GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

DISTRICT OF COLUMBIA

WASHINGTON CONVENTION AND SPORTS AUTHORITY

Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report Fiscal Year Ended September 30, 2012

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 13-1-12ES **March 26, 2013**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

March 26, 2013

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

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

Dear Mayor Gray and Chairman Mendelson:

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2012, Bert Smith & Co. (BS&C) submitted the enclosed final report on the District of Columbia Washington Convention and Sports Authority (Authority), hereby issued as OIG Report No. 13-1-12ES.

BS&C opined that the financial statements present fairly, in all material respects, the financial position of the Authority for the year ended September 30, 2012, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles. BS&C has also issued its report on the Authority's internal control over financial reporting and on its tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and other matters.

If you have questions or need additional information, please contact Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

CJW/ws

Enclosure

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WASHINGTON CONVENTION AND SPORTS AUTHORITY

TRADING AS EVENTS DC
A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

SEPTEMBER 30, 2012

BERT SMITH & Co.

Certified Public Accountants and Management Consultants

WASHINGTON CONVENTION AND SPORTS AUTHORITY
FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012

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BertSmith & Co.

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Government of the District of Columbia
Board of Directors Washington Convention and Sports Authority
Washington, D.C.

We have audited the accompanying statement of net assets 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 year ended September 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. The basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Washington Convention and Sports Authority as of and for the year ended September 30, 2011, were audited by other auditors whose report dated January 26, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013 on our consideration the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, on pages 3 through 10, is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of net assets by fund and the schedule of revenues, expenses and changes in net assets by fund on pages 31 through 33 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bert Smith & Co.

Washington, D.C.
January 28, 2013

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, 2012, 2011 and 2010. 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, D.C. Law 18-111, D.C. Sports and Entertainment Commission 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. As part of the Amendment Act, the Department of General Services (DGS) formerly known as the District's Department of Real Estate Services (DRES) became responsible for the facility maintenance tasks previously performed by the D.C. Sports and Entertainment Commission.

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 and the D.C. Armory. The new name is also designed to align with the existing brands for Washington, D.C. and the city's tourism arm, Destination DC.

Events are at the heart of the organization's work to create economic and community benefits for the District of Columbia, and adopting the name Events DC underscores both the mission and the agency's core strengths. In addition, the name Events DC, which aligns with the existing Washington, D.C. brand identity, defines the Authority's ownership of the events and visitors experience in Washington, D.C., creating consistency among its core lines of business while adding an exciting new energy to the organization's work.

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 Operations Division includes the Walter E. Washington Convention Center (WEWCC), an anchor of the District's hospitality and tourism economy that generates event-related revenue primarily from the sale and use of meeting and exhibition space, other ancillary services such as meeting room change over and commissions on telecommunications, audio-visual, electrical and catering at the WEWCC and Carnegie Library. The Sports and Entertainment Division (SED), which includes Robert F. Kennedy Memorial Stadium, the D.C. Armory and the surrounding Festival Grounds 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 city which bring economic impact to our nation's capital.

The Authority also operates a public parking lot located at the old Washington Convention Center site at 900 9th Street, N.W., Washington, D.C. The parking lot generates revenue primarily from parking fees and hosting special events such as holiday bazaars, sporting events, concerts and open air markets. Currently, the parking lot is managed through an agreement with an independent contractor.

Fiscal Year 2012 Financial Highlights

- Net assets decreased by $15.2 million, a decrease of 4% when compared to the year ended September 30, 2011. The net decrease in net assets primarily resulted from a reduction in the restricted cash balance related to the convention center headquarters' hotel project.
- Operating expenses decreased by $1.5 million or 2% from fiscal year 2011, due to decreases in cost related to personal services, contractual services, payment to the District and miscellaneous expenses.
- Operating revenue decreased by $2.9 million or 12% from fiscal year 2011, resulting in total operating revenue of $22.5 million in FY 2012. The decrease is due to the ongoing economic downturn that forced clients to cancel booked events and also cut back on discretionary spending, in revenue categories of catering and electrical service commission. Also, reduction in parking lot space contributed to the decrease in parking revenue.
- Assets exceeded liabilities by $337 million at the close of fiscal year 2012, a 4% decrease over FY 2011.
- The Authority's long-term debt, including current maturities, decreased by $6 million to $684 million or 1%, over FY 2011.
- The statement of cash flows reflects a decrease in cash for the year by $0.1 million.
- The Authority's bonds are rated "A2" 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 assets. The basic Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed therein.

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

- The Statement of Revenues, Expenses and Changes in Net Assets report both the operating and non-operating revenues and expenses and other changes in net assets for the end of a fiscal year.

– The Statement of Cash Flows presents information showing how the Authority's cash and cash-equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments resulting from operating activities, capital and related financing activities, non capital financing activities and investing activities.

(2) *Financial Analysis*

The Authority's audited Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows are presented on pages 11 through 13.

The following table reflects a summary of the Authority's net assets at September 30, 2012, 2011 and 2010 (in thousands):

Table 1. Condensed Statements of Net Assets
(In Thousands)

				Percentage Change	
	2012	**2011**	**2010**	**2012-2011**	**2011-2010**
Current Assets	$ 87,620	$ 72,832	$ 110,447	20%	-34%
Capital Assets, Net of Accumulated Depreciation	638,952	652,054	671,559	-2%	-3%
Other Noncurrent Assets	336,788	347,595	89,029	-3%	290%
Total Assets	$ 1,063,360	$ 1,072,481	$ 871,035		
Current Liabilities	$ 58,427	$ 48,595	$ 35,592	20%	37%
Noncurrent Liabilities	667,494	671,246	462,114	-1%	45%
Total Liabilities	$ 725,921	$ 719,841	$ 497,706		
Net Assets:					
Investment in Capital Assets, Net of Related Debt	$ 200,710	$ 212,311	$ 196,910	-5%	8%
Restricted	160,454	148,748	83,282	8%	79%
Unrestricted	(23,725)	(8,419)	93,137	182%	-109%
Total Net Assets	$ 337,439	$ 352,640	$ 373,329		

The total net assets of the Authority decreased by $15 million or 4%, and $21 million or 6%, for the years ended September 30, 2012 and 2011, respectively. As of September 30, 2012, the Authority had total net assets amounting to approximately $337 million, with the largest portion of the Authority's net assets, $201 million or 59%, reflecting its investment in capital assets less any related debt used to acquire the assets.

The Authority uses its capital assets to fulfill its mission of promoting conventions, tourism and sports and entertainment events in the District of Columbia. 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 of Columbia.

Of the Authority's remaining net assets, $160 million or 48% represents resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements).

Table 2. Revenues, Expenses and Changes in Net Assets
(In Thousands)

	2012	2011	2010	Percentage Change 2012-2011	Percentage Change 2011-2010
Operating Revenues:					
Building Rental	$ 8,536	$ 9,151	$ 8,126	-7%	13%
Ancillary Charges	14,017	16,336	14,274	-14%	14%
Total Operating Revenues	$ 22,553	$ 25,487	$ 22,400		
Operating Expenses:					
Personal Services	$ 18,291	$ 18,422	$ 17,173	-1%	7%
Contractual Services	18,064	18,201	16,105	-1%	13%
Depreciation	31,442	33,215	32,385	-5%	3%
Occupancy	7,056	7,003	6,598	1%	6%
Payments to District	2,380	2,775	3,527	-14%	-21%
Miscellaneous	964	1,013	936	-5%	8%
Bad Debt	1,213	335	204	262%	64%
Total Operating Expenses	$ 79,410	$ 80,964	$ 76,928		
Operating Loss	(56,857)	(55,477)	(54,528)	2%	2%
Non-operating Revenues and (Expenses):					
Interest Income	$ 2,006	$ 2,094	$ 959	-4%	118%
Dedicated Taxes	101,026	97,996	94,108	3%	4%
Miscellaneous	4,284	1,231	189	248%	551%
Bond Interest and Amortization Issue Costs	(36,320)	(35,860)	(23,873)	1%	50%
Marketing Agencies Payments	(10,610)	(10,073)	(10,416)	5%	-3%
Funding Hotel Project	(18,730)	(20,600)	-	-9%	100%
Total Non-operating Revenues and (Expenses)	$ 41,656	$ 34,788	$ 60,967		
Net Assets Deficit	$ (15,201)	$ (20,689)	$ 6,439	-27%	-421%
Net Assets, Beginning of Year	352,640	373,329	366,890	-6%	2%
Net Assets, End of Year	$ 337,439	$352,640	$373,329		

Analysis of Changes in Net Assets

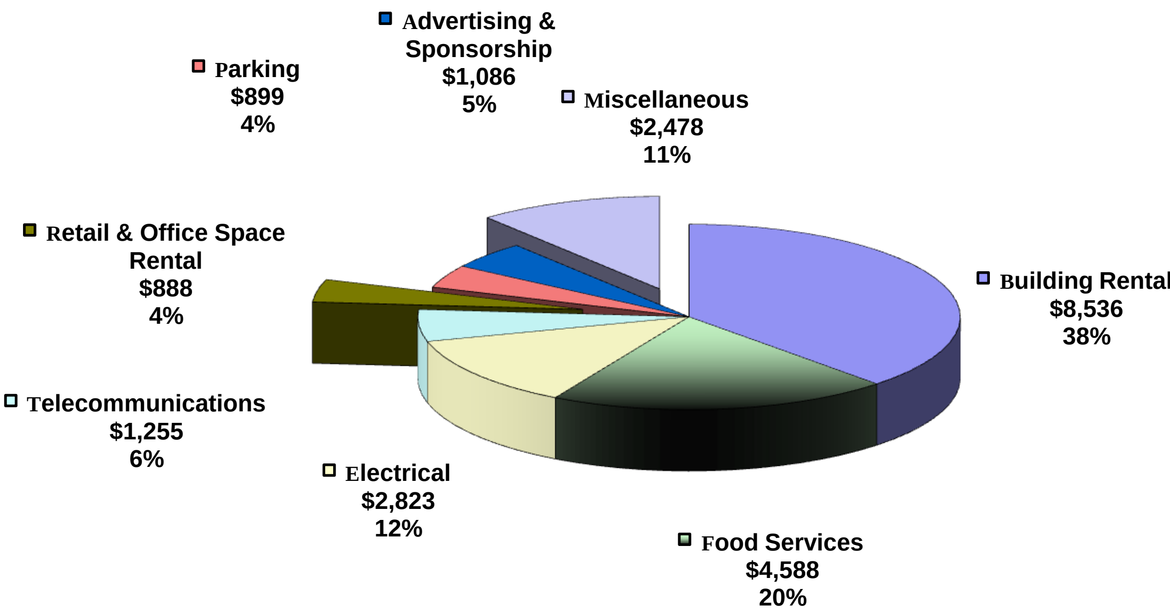
Revenues

For the fiscal years ended September 30, 2012, 2011 and 2010, the Authority's operating revenues were $22.5 million, $25.5 million, and $22.4 million, respectively.

Revenue decreased by 12% compared to the previous year. The decrease is due to the ongoing economic downturn that forced clients to cut back on discretionary spending, with notable decreases in revenue categories of building rental, food and electrical service commission. In addition, the Authority renegotiated the lease agreement with D.C. United which reduced the operating license fee for the FY 2012 soccer season. Parking revenues decreased as the number of leased parking lot spaces were substantially reduced from 840 parking spaces to 90, as the development on the old convention center site progressed. Partially offsetting the above decreases was an increase in miscellaneous income sources including trash hauling charges, special meeting room setup charges, equipment rental, and fees earned from ATMs installed inside the Convention Center. Also in FY 2012, the Authority started charging facilities maintenance fee on all paid tickets at RFK Stadium, D.C. Armory and the surrounding Festival Grounds which contributed to an increase in miscellaneous income.

The following is a graphic illustration of operating revenue by source.

FY 2012 Operating Revenue
(In Thousands)



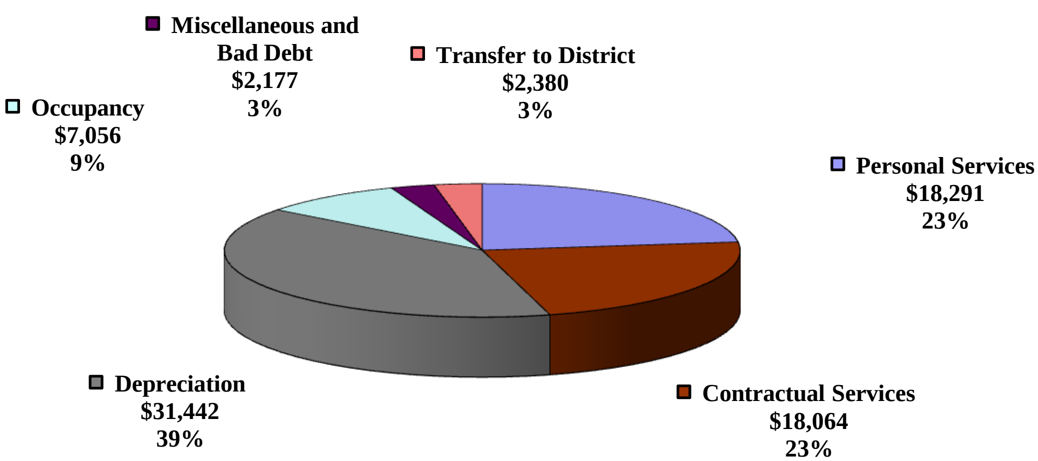
During FY 2012, non-operating revenues of $107.3 million were $6 million or 6% higher than in FY 2011. This is as a result of an increase in dedicated tax revenue and miscellaneous income. Non-operating revenues increased by $6 million or 6% from 2010 to 2011. This is as a result of an increase in dedicated tax revenue, interest and miscellaneous income.

Expenses

For fiscal years 2012, 2011 and 2010, the Authority's total operating expenses were $79.4 million, $80.9 million and 76.9 million, respectively. Total operating expenses decreased by $1.5 million or 2% from fiscal year 2011, the decrease was driven by specific cost containment efforts by management in the area of personal and contractual services to offset projected reductions in revenue from operations. When compared to fiscal year 2010, fiscal year 2011 operating expenses increased by $4 million or 5% as new marketing initiatives were implemented and contractual services cost increased with the first production of the AT&T Nation's Football Classic (NFC) hosted at RFK Stadium.

The following is a graphic illustration of operating expenses.

FY 2012 Operating Expenses
(In Thousands)



Salaries decreased by $0.1 million or 1%, due to unfilled vacant positions and savings related to health and retirement benefits from vacant positions, compared to prior year. Cost containment measures have kept contractual services costs relatively flat, a decrease of $0.1 million or 1% compared to FY 2011. Occupancy expense, which includes all utility related expenses such as electricity, telecommunication, water, sewer and natural gas expense accounted for $7 million, an increase of 1% compared to FY 2011. Depreciation expense, primarily for the convention center building, amounted to $31 million in fiscal year 2012.

The Authority's non-operating expenses consisted of $36.3 million in bond interest payment and amortized issuance costs, $18.7 million to finance construction and development of a privately owned headquarters hotel (the "HQ Hotel") for the Convention Center and $10.6 million in payments to marketing agencies. 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.

(3) *Capital Asset and Debt Administration*

Capital Assets

The Authority has invested $639 million in capital assets (net of depreciation). Approximately 79% of this investment is related to the cost of the convention center building. The Authority's capital assets have increased by $18.3 million compared to fiscal year 2011, which was primarily due to building improvements, the Convention Center headquarters' hotel pre-development costs, purchase of additional furniture, and the capital lease agreement for the Carnegie Library.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2012, 2011 and 2010. The changes are presented in detail in Note 3 to the financial statements.

Table 3. Capital Assets (Net Depreciation)
(In Thousands)

				Percentage Change	
	2012	**2011**	**2010**	**2012-2011**	**2011-2010**
Non-depreciable					
Land	$ 4,785	$ 4,785	$ 4,785	0%	0%
Construction in Progress	7,316	4,422	4,052	65%	9%
Plumber's Building	32,155	33,425	33,425	-4%	0%
Artwork	2,742	2,742	2,742	0%	0%
Total Non-depreciable Capital Assets	$ 46,998	$ 45,374	$ 45,004		
Depreciable					
Building	$769,453	$769,453	$ 769,453	0%	0%
Building Improvements	24,539	22,955	21,446	7%	7%
Building Improvements - RFK	34,181	34,051	33,755	0%	1%
Stadium Structure	19,037	19,037	19,037	0%	0%
Parking Lot Improvements	5,965	5,965	5,965	0%	0%
Central Plant	16,265	16,265	16,265	0%	0%
Carnegie Library (Visitor Center)	21,941	8,985	-	144%	100%
Carnegie Library-Building Improvements	71	-	-	100%	0%
Financial Systems	1,446	1,446	1,416	0%	2%
Furniture and Fixtures	19,790	18,596	16,507	6%	13%
Furniture and Fixtures - RFK	490	451	367	9%	23%
Machinery and Equipment	9,530	8,788	8,439	8%	4%
Total Depreciable Capital Assets	$922,708	$905,992	$ 892,650		
Less: Accumulated Depreciation	330,754	299,312	266,095	11%	12%
Net Capital Assets	$591,954	$606,680	$ 626,555		

Debt Administration

The Authority had $683 million and $689 million in debt outstanding at the end of fiscal years September 30, 2012 and 2011 respectively. Repayments of $13.2 million and $13 million were made during fiscal year 2012 and 2011, respectively.

The debt position of the Authority is summarized below and is more fully analyzed in the financial statements. (See Note 7 for more information on long-term debt).

Table 4. Long-Term Debt Outstanding
(In Thousands)

				Percentage Change	
	2012	**2011**	**2010**	**2012-2011**	**2011-2010**
Bonds Payable	$ 659,164	$ 672,309	$ 465,998	-2%	44%
Capital Lease Obligation	16,840	8,985	-	87%	100%
Financing Arrangements	7,213	7,932	8,651	-9%	-8%
Total Debt Outstanding	683,217	689,226	474,649		
Current Portion of Debt Outstanding	16,705	18,984	13,419	-12%	41%
Debt Outstanding Less Current Portion	$ 666,512	$ 670,242	$ 461,230		

In addition to the above long-term outstanding debt, the Authority has long-term liabilities related to compensated absences of $1 million.

The Authority's bonds are rated "A2" by Moody's and "A" by Standard & Poor's Corporation and "A+" Fitch Rating Services.

(4) *Budgetary Controls*

The Authority adopts an operating and capital budget, which are approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted if necessary by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's Financial Management System, which prevents overspending without appropriate approvals. 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, NW, Washington, D.C. 20001.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012
(In Thousands)

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,455	$ 11,611
Restricted Cash	2,287	936
Due from District of Columbia	12,611	8,405
Accounts Receivable, Net of Allowance for Uncollectible Accounts	2,533	3,846
Prepaid Expenses and Other Assets	-	27
Accrued Interest Receivable	678	2,925
Investments	59,056	45,082
Total Current Assets	87,620	72,832
Noncurrent Assets:		
Restricted Investments	327,045	337,476
Non-depreciable Capital Assets	46,998	45,374
Depreciable Capital Assets, Net of Accumulated Depreciation	591,954	606,680
Unamortized Bond Issue Costs	9,743	10,119
Total Noncurrent Assets	975,740	999,649
Total Assets	$ 1,063,360	$ 1,072,481
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 8,413	$ 8,222
Due to District Government	5,666	791
Compensation Liabilities	588	361
Deferred Revenue	3,202	2,561
Accrued Interest Payable	17,376	17,676
Other Financing Arrangement Payable, Current Portion	719	719
Other Short-term Liabilities	6,477	-
Capital Lease - Current portion	2,121	5,000
Bonds Payable - Current Portion	13,865	13,265
Total Current Liabilities	58,427	48,595
Noncurrent Liabilities:		
Compensated Absences	982	1,004
Long-term Bonds Payable including Premium	645,299	659,044
Capital Lease-Long-term	14,719	3,985
Long-term Other Financing Arrangement Payable	6,494	7,213
Total Noncurrent Liabilities	667,494	671,246
Total Liabilities	725,921	719,841
NET ASSETS		
Net Assets:		
Invested in Capital Assets, Net of Related Debt	200,710	212,311
Restricted for:		
Debt Service and Capital Interest	26,888	38,135
Capital Renewal	17,672	17,445
Operating Fund	31,580	31,098
Senior Proceeds Account	2	2
Debt Service Reserve	37,207	36,919
Kenilworth Park	144	145
Hotel Project	46,961	25,004
Unrestricted Net Assets - Deficit	(23,725)	(8,419)
Total Net Assets	$ 337,439	$ 352,640

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

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012
(In Thousands)

	2012	2011
OPERATING REVENUE AND EXPENSES		
Operating Revenues:		
Building Rental	$ 8,536	$ 9,151
Food Services	4,588	5,764
Electrical	2,823	3,041
Parking	899	2,053
Telecommunications	1,255	1,236
Retail and Office Space Rental	888	1,111
Advertising and Sponsorship	1,086	1,094
Miscellaneous	2,478	2,037
Total Operating Revenues	22,553	25,487
Operating Expenses:		
Personal Services	18,291	18,422
Contractual Services	18,064	18,201
Depreciation	31,442	33,215
Occupancy	7,056	7,003
Payment to District	2,380	2,775
Miscellaneous	964	1,013
Bad Debt	1,213	335
Total Operating Expenses	79,410	80,964
Operating Loss	(56,857)	(55,477)
Non-operating Revenues and (Expenses):		
Interest Income	2,006	2,094
Dedicated Taxes	101,026	97,996
Miscellaneous Revenue	4,284	1,230
Interest Expense	(35,943)	(35,526)
Amortization of Bond Issuance Costs	(377)	(334)
Marketing Agencies and Internal Marketing Expenses	(10,610)	(10,073)
Funding Hotel Project	(18,730)	(20,600)
Prior Year Cost Recovery	-	1
Total Non-operating Revenues and (Expenses)	41,656	34,788
Net Assets - Deficit	(15,201)	(20,689)
Net Assets, Beginning of Year	352,640	373,329
Net Assets, End of Year	$ 337,439	$ 352,640

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

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012
(In Thousands)

	2012	2011
Cash Flows from Operating Activities		
Receipts from Customers	$ 23,294	$ 23,246
Payments to Suppliers	(24,514)	(24,887)
Payments to Employees	(18,086)	(18,538)
Other Payments	(2,380)	(2,774)
Net Cash Used in Operating Activities	(21,686)	(22,953)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(5,486)	(4,725)
Other Financing Arrangement Payment	(719)	(719)
Bond Proceeds	-	215,829
Bonds Payable Payment	(13,265)	(12,700)
Interest Payments	(35,064)	(28,476)
Net Cash Used in Capital and Related Financing Activities	(54,534)	169,209
Cash Flows from Noncapital Financing Activities		
Dedicated Tax Receipts	101,820	98,078
Payments to Tourism Responsibility Centers	(10,610)	(10,074)
Other Receipts (payments)	(14,202)	(22,877)
Net Cash Provided by Noncapital Financing Activities	77,008	65,127
Cash Flows from Investing Activities		
Proceeds from Sale and Maturities of Investment Securities	111,082	244,252
Purchases of Investment Securities	(115,597)	(462,029)
Interest and Dividends on Investments	3,922	2,338
Net Cash Used in Investing Activities	(593)	(215,439)
Net (Decrease) Increase in Cash and Cash Equivalents	195	(4,056)
Cash and Cash Equivalents, Beginning of Year	12,547	16,603
Cash and Cash Equivalents, End of Year	$ 12,742	$ 12,547
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	$ (56,854)	$ (55,477)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	31,441	33,216
Provision for Doubtful Accounts	1,213	335
Increase in Receivables	98	(1,995)
Increase (Decrease) in Prepaid Expenses and Other Assets	27	(25)
Increase (Decrease) in Accounts Payable	1,543	1,357
Decrease in Compensation Liabilities	205	(117)
(Decrease) Increase in Deferred Revenue	641	(247)
Net Cash Used in Operating Activities	$ (21,686)	$ (22,953)
Interest Paid	$ 36,105,595	$ 28,810,020

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), 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," D.C. Law 10-188 (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, D.C. Law 18-111.

  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 revenue from 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. Effective October 1, 1998, the dedicated taxes consist of a separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and sales and use tax of 1.0% (of the District's 10.0%) 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.

- ***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 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 and liabilities associated with the operations and are included on the Statement of Net Assets.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. The Authority has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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 ten separate funds: the Operating (WEWCC) Fund, the Building Fund, the Marketing Fund, Capital (WEWCC) Fund, the Demolition Fund, Operating (S&E) Fund, New Stadium Fund, S&E Capital Fund, Operating (Visitor Center) Fund and Capital (Visitor Center) Fund. The following activities are reported in each fund.

a. Operating 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 Fund – The capital fund accounts for the transactions related to improvements of the convention center.

e. Demolition Fund – The demolition fund accounts for the transactions related to the demolition of the old convention center, construction of a parking lot, and management of parking operations.

f. Operating (S&E) Fund – The operating S&E fund accounts for transactions related to the operation of the Robert F. Kennedy Memorial Stadium, the Festival Grounds and D.C. Armory.

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

h. Capital (S&E) Fund – The S&E capital fund accounts for the transactions related to the improvement of the Robert F. Kennedy Memorial Stadium and D.C. Armory.

i. Operating (Visitor Center) Fund – The operating visitor center fund accounts for transactions related to the operation of the Visitor Center (Carnegie Library).

j. Capital (Visitor Center) Fund – The visitor center capital fund accounts for the transactions related to improvements of the Visitor Center (Carnegie Library).

- ***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.

- ***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***

  Receivables relate to transactions involving building rental, electrical, telecommunications, audio-visual, advertising, sponsorships, parking, and miscellaneous revenue.

- ***Allowance for Uncollectible Accounts***

  The Authority establishes an allowance for uncollectible accounts for all accounts receivable over 180 days old. At September 30, 2012 and 2011, accounts receivable were shown net of allowance for doubtful accounts of $2.3 million and $1.2 million 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.

- ***Capital Assets and Depreciation***

  Capital assets are carried at cost at the date of acquisition less accumulated depreciation. 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. 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	20years
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.

- ***Amortization of Bond Premium, Bond Deferral and Issuance Costs***

  The bond premium is recorded as an increment of the carrying cost of the bonds. Bond premium and issuance costs are amortized based upon the weighted average of bonds outstanding over the term of the bonds. Bond deferral is the result of defeasance of Series 1998A bonds which was the difference between the reacquisition price and the net carrying amount of the old debt and the defeasance of the $25 million of the 2007A bonds obtained for a portion of the land acquisition related to the headquarters hotel for the convention center. It is deferred and amortized over the remaining life of the old or new debt, whichever is shorter. It is being amortized over twenty-two (22) years, the remaining life of the old bonds.

- ***Deferred Revenue***

  Deferred 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.

- ***Operating Component***

  The financial statement operating component includes all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities.

- ***Revenue Recognition***

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

- ***Compensated Absences***

  The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours at September 30th. 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 carryover a maximum of 240 hours of annual leave and union employees may carryover 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 employee's upon termination of employment.

- ***Estimates***

  The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

- ***Revenue 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 operation. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, audio-visual, retail/office space rental, event services, advertisements and sponsorship and miscellaneous revenues. Operating expenses include personnel services, contractual services, depreciation, occupancy, supplies, transfer to District and miscellaneous expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

The Authority complies with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Cash, cash equivalents and investments are separately held within several of the Authority's funds.

Cash Deposits

The carrying amount of the Authority's cash as of September 30, 2012 and 2011 was $12.7 million and $12.5 million, respectively. The Authority's bank balance at September 30, 2012 and 2011 was $13 million and $12.9 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 1999 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, and instrumentalities, domestic interest bearing savings accounts, certificates of deposit, 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 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 agreement 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, 2012 and 2011, the Authority's investments were in money market, U.S. treasury securities, other U.S. guaranteed securities and federal agency securities along with collateralized repurchase agreement. Agency securities and money market investments were rated AAA and/or collateralized by the fund provider. In FY2011, the Authority invested in certificates of deposit which were collateralized at 102% by the bank pledging securities with a safekeeping agent to cover the uninsured deposit. These certificates of deposit matured in November 2011.

As of September 30, 2012 and 2011, the Authority had the following investments *(in thousands)*:

2012			**Credit Ratings**	
Investment Type	**Fair Value**	**Maturity Date**	**S&P**	**Moody's**
U.S. Treasury Securities	$ 7,464	1-5 years	AAA	Aaa
Other U.S. Guaranteed Securities	8,354	1-5 years	AAA	Aaa
Federal Agency Securities	92,095	1-5 years	AA+	Aaa
Collateralized Repurchase Agreements	142,578	1-5 years	N/A	N/A
Money Market Funds – Held by Bond Trustee	135,610	N/A	AAA	Aaa
Total	$ 386,101			

2011			**Credit Ratings**	
Investment Type	**Fair Value**	**Maturity Date**	**S&P**	**Moody's**
U.S. Treasury Securities	$ 12,127	1-5 years	AAA	Aaa
Other U.S. Guaranteed Securities	12,136	1-5 years	AAA	Aaa
Federal Agency Securities	38,310	1-5 years	AA+	Aaa
Collateralized Repurchase Agreements	158,427	1-5 years	N/A	N/A
Money Market Funds – Held by Bond Trustee	114,558	N/A	AAA	Aaa
Certificate of Deposit	47,000	Less than 1 year	N/A	N/A
Total	$ 382,558			

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, 2012, 37% 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, 2012, the Authority invested in AAA rated money market funds, U.S. treasury securities, other U.S. guaranteed securities and federal agency securities along with collateralized repurchase agreement. In accordance with the Authority's investment policy, the investments maturity varies 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 and Poor's. As of September 30, 2012, the Authority's investments were all in AAA rated short-term money market funds, and U.S. Treasury Notes.

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

The fair value of investments that individually represent 5% or more of total Authority's investments at September 30, 2012 are as follows:

Issuer	Fair Value
Federal Home LN BKS	$ 46,755,768
Federal Home LN MTG Corp DEB	$ 45,338,675

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 investment in various reserve accounts to meet the requirements. At September 30, 2012 and 2011, those restricted investments totaled approximately $327.0 million and $337.5 million respectively.

In connection with the Series 2007A Bonds, the Debt Service Reserve Account requirement is satisfied by the deposit of a surety bond (the Reserve Account Credit Facility) provided by AMBAC Assurance Corporation ("AMBAC Assurance" the "Reserve Account Credit Facility Provider"). If there are insufficient funds in the debt service account, the series 2007A Bonds are insured against non-payment by a Municipal Bond Insurance Policy issued by AMBAC Assurance. However, due to the lowering of AMBAC's credit rating, the Authority is obligated to provide a disclosure with respect to the downgrade of AMBAC Assurance who provided the surety policy for the 2007 Convention Center Revenue and Refunding Bonds and the Authority is required to either provide a substitute surety or post cash or other collateral in the debt service reserve account. The Indenture requires that the Authority fill the debt service reserve fund in ten (10) equal installments on each April 1 and October 1 over the next five years or fully fund it. The Authority opted to fully fund the required amount of $33.7 million.

The proceeds of the Series 2010 Bonds are 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 of the Series 2010 Bonds as well as to pay the Developer for construction and equipment cost on the Convention Center Headquarters' Hotel Project, fund capitalized interest on the portion of the bonds during the construction phase and fund the Debt Service Reserve Account requirement. Therefore, the balance in the amount of $167 million is restricted.

The following table summarizes the minimum reserve requirements and restricted amounts as of September 30, 2012 and 2011.

Reserve Accounts	Investment Balances as of September 30, 2012	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2007A			
Capital Renewal & Replacement Account	$ 47,696	$ 17,672	$ 30,024
Debt Service	26,888	26,888	-
Debt Service Reserve Account	37,207	37,207	-
Senior Proceeds Account	2	2	-
Marketing Account	1,354	1,354	-
Operating and Marketing Reserve Account	45,085	30,226	14,859
Revenue Account	14,173	-	14,173
WCSA Hotel Contribution	46,961	46,961	-
Total	219,366	160,310	59,056
Series 2010			
Bond Issuance Cost	252	252	-
Capitalized Interest	19,646	19,646	-
Debt Service Reserve Account	24,253	24,253	-
Hotel Project	122,584	122,584	-
Total	166,735	166,735	-
Totals Restricted Investments	$ 386,101	$ 327,045	$ 59,056

Reserve Account	Investment Balances as of September 30, 2011	Minimum Required Reserve (Restricted)	Available Reserve Over and Above the Required Minimum
Series 2007A			
Capital Renewal & Replacement Account	$ 32,470	$ 17,445	$ 15,025
Debt Service	38,135	38,135	-
Debt Service Reserve Account	36,919	36,919	-
Senior Proceeds Account	2	2	-
Marketing Account	1,501	1,501	-
Operating and Marketing Reserve Account	36,563	28,597	7,966
Revenue Account	22,091	-	22,091
WCSA Hotel Contribution	25,004	25,004	-
Total	192,685	147,603	45,082
Series 2010			
Bond Issuance Cost	268	268	-
Capitalized Interest	20,910	20,910	-
Debt Service Reserve Account	28,177	28,177	-
Hotel Project	140,518	140,518	-
Total	189,873	189,873	-
Totals Restricted Investments	$ 382,558	$ 337,476	$ 45,082

NOTE 3 CAPITAL ASSETS

Capital asset balances at September 30, 2012 are summarized as follows *(in thousands)*:

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction in Progress	4,422	722	-	2,172	7,316
Plumber's Building	33,425	-	-	(1,270)	32,155
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	$ 45,374	$ 722	$ -	$ 902	$ 46,998
Depreciable					
Building (WEWCC)	$ 769,453	$ -	$ -	$ -	$769,453
Building Improvements (WEWCC)	22,955	1,590	-	(6)	24,539
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SESED)	34,051	1,026	-	(896)	34,181
Parking Lot Improvements (SESED)	5,965	-	-	-	5,965
Central plant	16,265	-	-	-	16,265
Carnegie Library (Visitor Center)	8,985	12,956	-	-	21,941
Carnegie Library-Building Improvements	-	71	-	-	71
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	18,596	1,182	-	12	19,790
Furniture and Equipment (SESED)	451	51	-	(12)	490
Machinery and Equipment	8,788	742	-	-	9,530
Total Depreciable Capital Assets	905,992	17,618	-	(902)	922,708
Less: Accumulated Depreciation					
Building	216,996	25,597	-	-	242,593
Building Improvements	34,340	1,845	-	-	36,185
Stadium Structure	18,942	95	-	-	19,037
Parking Lot Improvements	3,949	349	-	-	4,298
Central plant	6,891	814	-	-	7,705
Capital Lease Carnegie Library	-	609	-	-	609
Financial Systems	1,422	13	-	-	1,435
Furniture and Fixtures	9,366	1,460	-	-	10,826
Machinery and Equipment	7,406	660	-	-	8,066
Total Accumulated Depreciation	299,312	31,442	-	-	330,754
Total Net Depreciable Capital Assets	$ 606,680	$ (13,824)	$ -	$ (902)	$591,954

Capital asset balances at September 30, 2011 are summarized as follows *(in thousands)*:

	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction in Progress	4,052	370	-	-	4,422
Plumber's Building	33,425	-	-	-	33,425
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	$ 45,004	$ 370	$ -	$ -	$ 45,374
Depreciable					
Building (WEWCC)	$ 769,453	$ -	$ -	$ -	$ 769,453
Building Improvements (WEWCC)	21,445	1,510	-	-	22,955
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	33,755	296	-	-	34,051
Parking Lot Improvements (SED)	5,965	-	-	-	5,965
Central Plant	16,265	-	-	-	16,265
Carnegie Library (Visitor Center)	-	8,985	-	-	8,985
Financial Systems	1,416	30	-	-	1,446
Furniture and Fixtures	16,508	2,088	-	-	18,596
Furniture and Equipment (SED)	367	84	-	-	451
Machinery and Equipment	8,439	349	-	-	8,788
Total Depreciable Capital Assets	892,650	13,342	-	-	905,992
Less: Accumulated Depreciation					
Building	194,933	22,063	-	-	216,996
Building Improvements	29,520	4,820	-	-	34,340
Stadium Structure	18,561	381	-	-	18,942
Parking Lot Improvements	3,569	380	-	-	3,949
Central plant	4,461	2,430	-	-	6,891
Financial Systems	1,413	9	-	-	1,422
Furniture and Fixtures	7,241	2,125	-	-	9,366
Machinery and Equipment	6,397	1,009	-	-	7,406
Total Accumulated Depreciation	266,095	33,217	-	-	299,312
Total Net Depreciable Capital Assets	$ 626,555	$ (19,875)	$ -	$ -	$ 606,680

Construction in Progress

The construction in progress represents predevelopment costs related to construction of the new HQ Hotel project and major improvements at RFK Stadium and the D.C. Armory.

NOTE 4 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 is 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 existing 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 new lease agreement with HSW, which was executed on November 9, 2011. Under the new lease agreement, the Authority makes an annual payment to HSW for the remaining 87-year term with the initial three years lease payments of $125,000 and with an added escalation clause thereafter for the exclusive use of approximately 80% of the Library interior. The present value of the minimum lease payments totaled $12.9 million. The Authority is currently generating revenue from the leasable space for events and tourism related activities.

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2012 *(in thousands)*:

Year Ended September 30	**Amount**
2013	$ 2,125
2014	2,128
2015	129
2016	129
2017	132
2018-2022	690
2023-2027	683
2028-2032	691
2033-2037	703
2038-2042	711
2043-2047	725
2048-2052	733
2053-2057	746
2058-2062	755
2063-2067	768
2068-2072	779
2073-2077	792
2078-2082	801
2083-2087	815
2088-2092	825
2093-2097	840
2098-2099	329
Total Minimum Lease Payments	17,029
Less: Interest Costs	(189)
Present Value of Minimum Lease Payments	$ 16,840

NOTE 5 FINANCING ARRANGEMENTS PAYABLE

The Authority entered into an arrangement with a vendor to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center, provides hot and chilled water to the facility. The total construction cost of the Central Plant was approximately $16 million. The vendor financed $14 million and the Authority paid the remaining balance of $1.8 million with bond proceeds. Under the financing arrangement, the Authority agreed to pay the vendor $0.7 million annually for twenty years and will assume ownership of the plant at the end of the lease term. The Authority is exploring the options to purchase the Central Plant in accordance with the conditions set forth in the agreement.

The following reflects the annual financing arrangement payable through maturity as of September 30, 2012 *(in thousands)*:

Year Ended September 30	Amount
2013	$ 1,063
2014	1,027
2015	991
2016	955
2017	919
2018-2022	4,058
Total	9,013
Less Interest	(1,800)
Total Financing Arrangement Payable	7,213
Less: Current Portion	719
Long-term Portion	$ 6,494

NOTE 6 BOND 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.

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 Credit Facility that funds 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 $10 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.

[1] *See* New Convention Center Hotel Omnibus Financing and Development Act of 2006 (D.C. Law 16-163); New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008, D.C. Law 17-144; New Convention Center Hotel Technical Amendments Act of 2008, D.C. Law 17-399; 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.

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 was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service 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.

In connection with the issuance of the Series 2010 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 provides that on or before July 15 of each year, the District's Auditor shall deliver a certification relating to the sufficiency of the projected dedicated tax revenues, the 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 a surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2012 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the Mayor.

As of September 30, 2012, the Authority's bond liability totaled approximately $666.5 million. A summary of annual maturities of the bonds payable for the years ending September 30, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total Debt Service
2013	$ 13,865	$ 34,073	$ 47,938
2014	15,625	33,384	49,009
2015	18,200	32,652	50,852
2016	18,970	31,769	50,739
2017	19,835	30,838	50,673
2018-2022	117,410	137,696	255,106
2023-2027	156,220	104,081	260,301
2028-2032	176,340	59,899	236,239
2033-2037	76,885	31,685	108,570
2038-2040	53,175	6,335	59,510
Total	$ 666,525	$ 502,412	$ 1,168,937

At September 30, 2012 and 2011, the unamortized bond premiums were $12.7 million and $13.2 million respectively, and bond deferral were $20.3 million and $20.9 million respectively.

The Authority's bonds are rated "A2" by Moody's, "A" by Standard & Poor's Corporation and "A+" by Fitch Rating Services.

NOTE 7 LONG-TERM LIABILITIES

The following summarizes long-term liabilities at September 30, 2012:

	Balance Beginning	Additions	Reductions	Ending Balance	Amount Due Within One Year
Series 2007A Bond Payable	$ 430,570	$ -	$ (13,265)	$ 417,305	$ 13,865
Series 2007A Unamortized Bond Premium	13,194	-	(521)	12,673	-
Series 2007A Bond Deferral	(20,936)	-	657	(20,279)	-
Series 2010 Bond Payable	249,220	-	-	249,220	-
Series 2010 Unamortized Bond Premium	261	-	(16)	245	-
Capital Lease Obligation	8,985	12,855	(5,000)	16,840	2,121
Compensated Absences	1,004	934	(956)	982	-
Financing Arrangement Payable	7,932	-	(719)	7,213	719
Total Long-term Liabilities	$ 690,230	$ 13,789	$ (19,820)	$ 684,199	$ 16,705

NOTE 8 RETIREMENT PLAN

Effective 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 vested after four years of service. The contribution is 7% of total employee's salaries. The total employer's contribution for FY 2012 and 2011 were $0.97 million and $1.0 million respectively. The Plan's administrator issues financial statements and required supplemental information which is available upon. This report may be obtained from the following location: ICMA Retirement Corporation, 777 North Capitol Street, NE, Washington, D.C. 20002-4240.

NOTE 9 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 FY 2012, the Authority recognized revenue from dedicated tax receipts of $101 million. As of September 30, 2012 and 2011, the dedicated taxes due from the District government were $7.6 million and $8.4 million, respectively. These receivables represent September tax payments collected by the District in October.

Revenue Share Agreement with the District

In FY 2010, the Authority and the District executed the third amendment of their lease agreement to provide the District a portion of the revenues received by the Authority for parking operations and events held at the parking lot on the old convention center site located on 900 9th Street, N.W., Washington, D.C.

In FY 2011, the total amount paid to the District under the agreement totaled $235,484. There was no transfer to the District in FY 2012 as the revenue targets were not met due to the substantial reduction in the number of available parking spaces from 840 to 90 based on the increased development of the site.

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, D.C. Law 18-111, 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 D.C. 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 (DC ST 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.

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 FY 2012, the District received annual rent equal to $5 million. 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 long-term liability in the Authority's statement of net assets.

NOTE 10 MARKETING SERVICE CONTRACTS

In accordance with the provisions of Section 208(c) 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 FY 2012 and 2011, the total amount of dedicated taxes allocated to the Marketing Fund was $11.7 million and $11.4 million respectively. The Authority incurred the following marketing services expenses in FY 2012 and FY 2011 (in thousands) respectively:

Marketing Agencies	2012	2011
Washington D.C. Convention and Tourism Corporation	$ 10,235	$ 9,698
D.C. Chamber of Commerce	175	175
Greater Washington IBERO American Chamber of Commerce	200	200
Total	$ 10,610	$ 10,073

NOTE 11 BASEBALL STADIUM

Capital Reserve Fund

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 Baseball Stadium improvements and repairs costs. The Capital Reserve Fund balance is managed by the Authority and has a balance of $435,850 as of September 30, 2012, which is included in Other Short-term Liabilities in the financial statements.

Close Out Project

A memorandum 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 FY 2012, there was no activity, and in FY 2011, the Authority expensed $461,640. The remaining balance of $665,693 is reflected as a liability Due to the District in the financial statements.

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, 2012, the fund was not transferred and it is reflected as a receivable Due from the District in the financial statements.

NOTE 12 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 and which reflected as a liability in the financial statements.

NOTE 13 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 FY 2008. At the time of the merger, the Kenilworth fund had a balance of $145,537. This project had no activities besides monthly interest/service charge payments in fiscal years 2012 and 2011. As of September 30, 2012 and 2011, there was an account balance of $144,479 and $144,830 respectively. These amounts are reflected as restricted net assets in the financial statements.

NOTE 14 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 15 COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2012 and 2011, the Authority did not record an additional liability as the potential exposures for the current or pending contingencies to the Authority cannot be determined at this time.

NOTE 16 SUBSEQUENT EVENTS

The Authority did not have any subsequent events that, based on the facts and circumstances, required recording or disclosure in the financial statements for the year ended September 30, 2012. Events and transactions were evaluated through January 28, 2013, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET ASSETS BY FUND
SEPTEMBER 30, 2012
(In Thousands)

	Operating (WEWCC) Fund	Operating (SED) Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund (Parking Lot)	New Stadium Fund	SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
ASSETS											
Current Assets:											
Cash and Cash Equivalents	$ 3,252	$ 3,702	$ 572	$ 481	$ 485	$ 1,091	$ -	$ 331	$ (271)	$ 812	$ 10,455
Restricted Cash	-	1,185	-	-	-	-	1,102	-	-	-	2,287
Due from District of Columbia	6,729	-	882	-	-	-	5,000	-	-	-	12,611
Accounts Receivable, net of allowance for uncollectible accounts	1,168	1,321	-	20	-	2	-	-	22	-	2,533
Accrued Interest Receivable	267	-	-	-	411	-	-	-	-	-	678
Interfund Receivable (payable)	49,180	(693)	(6,053)	(30,069)	(11,479)	13	-	(848)	(51)	-	-
Investments	58,550	-	506	-	-	-	-	-	-	-	59,056
Total Current Assets	119,146	5,515	(4,093)	(29,568)	(10,583)	1,106	6,102	(517)	(300)	812	87,620
Noncurrent Assets											
Restricted Investments	160,310	-	-	-	166,735	-	-	-	-	-	327,045
Capital Assets, net of accumulated depreciation	546,854	1,420	-	29,337	38,570	-	-	1,371	21,332	68	638,952
Unamortized Bond Issue Costs	4,785	-	-	-	4,958	-	-	-	-	-	9,743
Total Noncurrent Assets	711,949	1,420	-	29,337	210,263	-	-	1,371	21,332	68	975,740
Total Assets	831,095	6,935	(4,093)	(231)	199,680	1,106	6,102	854	21,032	880	1,063,360
LIABILITIES AND NET ASSETS											
Current Liabilities											
Accounts Payable	1,584	4,267	1,668	157	107	7	-	602	19	2	8,413
Due to District Government	-	-	-	-	-	-	666		5,000	-	5,666
Compensation Liabilities	588	-	-	-	-	-	-	-	-	-	588
Deferred Revenue	3,152	7	-	-	-	-	-	-	43	-	3,202
Accrued Interest Payable	9,956	-	-	-	7,420	-	-	-	-	-	17,376
Other Short-term Liabilities	-	1,041	-	-	-	-	5,436		-	-	6,477
Capital Lease - Current portion	-	-	-	-	-	-	-	-	2,121	-	2,121
Other Financing Arrangement Payable	719	-	-	-	-	-	-	-	-	-	719
Bonds Payable, Current Portion	13,865	-	-	-	-	-	-	-	-	-	13,865
Total Current Liabilities	29,864	5,315	1,668	157	7,527	7	6,102	602	7,183	2	58,427

See independent auditors' report.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET ASSETS BY FUND
SEPTEMBER 30, 2012
(In Thousands)

	Operating (WEWCC) Fund	Operating (SED) Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund (Parking Lot)	New Stadium Fund	SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
Noncurrent Liabilities											
Compensated Absences	$ 864	$ 115	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 982
Bonds Payable including Premium	395,834	-	-	-	249,465	-	-	-	-	-	645,299
Other Long-term Liabilities	-	-	-	-	-	-	-	-	14,719	-	14,719
Other Financing Arrangement Payable	6,494	-	-	-	-	-	-	-	-	-	6,494
Total Noncurrent Liabilities	403,192	115	-	-	249,465	-	-	-	14,722	-	667,494
Total Liabilities	433,056	5,430	1,668	157	256,992	7	6,102	602	21,905	2	725,921
NET ASSETS											
Net Assets											
Invested in Capital Assets, net of related debt	129,944	1,421	-	29,337	38,570	-	-	1,370	-	68	200,710
Restricted for:											
Debt Service Reserve and Capitalized Interest	26,888	-	-	-	-	-	-	-	-	-	26,888
Capital Renewal	17,672	-	-	-	-	-	-	-	-	-	17,672
Operating Fund	31,580	-	-	-	-	-	-	-	-	-	31,580
Senior Proceeds	2	-	-	-	-	-	-	-	-	-	2
Debt Services Reserve	37,207	-	-	-	-	-	-	-	-	-	37,207
Kenilworth Park	-	144	-	-	-	-	-	-	-	-	144
Hotel Project	46,961	-	-	-	-	-	-	-	-	-	46,961
Unrestricted Net Assets	107,785	(60)	(5,761)	(29,725)	(95,882)	1,099	-	(1,118)	(873)	810	(23,725)
Total Net Assets	$ 398,039	$ 1,505	$ (5,761)	$ (388)	$ (57,312)	$ 1,099	$ -	$ 252	$ (873)	$ 878	$ 337,439

See independent auditors' report.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND
YEAR ENDED SEPTEMBER 30, 2012
(In Thousands)

	Operating (WCC) Fund	Operating (SED) Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Parking Lot Fund	New Stadium Fund	SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
Operating Revenues:											
Building Rental	$ 7,629	$ 773	$ -	$ -	$ -	$ -	$ -	$ -	$ 134	$ -	$ 8,536
Food Services	4,008	572	-	-	-	-	-	-	8	-	4,588
Electrical	2,823	-	-	-	-	-	-	-	-	-	2,823
Parking	-	351	-	-	-	548	-	-	-	-	899
Telecommunications	1,255	-	-	-	-	-	-	-	-	-	1,255
Retail/Office Rental	434	454	-	-	-	-	-	-	-	-	888
Advertising & Sponsorship	-	1,086	-	-	-	-	-	-	-	-	1,086
Miscellaneous	962	1,506	-	-	-	-	-	-	10	-	2,478
Total Operating Revenues	17,111	4,742	-	-	-	548	-	-	152	-	22,553
Operating Expenses											
Personal Services	16,668	1,492	-	-	-	-	-	-	131	-	18,291
Contractual Services	11,580	1,700	3,595	508	-	364	-	123	77	117	18,064
Depreciation	27,189	1,495	-	2,090	-	-	-	56	609	3	31,442
Occupancy	5,597	1,324	-	-	-	-	-	-	135	-	7,056
Payment to District	-	2,380	-	-	-	-	-	-	-	-	2,380
Miscellaneous	810	77	-	2	-	-	-	-	73	2	964
Bad Debt	229	984	-	-	-	-	-	-	-	-	1,213
Total Operating Expenses	62,073	9,452	3,595	2,600	-	364	-	179	1,025	122	79,410
Operating Loss	(44,962)	(4,710)	(3,595)	(2,600)	-	184	-	(179)	(873)	(122)	(56,857)
Nonoperating Revenues and (Expenses)											
Interest Income	963	4	1	-	1,037	-	-	1	-	-	2,006
Dedicated Taxes	84,314	-	11,712	4,000	-	-	-	-	-	1,000	101,026
Miscellaneous Revenue	-	-	-	-	4,284		-	-	-	-	4,284
Interest Expense	(21,102)	-	-	-	(14,841)	-	-	-	-	-	(35,943)
Amortization of Bond Issuance Costs	(200)	-	-	-	(177)	-	-	-	-	-	(377)
Marketing Agencies & Internal Marketing Expenses	-	-	(10,610)	-	-	-	-	-	-	-	(10,610)
Funding to Hotel Project	-	-	-	-	(18,730)	-	-	-	-	-	(18,730)
Prior Year Cost Recovery	-	-	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues and (Expenses)	63,975	4	1,103	4,000	(28,427)	-	-	1	-	1,000	41,656
Increase (Decrease) in Net Assets	19,013	(4,706)	(2,492)	1,400	(28,427)	184	-	(178)	(873)	878	(15,201)
Net Assets, Beginning of Year	379,026	6,211	(3,269)	(1,788)	(28,885)	915	-	430	-	-	352,640
Net Assets, End of Year	$ 398,039	$ 1,505	$ (5,761)	$ (388)	$ (57,312)	$ 1,099	$ -	$ 252	$ (873)	$ 878	$ 337,439

See independent auditors' report.

BERT SMITH & Co.

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

To the Mayor and Council of the Government of the District of Columbia
Board of Directors Washington Convention and Sports Authority
Washington, D.C.

We have audited 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 year ended September 30, 2012 have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters -- As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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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This report is intended solely for the information and use of management, Board of Directors, the Mayor, the Council of the District of Columbia, and the Office of the Inspector General, and is not intended to be and should not be used by anyone other than these specified parties.

Bert Smith & Co.

Washington, D.C.
January 28, 2013