority's cash as of September 30, 2017 and 2016 were $23 million and $18.7 million, respectively. The Authority's bank balances as of September 30, 2017 and 2016 were $25.1 million and $19.7 million, respectively. These bank balances are entirely insured or collateralized with securities held by third parties in the Authority's name.

Investments

In accordance with the Authority's investment policy adopted in 1997 and amended in 2009, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); domestic interest bearing savings accounts; certificate of deposits; time deposits or any other investments that are direct obligations of any bank; short-term obligations of U.S. Corporations; shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC; money market mutual funds registered under the amended Investment Act of 1940; repurchase agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York; and investment agreements which represent the unconditional obligation of one or more banks; insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2017 and 2016, the Authority's investments were in money market, U.S. treasury securities, certificate of deposits, other U.S. guaranteed securities, and federal agency securities along with collateralized repurchase agreements. Agency securities and money market investments were rated AAA and/or collateralized by the fund provider.

Fair Value Measurement: The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

The Authority has the following recurring fair value measurements as of September 30, 2017 and 2016.

Investment Instrument Measured at Fair Value
(In Thousands)

		Fair Value Measurement Using		
Investment by Fair Values Level	9/30/2017	Level 1	Level 2	Level 3
Debt Securities				
U.S Treasury Securities	$ 109,325	$ 109,325	$ -	$ -
U.S Agencies	7,298	7,298	-	-
Negotiable Certificate of Deposit	30,137	30,137	-	-
Money Market Deposit	260,198	N/A	N/A	N/A
Total investments by fair value level	$ 406,958			

		Fair Value Measurement Using		
Investment by Fair Values Level	9/30/2016	Level 1	Level 2	Level 3
Debt Securities				
U.S Treasury Securities	$ 115,054	$ 115,054	$ -	$ -
U.S Agencies	45,019	45,019	-	-
Negotiable Certificate of Deposit	34,086	34,086	-	-
Money Market Deposit	156,952	N/A	N/A	N/A
Total investments by fair value level	$ 351,111			

The Authority's investments are subject to certain risks. Those risks are as follows:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments. As of September 30, 2017 and 2016, 34% and 21% of the Authority's investments were held by a counterparty that is insured and collateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The risk may vary based on the type of investment. As of September 30, 2017 and 2016, all funds were invested in AAA rated money market funds, agency securities and certificate of deposits (CDs) thereby limiting the Authority's exposure to interest rate risk. In accordance with the Authority's investment policy, the investment maturities vary from 1- 5 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard & Poor's. As of September 30, 2017 and 2016, the Authority's investments were all in AAA rated short-term money market funds, AAA rated agency securities, guaranteed investment contracts, and certificate of deposits.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk: To limit exposure to concentrations of credit risk, the Authority's investment policy limits investment in U.S. Treasury to 100%, Federal Agencies to 40%, money market mutual funds to 25%, and repurchase agreements to 25% to any one issuer.

Required Reserves: Under the Bond Trust agreements, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement, marketing and hotel projects. The Authority maintained the above funds in various reserve accounts to meet the requirements. As of September 30, 2017 and 2016, those restricted funds totaled approximately $230.6 million and $231.8 million, respectively.

The following tables summarize the minimum reserve requirements and restricted and unrestricted amounts as of September 30, 2017 and 2016 *(in thousands)*.

Reserve Accounts	Investment Balances as of September 30, 2017	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2007A			
Capital Renewal & Replacement Account	$ 63,792	$ 18,851	$ 44,941
Debt Service	25,754	25,754	-
Debt Service Reserve Account	34,417	33,700	717
Marketing Account	9,141	9,141	-
Operating and Marketing Reserve Account	155,201	39,671	115,530
Revenue Account	15,135	-	15,135
ESA Project	23,559	23,559	-
Total	326,999	150,676	176,323
Series 2010			
Tax Increment Financing Revenue Account	23,468	23,468	-
Debt Service Reserve Account	38,681	38,681	-
WCSA Loan Payment Account	17,810	17,810	-
Total	79,959	79,959	-
Total Restricted and Non-restricted Investments	$ 406,958	$ 230,635	$ 176,323

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

Reserve Accounts	Investment Balances as of September 30, 2016	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2007A			
Capital Renewal & Replacement Account	$ 63,336	$ 18,609	$ 44,727
Debt Service	25,273	25,273	-
Debt Service Reserve Account	34,136	33,700	436
Marketing Account	6,624	6,624	-
Operating and Marketing Reserve Account	95,677	35,706	59,971
Revenue Account	14,195	-	14,195
ESA Project	37,238	37,238	-
Total	276,479	157,150	119,329
Series 2010			
Tax Increment Financing Revenue Account	17,063	17,063	-
Debt Service Reserve Account	32,986	32,986	-
Hotel Project	1,822	1,822	-
WCSA Loan Payment Account	22,761	22,761	-
Total	74,632	74,632	-
Total Restricted and Non-restricted Investments	$ 351,111	$ 231,782	$ 119,329

NOTE 3 OTHER ASSETS

The Authority contributed $47 million additional funding from its cash reserves to HQ Hotel LLC to facilitate the development of the Marriott Marquis Convention Center Headquarters' Hotel Project. The contribution is to be reimbursed from the collection of excess Tax Increment Revenues (TIF) generated by the hotel. The contribution was disbursed in fiscal year 2013 and was recorded as other assets. As of September 30, 2017 and 2016, the outstanding balance was $46 million and $47 million, respectively.

NOTE 4 CAPITAL ASSETS

Capital asset balances as of September 30, 2017, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2016	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2017
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	843	12,836	-	-	13,679
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	$ 8,370	$ 12,836	$ -	$ -	$ 21,206
Depreciable					
Building (WEWCC)	$ 769,409	$ -	$ -	$ -	769,409
Building Improvements (WEWCC)	35,113	2,264	-	-	37,377
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,230	114	-	-	38,344
Parking Lot Improvements (SED)	7,016	25	-	-	7,041
Central Plant	16,265	-	-	-	16,265
Carnegie Library - Capital Lease	13,386	1,412	-	-	14,798
Carnegie Library - Building Improvements	529	937	-	-	1,466
Financial Systems	1,446	199	-	-	1,645
Furniture and Fixtures	23,988	1,415	-	-	25,403
Furniture and Fixtures (SED)	1,168	398	-	-	1,566
Machinery and Equipment	18,084	2,412	-	-	20,496
Total Depreciable Capital Assets	977,096	9,176	-	-	986,272
Less: Accumulated Depreciation					
Building (WEWCC)	344,957	25,596	-	-	370,553
Building Improvements (WEWCC)	6,159	1,195	-	-	7,354
Plumber's Building	2,693	1,114	-	-	3,807
Stadium Structure	19,037	11	-	-	19,048
Building Improvements/Displays (SED)	35,299	478	-	-	35,777
Parking Lot Improvements	5,809	227	-	-	6,036
Central Plant	10,957	814	-	-	11,771
Carnegie Library-Capital Lease	2,157	456	-	-	2,613
Carnegie Library-Building Improvements	61	33	-	-	94
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	15,727	1,363	-	-	17,090
Furniture and Fixtures (SED)	349	167	-	-	516
Machinery and Equipment	10,923	1,089	-	-	12,012
Total Accumulated Depreciation	455,574	32,543	-	-	488,117
Total Net Depreciable Capital Assets	**$ 521,522**	**$ (23,367)**	**$ -**	**$ -**	**$ 498,155**

NOTE 4 CAPITAL ASSETS (continued)

Capital asset balances as of September 30, 2016, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2015	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2016
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	-	843	-	-	843
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	$ 7,527	$ 843	$ -	$ -	$ 8,370
Depreciable					
Building (WEWCC)	$ 769,409	$ -	$ -	$ -	$ 769,409
Building Improvements (WEWCC)	32,340	2,773	-	-	35,113
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,210	21	-	(1)	38,230
Parking Lot Improvements (SED)	6,801	215	-	-	7,016
Central Plant	16,265	-	-	-	16,265
Carnegie Library - Capital Lease	13,386		-	-	13,386
Carnegie Library - Building Improvements	251	277	-	1	529
Financial Systems	1,446		-	-	1,446
Furniture and Fixtures	23,469	521	-	(2)	23,988
Furniture and Fixtures (SED)	1,139	29	-	-	1,168
Machinery and Equipment	15,664	2,420	-	-	18,084
Total Depreciable Capital Assets	970,842	6,256	-	(2)	977,096
Less: Accumulated Depreciation					
Building (WEWCC)	319,364	25,595	-	(2)	344,957
Building Improvements (WEWCC)	5,037	1,122	-	-	6,159
Plumber's Building	1,578	1,114	-	1	2,693
Stadium Structure	19,037		-	-	19,037
Building Improvements/Displays (SED)	34,817	482	-	-	35,299
Parking Lot Improvements	5,524	285	-	-	5,809
Central Plant	10,144	813	-	-	10,957
Carnegie Library-Capital Lease	1,710	446	-	1	2,157
Carnegie Library-Building Improvements	42	19	-	-	61
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	14,428	1,300	-	(1)	15,727
Furniture and Fixtures (SED)	183	166	-	-	349
Machinery and Equipment	10,234	690	-	(1)	10,923
Total Accumulated Depreciation	423,544	32,032	-	(2)	455,574
Total Net Depreciable Capital Assets	$ 547,298	$ (25,776)	$ -	$ -	$ 521,522

NOTE 5 CAPITAL LEASE

In May 2011, the Authority entered into a Memorandum of Understanding (MOU) with the District Government in order to assume the District's responsibility for the operation and maintenance of the historic Carnegie Library and grounds. Under the MOU, the Authority was required to pay $9 million over three years based on an agreed upon schedule. Previously, the District had a 99-year lease in place with the Historical Society of Washington, D.C. (HSW); under the terms of the former lease, HSW was allowed the use of the entire Library interior for certain revenue generating programs and activities that supported HSW's mission. The MOU required the Authority to negotiate a lease agreement with HSW, which was executed on November 9, 2011. On August 10, 2017, the Authority signed an amendment to the lease agreement. Under the amended lease agreement, the annual payment to HSW increased by $50,000 for the remaining 81-year term for use of approximately 80% of the Library interior. The Authority is currently generating revenues from the leasable space for events and tourism related activities.

The carrying value of the capital lease is $14.8 million and the accumulated depreciation expense recorded as of September 30, 2017 was $2.6 million.

The following is a schedule by year of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2017 *(in thousands)*:

Years Ending September 30,	**Amount**
2018	$ 182
2019	183
2020	183
2021	188
2022	188
2023-2027	940
2028-2032	951
2033-2037	969
2038-2042	980
2043-2047	998
2048-2052	1,009
2053-2057	1,028
2058-2062	1,039
2063-2067	1,058
2068-2072	1,071
2073-2077	1,090
2078-2082	1,103
2083-2087	1,123
2088-2092	1,136
2093-2097	1,157
2098-2098	153
Total Minimum Lease Payments	16,729
Less: Interest Costs at 3%	(11,606)
Present Value of Minimum Lease Payments	$ 5,123

NOTE 6 OPERATING LEASES (Rental Income)

The Authority leases buildings and retail spaces to outside parties. As of September 30, 2017 and 2016, rental income from operating leases was $3.4 million and $3.1 million, respectively. The following is a schedule of minimum future rentals on non-cancelable operating leases as of September 30, 2017 *(in thousands)*:

Years Ending September 30,	Amount
2018	$ 3,169
2019	3,232
2020	3,301
2021	3,375
2022	3,448
2023-2027	18,006
2028-2032	17,932
2033-2037	20,788
2038-2042	24,099
2043-2047	6,862
2048-2052	2,080
2053-2057	2,180
2058-2062	2,280
2063-2067	2,380
2068-2072	2,480
2073-2077	2,580
2078-2082	2,680
2083-2087	2,780
2088-2092	2,880
2093-2097	2,980
2098-2102	3,080
2103-2017	3,180
2108-2108	1,302
Total	$ 137,074

NOTE 7 BONDS PAYABLE

The Authority was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, the Authority issued $524.5 million in senior lien dedicated tax revenue bonds (Series 1998A Bonds) to finance the construction of the new Washington Convention Center.

NOTE 7 BONDS PAYABLE (continued)

On February 1, 2007, WCCA issued $492.5 million of refunding Series 2007A Bonds, with a net premium of $15.6 million to effect a refunding for the Series 1998A Bonds. These refunding bonds were delivered on February 8, 2007, with maturities ranging from October 1, 2008 to October 2036, at interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to 1) advance refund all of the Series 1998A Bonds in the aggregate principal amount of $480.6 million; 2) refinance a portion of the land acquisition cost of WCCA related to the Headquarters Hotel; 3) pay the premium for the Reserve Account Facility that will fund the Series 2007A Debt Service Reserve Requirement; and 4) pay Costs of Issuance of the Series 2007A Bonds, including the premium for the Financial Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds were considered to be defeased and the liabilities for those bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $9.7 million (NPV).

Between June, 2006 and July, 2009, the Council passed a series of legislative Acts (collectively, the "Hotel Acts"),[1] which authorized the financing, construction and development of a privately owned and operated Headquarters Hotel (the "HQ Hotel") for the Convention Center, including a program to train D.C. residents for HQ Hotel jobs.

In October 2010, the Authority issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of $249.2 million. These Bonds were delivered on October 26, 2010, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7%. The proceeds are to be used to (i) make funds available to the Developer to pay a portion of the costs of acquiring, developing, constructing and equipping the Convention Center Hotel Project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (ii) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (iii) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (iv) defease to the earliest optional redemption date that portion of the Authority's outstanding Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of $25.4 million; (v) make $2 million available to the Authority for establishment of the D.C. Citizen's Job Program created pursuant to the Hotel Act; and (vi) pay the Cost of Issuance for the Series 2010 Bonds. As the hotel will be privately owned, the disbursement of the hotel related bond proceeds will be recorded as an expense by the Authority.

A portion of the net proceeds from the issuance of Series 2010 Bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt services payments until the Series 2007A bonds are called or matures. As a result, the aggregate principal amount of $25.4 million from Series 2007A Bonds is considered to be defeased, and therefore, removed as a liability from the Authority's financial statements. The amount is fully paid by the Trustee on October 1, 2016.

[1] *See* New Convention Center Hotel Omnibus Financing and Development Act of 2006; New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008; New Convention Center Hotel Technical Amendments Act of 2008; New Convention Center Hotel Emergency Amendment Act of 2009, D.C. Bill No. 18-391; and New Convention Center Hotel Amendment Act of 2009, D.C. Bill No. 18-310.

NOTE 7 BONDS PAYABLE (continued)

In connection with the issuance of the bonds, the District and the Authority entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the Bond trustee. Dedicated taxes are collected one month in arrears. The WCCA Act states that on or before July 15 of each year, the District's Auditor should deliver a certification relating to the sufficiency of the projected dedicated tax revenues, Authority's operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2017 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the Mayor.

The Tax Increment Financing (TIF) revenue generated from the HQ Hotel operations is projected to cover the debt services related to the hotel project. If the TIF revenue is not sufficient to pay the debt services, the Authority will utilize dedicated taxes to meet the requirements.

As of September 30, 2017 and 2016, the Authority's bond liability totaled approximately $583.1 million and $602.9 million, respectively. A summary of annual maturities of the bonds payable as of September 30, 2017, is as follows *(in thousands)*:

Fiscal Years	Principal	Interest	Total Debt Service
2018	$ 20,655	$ 30,283	$ 50,938
2019	21,600	29,244	50,844
2020	23,425	28,094	51,519
2021	24,545	26,885	51,430
2022	25,725	25,608	51,333
2023-2027	152,020	107,052	259,072
2028-2032	172,565	62,626	235,191
2033-2037	71,970	31,685	103,655
2038-2042	70,635	6,337	76,972
Total	$ 583,140	$ 347,814	$ 930,954

As of September 30, 2017 and 2016, the unamortized bond premiums were $10.1 million and $10.6 million, respectively, and unamortized bond discount was $279 thousand and $291 thousand, respectively.

NOTE 8 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2017 and 2016 *(in thousands)*:

	Balance @ 9/30/2016	Additions	Reductions	Balance @ 9/30/2017	Amount Due Within One Year
Series 2007A Bond Payable	$ 357,725	$ -	$ (16,725)	$ 341,000	$ 17,545
Series 2010 Bond Payable	245,175	-	(3,035)	242,140	3,110
Series 2007A Bond Premium	10,590	-	(520)	10,070	-
Series 2010 Bond Discount	(291)	-	12	(279)	-
Bond Payable, Net	613,199	-	(20,268)	592,931	20,655
Capital Lease Obligation	3,824	1,412	(113)	5,123	151
Compensated Absences	1,279	19	(14)	1,284	74
Total Long-term Liabilities	$ 618,302	$ 1,431	$ (20,395)	$ 599,338	$ 20,880

	Balance @ 9/30/2015	Additions	Reductions	Balance @ 9/30/2016	Amount Due Within One Year
Series 2007A Bond Payable	$ 373,660	$ -	$ (15,935)	$ 357,725	$ 16,725
Series 2010 Bond Payable	248,140	-	(2,965)	245,175	3,035
Series 2007A Bond Premium	11,111	-	(521)	10,590	-
Series 2010 Bond Discount	(303)	-	12	(291)	-
Bond Payable, Net	632,608	-	(19,409)	613,199	19,760
Capital Lease Obligation	3,937	-	(113)	3,824	110
Compensated Absences	1,078	206	(5)	1,279	74
Total Long-term Liabilities	$ 637,623	$ 206	$ (19,527)	$ 618,302	$ 19,944

NOTE 9 RETIREMENT PLAN

Since April 1998, all Events DC full-time employees are covered by a defined contribution plan. The plan, which is managed by ICMA Retirement Corporation, requires no employee contributions. All employees are fully vested after four years of service. The contribution is 7% of total employee's salaries. The Authority's contributions for fiscal years 2017 and 2016 were approximately $1.3 and $1.2 million, respectively. The Plan's administrator issues financial statement and required supplemental information which is available upon request. This report may be obtained from the following location: ICMA Retirement Corporation, 777 North Capital Street, NE, Washington, D.C. 20002-4240.

NOTE 10 RELATED PARTY TRANSACTIONS

Dedicated Taxes
In accordance with the WCCA Act and amended Master Trust Agreement, the District of Columbia Government collects and forwards to the Authority the dedicated tax receipts that are used to fund the debt service and reserve requirements of its Series 2007A Bonds. In fiscal years 2017 and 2016, the Authority recognized revenue from dedicated tax receipts of $138.1 million and $123.6 million, respectively. As of September 30, 2017 and 2016, the dedicated taxes due from the District Government were $10.9 million and $12.4 million, respectively. These receivables represent September tax payments collected by the District in October.

Tax Increment Financing (TIF) Revenue
The District issued the TIF Note to the WCSA, and the WCSA pledged the TIF Note to the Trustee to secure the payment of the Series 2010A Bonds and the 2010B Bonds (collectively, the "Bonds"). Pursuant to the TIF Note, the District has agreed to make regularly scheduled payments of principal and interest (the "Regular Payments") to the extent that funds are available in the New Convention Center Hotel Fund. TIF revenue is from the sales and use taxes and property taxes generated from the operation of the HQ Hotel. In fiscal years 2017 and 2016, the Authority recognized revenue from TIF tax receipts of $21.1 million and $19.5 million, respectively. As of September 30, 2017 and 2016, TIF receivables due from the District Government were $2 million and $747 thousand, respectively.

District's (DGS) Management Agreement
On October 1, 2009, under the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, the Authority merged with the D.C. Sports and Entertainment Commission to form the Washington Convention and Sports Authority (WCSA). As part of the merger, the District of Columbia's Department of General Services (DGS), formerly known as Department of Real Estate Services (DRES), became responsible for the facility maintenance tasks on RFK stadium and the DC Armory previously performed by the D.C. Sports and Entertainment Commission.

The Authority has agreed to pay DGS up to $2.5 million each year for facility maintenance services.

Relationship to the United States Government
The United States Government contracted with the D.C. Sports and Entertainment Commission's predecessor, the District of Columbia Armory Board, for the construction of RFK Stadium while the United States Government constructed the surrounding motor vehicle parking areas. Both were constructed on land owned by the United States Government (D.C. Official Code § 3–322).

In 1988, the United States Government deeded, pursuant to Public Law 99-581, "all rights, title, and interest of the United States in and to the Stadium" to the District. In addition, the United States Department of the Interior leased to the District the land occupied by the stadium and the parking areas without consideration for 50 years.

NOTE 10 RELATED PARTY TRANSACTIONS (continued)

Relationship to the District of Columbia Government
Prior to the merger, the D.C. Sports and Entertainment Commission (DCSEC) entered into a lease agreement in March 2006 with the government of the District of Columbia under which the District leased the Baseball Stadium Site and the Baseball Stadium complex to the DCSEC for a 99-year term, for the amount of one dollar ($1) for the entire term. The DCSEC, subsequently, entered into a Lease Agreement dated March 6, 2006 with Baseball Expos, L.P which is now the Washington Nationals Baseball Club (the "Team"). The agreement established provisions for the DCSEC, as lessor, to sublease the Baseball Stadium Site and the Baseball Stadium Complex to the Team. The lease term extends for 30 years with an initial lease payment of $3.5 million and with an added escalation clause thereafter. The Team is required to pay additional rent in each lease year in which the number of certain tickets issued exceeds $2.5 million.

The former DCSEC also entered into a Funding and Assignment Agreement dated May 1, 2006 with the District of Columbia whereby the DCSEC assigned to the District all rent and other revenue amounts that it receives or is entitled to receive under or related to the March 6, 2006 Lease Agreement with the Team. During fiscal years 2017 and 2016, the District received annual rent equal to $5.9 million and $5.8 million, respectively. The District uses the rent revenue to pay the outstanding debt related to the Baseball Stadium Bonds. The Authority assumed all rights and obligations of the former DCSEC pursuant to the merger.

Leasing Arrangements-Carnegie Library (Visitor Center)

The District of Columbia holds the former Central Public Library known as the Carnegie Library at Mount Vernon Square situated on Lot 800 in Square 403N, with a street address at 801 K Street, NW, under a grant of jurisdiction dated March 3, 1899 from the Fifty-Fifth session of the Congress of the United States of America, in Chapter 455, entitled "An act to provide a site for a building for the Washington Public Library."

On June 1, 1999, the District and the Historical Society of Washington, D.C. (HSW) entered into a lease agreement with respect to the Building as the leased premises for a term of ninety-nine (99) years commencing on June 1, 1999 and ending on May 31, 2098. The Original Lease was amended on April 17, 2002 and May 29, 2002.

In 2006, the United States of America transferred to the District administrative jurisdiction of U.S. Reservation 8, being the land underneath and adjacent to the Building.

On May 5, 2011, the District and the Authority entered into a Memorandum of Understanding (MOU) regarding the Carnegie Library and Reservation 8, whereby the District transferred to the Authority all of its rights and obligations with respect to the administrative jurisdiction over the Carnegie Library and with respect to the Original Lease, as amended, as well as setting forth certain obligations and rights with respect to Reservation 8, among other items, for $9 million payable in three annual installments beginning November 30, 2011. The MOU is effective from May 1, 2011 through April 30, 2110.

The Authority reported the lease as a capital asset and the related debt as a long-term liability in the Authority's Statements of Net Position.

NOTE 11 MARKETING SERVICE CONTRACTS

In accordance with the provisions of Section 208(a) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to maintain a Marketing Fund for the payment of marketing service contracts to promote conventions, tourism, and leisure travel in the District. The Act states that the total payment amount of the marketing service contracts is to be based on 17.4% of the hotel sales tax received.

During fiscal years 2017 and 2016, the total amount of dedicated taxes allocated to the Marketing Fund was approximately $14.8 million and $12.6 million, respectively. The Authority incurred the following marketing services expenses in fiscal years 2017 and 2016 *(in thousands)*, respectively:

Marketing Agencies	2017	2016
Washington D.C. Convention and Tourism Corporation	$ 14,405	$ 12,175
D.C. Chamber of Commerce	175	175
Greater Washington IBERO American Chamber of Commerce	250	250
	$ 14,830	$ 12,600

NOTE 12 BASEBALL STADIUM

Capital Fund Reserve
Pursuant to the lease agreement dated March 6, 2006, the District makes a contribution of $1.5 million to the Capital Reserve Fund each year to be used for necessary improvements and repairs costs to the Baseball Stadium. The Capital Reserve Fund balance is managed by the Authority and the balance of approximately $1.4 million as of September 30, 2016 and the $1.5 million current year contribution was fully utilized as of September 30, 2017.

Close Out Project
A memorandum of agreement was signed between the District and former DCSEC on September 30, 2009 to close out all spending for construction and development of the Baseball Stadium. A transfer of $1.9 million was made to the New Stadium Account, which is managed by the Authority. During fiscal years 2017 and 2016, there was no activity. The remaining balance of $665,221 is reflected in Due to District Government in the financial statements as of September 30, 2017 and 2016.

Contingency Reserve Fund
Pursuant to the lease agreement dated March 6, 2006, the District was required to contribute $5 million, on or before the fifth anniversary of the Commencement Date, to the Contingency Reserve Fund. The fund is to be used for necessary and appropriate expenditures to preserve, maintain or enhance the value of the Baseball Stadium complex. The Contingency Reserve Fund is managed by the Authority. As of September 30, 2017 and 2016, there was no activity and the $5 million is included in Other Liabilities in the financial statements.

NOTE 13 BASEBALL ACADEMY

On March 7, 2012, the District entered into a ground lease agreement with the Washington Nationals Youth Baseball Academy, Inc. (the "Academy") for a portion of the Fort DuPont Park Site that the Academy will use to construct and operate a youth baseball academy. In accordance with the lease agreement, the District is to make payments for the Academy improvements and has requested the Authority to facilitate the timely transfer of these payments. The Authority is in receipt of the first payment in the amount of $1 million which is included in Other Liabilities in the financial statements.

On March 7, 2012, the Authority also entered into a grant agreement with the Academy to fund $10.2 million for construction and development of a youth baseball academy. The funding was completed in 2014, and there is no outstanding commitment as of September 30, 2017.

NOTE 14 KENILWORTH PARK PROJECT

The former DCSEC received funds from the Federal Government, the Washington Nationals and the District of Columbia Department of Parks and Recreation to renovate a soccer field at Kenilworth Fort Greble fields which was completed in fiscal year 2008. At the time of the merger, the Kenilworth fund had a balance of $145 thousand. This project had no activities besides monthly interest/service charge payments in fiscal years 2017 and 2016. As of September 30, 2017 and 2016, there was an account balance of $144 thousand. The amounts are reflected as Restricted Net Position in the financial statements.

NOTE 15 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability, errors and omissions, employee accident and surety bonds.

NOTE 16 CONTINGENCIES

Due to the nature of the Authority's business, it is involved in several claims and lawsuits. In the opinion of management and legal counsel, the expected outcome of claims and lawsuits, individually, or in the aggregate will not have a material adverse effect on the financial statements.

SUPPLEMENTAL SCHEDULES

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND
AS OF SEPTEMBER 30, 2017
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
ASSETS AND DEFERRED OUTFLOWS										
Current Assets:										
Cash and Cash Equivalents	$ 3,547	$ 913	$ 2,346	$ 5,621	$ 293	$ -	$ 199	$ 366	$ -	$ 13,285
Restricted Cash	-	1,185	-	2,875	-	5,630	-	-	-	9,690
Investments	170,812	-	5,511	-	-	-	-	-	-	176,323
Due from District of Columbia	9,618	-	1,317	-	1,974	-	-	-	-	12,909
Accounts Receivable, Net of Allowance for Uncollectible Accounts	3,259	577	-	-	-	-	-	15	-	3,851
Prepaid Expenses and Other Assets	965	23	-	-	-	-	-	-	-	988
Accrued Interest Receivable	252	-	-	-	392	-	-	-	-	644
Interfund Receivable (Payable)	(8)	13	995	-	(1,000)	-	-	-	-	-
Total Current Assets	188,445	2,711	10,169	8,496	1,659	5,630	199	381	-	217,690
Noncurrent Assets										
Other Asset	46,000	-	-	-	-	-	-	-	-	46,000
Restricted Investments	150,676	-	-	-	79,959	-	-	-	-	230,635
Non-depreciable Capital Assets	7,510	-	-	13,696	-	-	-	-	-	21,206
Depreciable Capital Assets, Net of Accumulated Depreciation	406,377	37	-	43,290	29,619	-	5,270	12,185	1,377	498,155
Total Noncurrent Assets	610,563	37	-	56,986	109,578	-	5,270	12,185	1,377	795,996
Total Assets	799,008	2,748	10,169	65,482	111,237	5,630	5,469	12,566	1,377	1,013,686
Deferred Outflow of Resources										
Bond Deferral of Refunding Costs	13,320	-	-	-	-	-	-	-	-	13,320
Total Assets and Deferred Outflow of Resources	812,328	2,748	10,169	65,482	111,237	5,630	5,469	12,566	1,377	1,027,006

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND *(Continued)*
AS OF SEPTEMBER 30, 2017
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
LIABILITIES AND NET POSITION										
Current Liabilities										
Accounts payable	$ 2,592	$ 223	$ 1,708	$ 7,484	$ -	$ -	$ 57	$ 20	$ 42	$ 12,126
Other Short-term Liabilities	625	2,255	-	-	1,000	4,965	-	-	-	8,845
Due to District of Columbia	6	1,320	-	-	1,000	665	-	-	-	2,991
Compensation Liabilities	1,122	128	-	-	-	-	-	9	-	1,259
Unearned Revenue	3,338	56	-	-	-	-	-	-	-	3,394
Accrued Interest Liabilities	8,116	-	-	-	7,303	-	-	-	-	15,419
Capital Lease - Current Portion	-	-	-	-	-	-	-	151	-	151
Bonds Payable - Current Portion	17,545	-	-	-	3,110	-	-	-	-	20,655
Total Current Liabilities	33,344	3,982	1,708	7,484	12,413	5,630	57	180	42	64,840
Noncurrent Liabilities										
Compensated Absences	1,031	170	-	-	-	-	-	8	-	1,209
Capital Lease, Net of Current Portion	-	-	-	-	-	-	-	4,972	-	4,972
Bonds Payable, Net of Bond Premium	333,524	-	-	-	238,752	-	-	-	-	572,276
Total Noncurrent Liabilities	334,555	170	-	-	238,752	-	-	4,980	-	578,457
Total Liabilities	367,899	4,152	1,708	7,484	251,165	5,630	57	5,160	42	643,297
Net Position:										
Net Investment in Capital Assets	76,138	37	-	56,986	-	-	5,270	7,062	1,377	146,870
Restricted										
Debt Services and Capitalized Interest	25,754	-	-	-	-	-	-	-	-	25,754
Capital renewal	18,851	-	-	-	-	-	-	-	-	18,851
Operating & Marketing fund	48,812	-	-	-	-	-	-	-	-	48,812
Debt services reserve	33,700	-	-	-	-	-	-	-	-	33,700
Kenilworth Park	-	144	-	-	-	-	-	-	-	144
ESA Project	23,559	-	-	-	-	-	-	-	-	23,559
Unrestricted Net Position	217,615	(1,585)	8,461	1,012	(139,928)	-	142	344	(42)	86,019
Total Net Position	$ 444,429	$ (1,404)	$ 8,461	$ 57,998	$ (139,928)	$ -	$ 5,412	$ 7,406	$ 1,335	$ 383,709

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
Operating Revenues:										
Building Rental	$ 8,567	$ 614	$ -	$ -	$ -	$ -	$ -	$ 523	$ -	$ 9,704
Food Services	8,044	440	-	-	-	-	-	21	-	8,505
Electrical	2,783	-	-	-	-	-	-	1	-	2,784
Rigging	1,681	-	-	-	-	-	-	-	-	1,681
Parking	-	536	-	-	-	-	-	-	-	536
Telecommunications	2,104	9	-	-	-	-	-	3	-	2,116
Retail and Office Space Rental	443	502	-	-	-	-	-	-	-	945
Advertising and Sponsorship	-	782	-	-	-	-	-	-	-	782
Plumber's Building Rental	-	-	-	-	2,440	-	-	-	-	2,440
Miscellaneous	1,727	1,760	-	-	-	-	-	40	-	3,527
Total Operating Revenues	25,349	4,643	-	-	2,440	-	-	588	-	33,020
Operating Expenses:										
Personal Services	22,544	2,613	-	-	-	-	-	561	-	25,718
Contractual Services	15,111	415	4,540	382	-	-	36	224	55	20,763
Depreciation	26,588	197	-	3,274	1,114	-	880	456	34	32,543
Occupancy	4,306	744	-	15	-	-	-	184	-	5,249
Payment to District of Columbia	-	2,056	-	-		-	-	-	-	2,056
Miscellaneous	1,049	86	4		-	-	-	1	-	1,140
Provision for Doubtful Accounts	14	47	-	-	-	-	-	3	-	64
Total Operating Expenses	69,612	6,158	4,544	3,671	1,114	-	916	1,429	89	87,533
Operating Loss	(44,263)	(1,515)	(4,544)	(3,671)	1,326	-	(916)	(841)	(89)	(54,513)
Non-operating Revenues and (Expenses)										
Investment Income	1,713	-	1	-	378	-	-	-	-	2,092
Dedicated Taxes	138,128	-	-	-	-	-	-	-	-	138,128
Tax Increment Financing Taxes	-	-	-	-	21,079	-	-	-	-	21,079
Miscellaneous Revenues	-	-	-	-	2,763	-	-	-	-	2,763
Interest Expense	(16,232)	-	-	-	(14,605)	-	-	(19)	-	(30,856)
Bond Amortization Expense	(663)	-	-	-	(12)	-	-	-	-	(675)
Marketing Agencies and Internal Marketing Expenses	-	-	(14,830)	-	-	-	-	-	-	(14,830)
Miscellaneous Expenses	-	-	-	-	(3,000)	-	-	-	-	(3,000)
Total Nonoperating Revenues and (Expenses)	122,946	-	(14,829)	-	6,603	-	-	(19)	-	114,701
Transfer In (Out)	3,653	1,000	21,575	20,772	(48,000)	-	-	329	671	-
Change in Net Position	82,336	(515)	2,202	17,101	(40,071)	-	(916)	(531)	582	60,188
Net Position, Beginning of Year	362,093	(889)	6,259	40,897	(99,857)	-	6,328	7,937	753	323,521
Net Position, End of Year	$ 444,429	$ (1,404)	$ 8,461	$ 57,998	$ (139,928)	$ -	$ 5,412	$ 7,406	$ 1,335	$ 383,709

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the Washington Convention and Sports Authority
Washington, DC

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 Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Controls over Financial Reporting

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

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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

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Purpose of this Report

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

SB & Company, LLC

Washington, DC
December 28, 2017