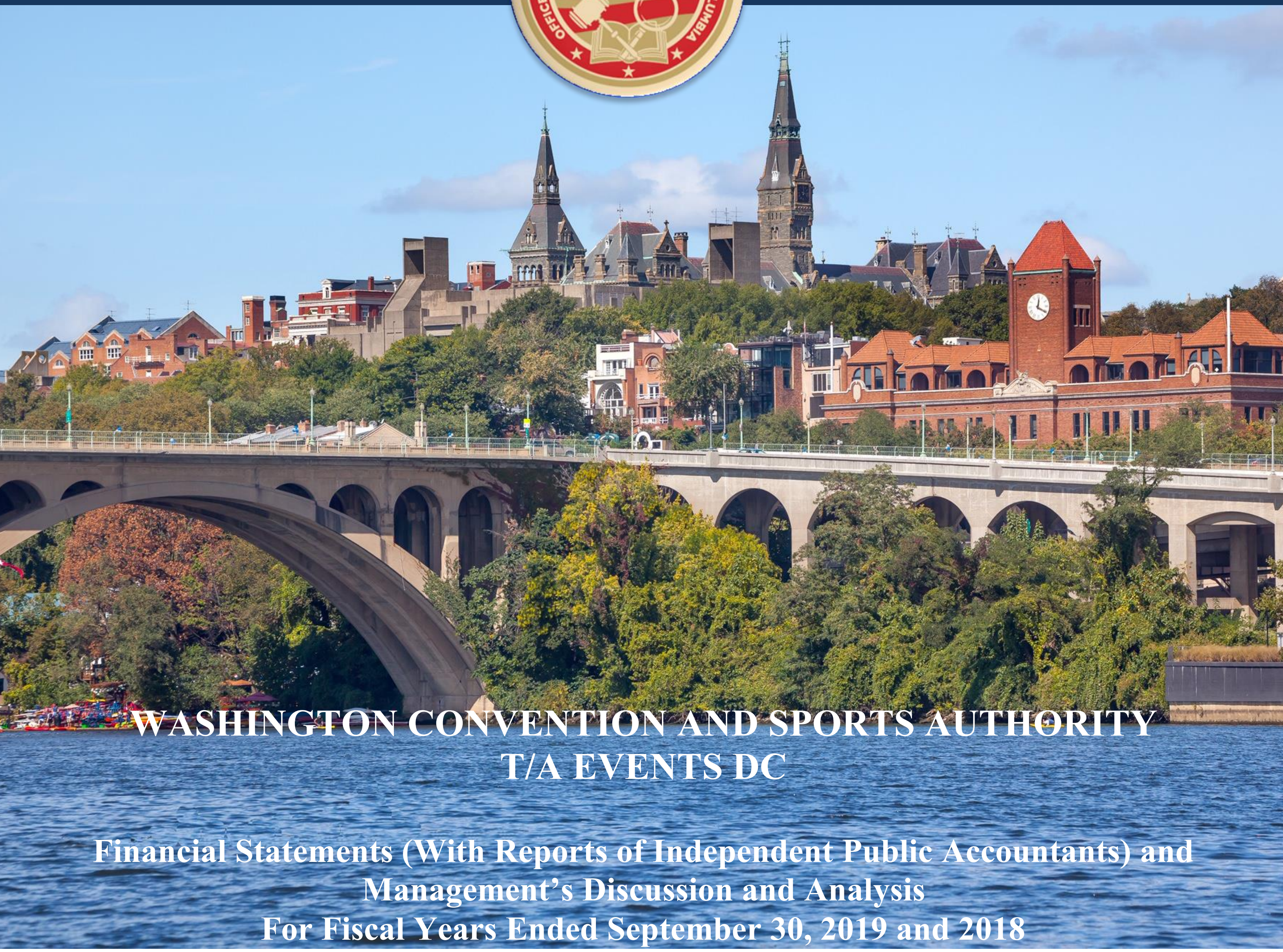
DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 20-1-07ES | **January 2020**



WASHINGTON CONVENTION AND SPORTS AUTHORITY
T/A EVENTS DC

Financial Statements (With Reports of Independent Public Accountants) and Management's Discussion and Analysis For Fiscal Years Ended September 30, 2019 and 2018

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General

Inspector General

OIG

January 31, 2020

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 the Fiscal Years Ended September 30, 2019 and 2018* (OIG No. 20-1-07ES). SB & Company, LLC (SBC) conducted the audit and submitted 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 2019.

On December 19, 2019, SBC issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. SBC identified no material weaknesses in internal control over financial reporting.

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

Sincerely,

Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

DISTRIBUTION:

Mr. Rashad M. Young, City Administrator, District of Columbia (via email)
Mr. Barry Kreiswirth, General Counsel, City Administrator, District of Columbia (via email)
The Honorable Brandon T. Todd, Chairperson, Committee on Government Operations (via email)
Mr. John Falcicchio, Chief of Staff, Office of the Mayor (via email)
Ms. LaToya Foster, Director of Communications, Office of Communications, Executive Office of the Mayor (via email)
Ms. Jennifer Reed, Director, Office of Budget and Performance Management, Office of the City Administrator (via email)
Ms. Nyasha Smith, Secretary to the Council (via email)
The Honorable Karl Racine, Attorney General for the District of Columbia (via email)
Mr. Jeffrey DeWitt, Chief Financial Officer, Office of the Chief Financial Officer (via email)
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)
The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Cathy Patten (via email)
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)
Ms. Berri Davis, Director, FMA, GAO, (via email)
Mr. Max Brown, Chairman, Board of Directors, Washington Convention and Sports Authority (via email)
Mr. Graylin (Gray) Smith, Partner, SB and Company, LLC (via email)

WASHINGTON CONVENTION AND SPORTS AUTHORITY
T/A EVENTS DC

A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

FINANCIAL STATEMENTS
(Together with Reports of Independent Public Accountants)
SEPTEMBER 30, 2019 and 2018

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

WASHINGTON CONVENTION AND SPORTS AUTHORITY
FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019 and 2018

TABLE OF CONTENTS

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the Washington Convention and Sports Authority
Inspector General of the District of Columbia
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, 2019 and 2018, 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, 2019 and 2018, 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.

SB & COMPANY, LLC
Knowledge • Quality • Client Service

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 schedules of net position by fund and 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 schedules of net position by fund and 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 schedules of net position by fund and 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 19, 2019 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 controls 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, D.C.
December 19, 2019

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, 2019 and 2018, with comparative information for 2017. 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 and Sports and Entertainment Division (SED). 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 hosting conventions, tradeshows, consumer shows, meetings, banquets, sports and entertainment and other special events. The Convention & Meetings Division includes the Walter E. Washington Convention Center (WEWCC) and the Carnegie Library at Mt. Vernon Square. WEWCC generates event-related revenues from the licensing of meeting and exhibition space and other commissionable ancillary services such as telecommunications, audio-visual, electrical, rigging and catering services. Carnegie Library at Mount Vernon Square, the newest Apple global flagship location, generates rental income.

The Sports and Entertainment Division (SED) includes the Robert F. Kennedy (RFK) Memorial Stadium, The Fields at RFK Campus, the Skate Park at RFK Campus, the DC Armory and the surrounding Festival Grounds event space, the Entertainment and Sports Arena, Gateway DC, the R.I.S.E. Demonstration Center (meeting and demonstration space that is part of St. Elizabeth East redevelopment) and also serve as landlord for Nationals Park. SED generates revenue from hosting entertainment and community events.

At the start of fiscal year 2019, Events DC opened the 118,000-square foot, 4,200-seat, Entertainment and Sports Arena, the newest SED venue. The Arena generates revenue from full seasons of WNBA Washington Mystics and NBA G League Team, and Capital City Go-Go games, as well as rental and commissionable ancillary services revenues from hosting concerts, boxing matches, and esports tournaments.

Through the Special Events Division, Events DC sponsors and is actively involved in the planning and support of some of the District's most anticipated events, attracting thousands of attendees to locations around the District which bring additional spending to our nation's capital.

Fiscal Year 2019 Financial Highlights

- The total net position decreased by $3.6 million or 1% when compared to the fiscal year ended September 30, 2018. The decrease is primarily attributed to 59% reduction in unrestricted fund due to a transfer of $47 million cash to the District General Fund in accordance with D.C. code § 10–1202.13 requirements. The code requires any excess revenue at the end of a fiscal year to be transferred in cash to the District General fund. The reduction is partially offset by a 17% and 22% increase in net investment in capital assets and restricted asset, respectively.

- Operating expenses increased by $17 million or 18% from fiscal year 2018, due to increase in cost related to personal services, contractual services, depreciation, occupancy and miscellaneous expenses.

- Operating revenues shows a slight decrease by $336 thousand or 1% from fiscal year 2018, resulting in total operating revenues of $31.2 million in FY 2019.

- The Authority's long-term debt, excluding current maturities, decreased to $498.5 million or 5% compared to fiscal year 2018, mainly due to payment of the scheduled current portion of outstanding debt.

- The Statements of Cash Flows reflect a decrease in cash and cash equivalents of $936 thousand.

- The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services. These are the highest ratings the Authority received so far.

Fiscal Year 2018 Financial Highlights

- Net position increased by $73.3 million or 19% when compared to the fiscal year ended September 30, 2017. Significant factors contributing to the $73.3 million increase in net position included a $23 million onetime contribution from the District to jointly finance the Entertainment and Sports Arena (ESA), a new practice/training facility for the Washington Wizards and Washington Mystics.

- Operating expenses increased by $7.2 million or 8% from fiscal year 2017, due to increases in costs related personal and contractual services, utilities, and payment to the District for maintenance services specific to RFK Stadium and Armory.

- Operating revenues decreased by $1.5 million or 5% from fiscal year 2017, resulting in total operating revenues of $31.5 million in FY 2018. The decrease in operating revenue was a result of hosting less city-wide events which negatively impacted ancillary revenues.

- The Authority's long-term debt, excluding current maturities, decreased to $524.2 million or 9% compared to fiscal year 2017, mainly due to refunding of the 2007 bonds and 2010C bond and payment of the scheduled current portion of outstanding debt.

- The Statements of Cash Flows reflect an increase in cash and cash equivalents of $521 thousands.

- The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services. These are the highest ratings the Authority received so far.

(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 as of September 30, 2019, 2018 and 2017 *(in thousands)*:

Table 1
Condensed Statements of Net Position
(in thousands)

	2019	2018	2017	Percentage change 2019-2018	Percentage change 2018-2017
Assets:					
Current assets	$ 193,291	$ 248,720	$ 217,690	-22%	14%
Capital assets, net of accumulated depreciations	573,869	554,500	519,361	3%	7%
Other non-current assets	254,802	244,077	276,635	4%	-12%
Total Assets	1,021,962	1,047,297	1,013,686		
Deferred outflow of resources	10,165	10,692	13,320	-5%	-20%
Total Assets and Deferred Outflow of Resources	1,032,127	1,057,989	1,027,006		
Liabilities:					
Current liabilities	65,145	62,829	64,840	4%	-3%
Noncurrent liabilities	498,516	524,191	578,457	-5%	-9%
Total Liabilities	563,661	587,020	643,297		
Deferred Inflow of resources	15,042	13,922	-	8%	100%
Net Position:					
Net Investment in capital assets	247,243	210,772	146,870	17%	44%
Restricted	158,482	130,404	150,820	22%	-14%
Unrestricted	47,699	115,871	86,019	-59%	35%
Total Net Position	$ 453,424	$ 457,047	$ 383,709	-1%	19%

2019 - The Authority's overall financial position slightly decreased during fiscal year 2019. The total net position of the Authority decreased by $3.6 million or 1% for the year ended September 30, 2019. As of September 30, 2019, the Authority had total net position amounting to approximately $453.4 million, with the largest portion of the Authority's net position, $247.2 million, or 55%, representing net investment in capital assets. Of the Authority's remaining net position, $158.5 million or 35%, reflects resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture minimum reserve requirements). The remaining balance of $47.7 million or 10% 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 used 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)

2018 **-** For the year ended September 30, 2018, the Authority's overall financial position remained strong with total assets of $1 billion and liabilities of $587 million. Current assets increased by $31 million or 14% and other non-current assets decreased by $32 million or 12% for the year ended September 30, 2018. The increase in current assets is due to the purchase of additional investments. The decrease in non-current assets is due to receipt of other receivables and a reduction in restricted investments off set by increase in the receivables from Carnegie Library lease entered in current year.

The total net position of the Authority increased by $73.3 million or 19% for the year ended September 30, 2018. As of September 30, 2018, the Authority had a total net position amounting to approximately $457 million, with the largest portion of the Authority's net position, $210.7 million, or 46%, in net investment in capital assets. Of the Authority's remaining net position, $130 million or 29%, representing resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). The remaining balance of $115.8 million or 25% is unrestricted.

(2) Financial Analysis (Continued)

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(in thousands)

	2019	2018	2017	Percentage change 2019-2018	Percentage change 2018-2017
Operating Revenues:					
Building rental	$ 8,807	$ 8,417	$ 9,704	5%	-13%
Building Lease rental	3,419	3,246	2,440	5%	33%
Ancillary charges	18,939	19,838	20,876	-5%	-5%
Total Operating Revenues	31,165	31,501	33,020	-1%	-5%
Operating Expenses:					
Personal services	30,376	27,284	25,718	11%	6%
Contractual services	33,058	23,113	20,763	43%	11%
Depreciation	37,828	33,996	32,543	11%	4%
Occupancy	6,796	6,433	5,249	6%	23%
Payments to District	2,232	2,501	2,056	-11%	22%
Miscellaneous	1,555	1,428	1,140	9%	25%
Bad debt	74	16	64	363%	-75%
Total Operating Expenses	111,919	94,771	87,533	18%	8%
Operating loss	(80,754)	(63,270)	(54,513)	28%	16%
Non-operating Revenues and (Expenses):					
Interest income	8,478	4,821	2,092	76%	130%
Dedicated taxes	147,633	141,448	138,128	4%	2%
TIF revenue	19,248	20,320	21,079	-5%	-4%
Miscellaneous Revenue	5,933	27,043	2,763	-78%	879%
Bond interest and amortization issue costs	(23,973)	(29,589)	(31,531)	-19%	-6%
Marketing agencies payments	(20,370)	(19,846)	(14,830)	3%	34%
Miscellaneous Expenses	(11,971)	(7,589)	(3,000)	58%	-
Total Non-operating Revenues and (Expenses)	124,978	136,608	114,701	-9%	19%
Transfer to General Fund	(47,847)	-	-	100%	0%
(Decrease) increase in net position	(3,623)	73,338	60,188	-105%	22%
Net position, beginning of year	457,047	383,709	323,521	19%	19%
Net position, End of Year	$ 453,424	$ 457,047	$ 383,709	-1%	19%

(2) Financial Analysis (Continued)

Analysis of Changes in Net Position

Revenues
For the fiscal years ended September 30, 2019, 2018 and, 2017 the Authority's operating revenues were $31.2 million, $31.5 million and $33 million, respectively.

2019 – Events DC's fiscal year 2019 operating revenues decreased by 1% compared to fiscal year 2018. The net decrease is attributed to the nature and size of events and the amount of revenues derived from each event hosted during the year. Although the number of city-wide events held in fiscal year 2019 is the same as the number held during fiscal year 2018, the size and impact of the events was different. In fiscal year 2019 the average attendance for Citywide events (events requiring a minimum of 2,500 peak night hotel lodging rooms and at least two WEWCC exhibit halls) was 15,012 attendees compared to 23,235 average attendees for fiscal year 2018 Citywide events.

During fiscal year 2019, non-operating revenues of $181.3 million decreased by 6% compared to fiscal year 2018. This was due to $23 million onetime contribution received from the District in prior year offset by $9.8 million increases in dedicated taxes and interest income from investments.

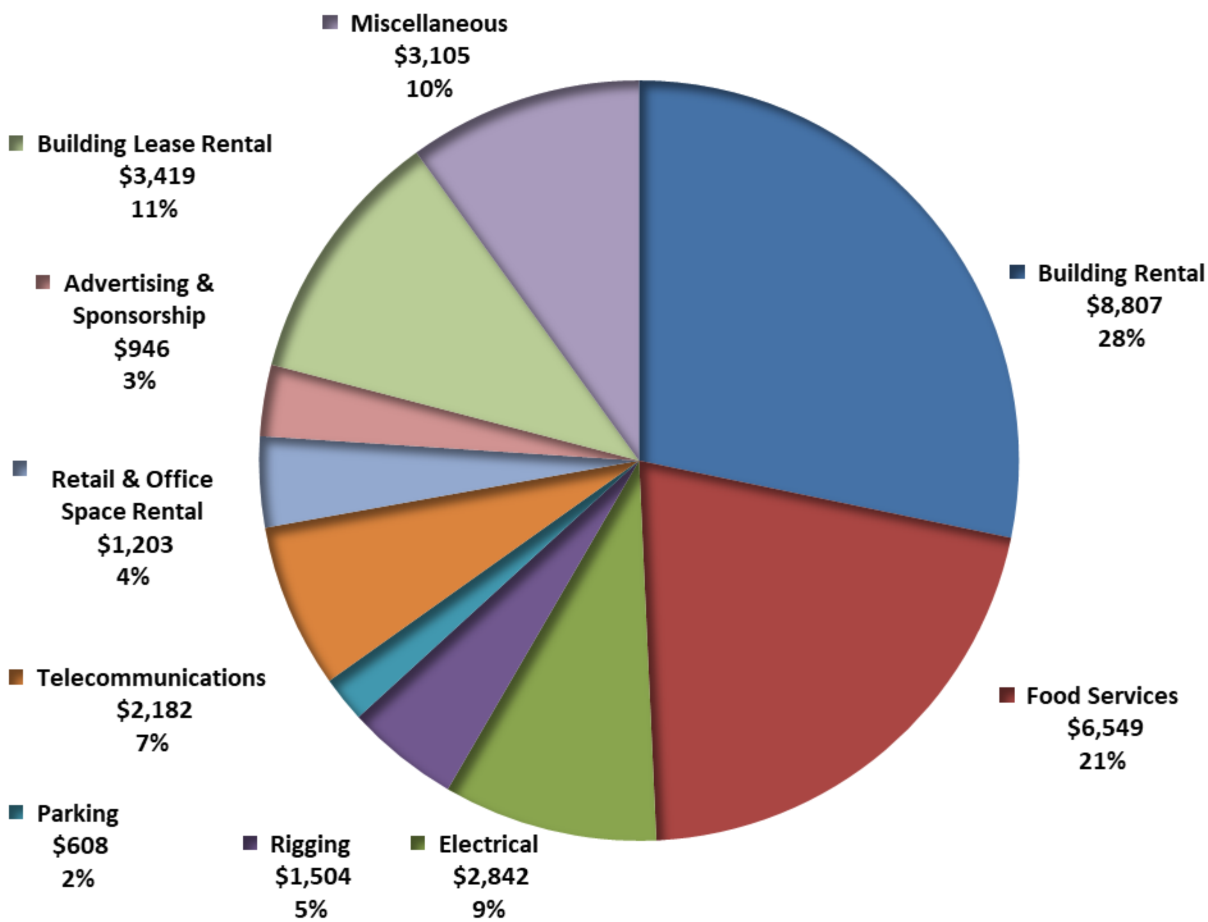
2018 – Operating revenues decreased by 5% compared to the previous year. The net decrease is attributed to the nature of events and the amount of revenue derived from each event hosted during the year. The DC United move from RFK Stadium also contributed to the revenue reduction. There were two less city-wide events held in fiscal year 2018 that contributed to the decrease in operating revenue compared to fiscal year 2017. Ancillary revenues decreased by 5% in fiscal year 2018 as a result of less demand for food, and a reduction of parking, facilities maintenance, and event services revenue related to DC United's move to their new Stadium.

During fiscal year 2018, non-operating revenues of $193.6 million increased by 18% compared to fiscal year 2017. This was due to $23 million onetime contribution from the District to jointly finance the Entertainment Sports Arena (ESA), a new practice/training facility for the Washington Wizards and Washington Mystics. The $23 million is shown as miscellaneous revenue in the Statements of Revenues, Expenses, and Changes in Net Positions.

(2) Financial Analysis (Continued)

The following is a graphic illustration of 2019 operating revenues by source.

(In Thousands)



Expenses

For fiscal years 2019, 2018 and 2017, the Authority's total operating expenses were $111.9 million, $94.8 million and $87.5 million, respectively.

2019 – Total operating expenses increased by $17.1 million or 18% from fiscal year 2018. The increase was driven by salaries and fringe benefits associated with the hiring of new FTEs and the filling of vacant positions. Increase in contractual services and depreciation expenses contributed for the variance.

Personal services increased by $3.1 million or 11%. The increase was attributable, in part (57%), to new hires related to the new Entertainment and Sport Arena. Fiscal year 2019 represented the first year that Events DC began to operate Entertainment and Sport Arena. Cost of living adjustment, alignment of salaries, and growing demand in part-time labor for security and transportation services also contributed for the increases. Contractual services costs increased by $9.9 million or 43% compared to fiscal year 2018.

(2) Financial Analysis (Continued)

This was primarily due to cost related to the first full year operation of the new Entertainment and Sports Arena. Increased cost in marketing and sponsorship expenses related to the new Arena also contributed for the variance. Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled $6.8 million, an increase of 6% from fiscal year 2017. Depreciation expense, primarily for the convention center building, amounted to $37.8 million.

The Authority's non-operating expenses consisted of $23.9 million in bond interest and amortization, and $20.4 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. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, an additional 0.3 percent hotel room tax was imposed. The new 0.3 percent tax is dedicated to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination.

2018 – Total operating expenses increased by $7.2 million or 8% from fiscal year 2017. The increase was driven by salaries and fringe benefits associated with the hiring of new FTEs and the filling of vacant positions. There was also an increase in contractual services, occupancy and payments to the District for RFK facility maintenance services.

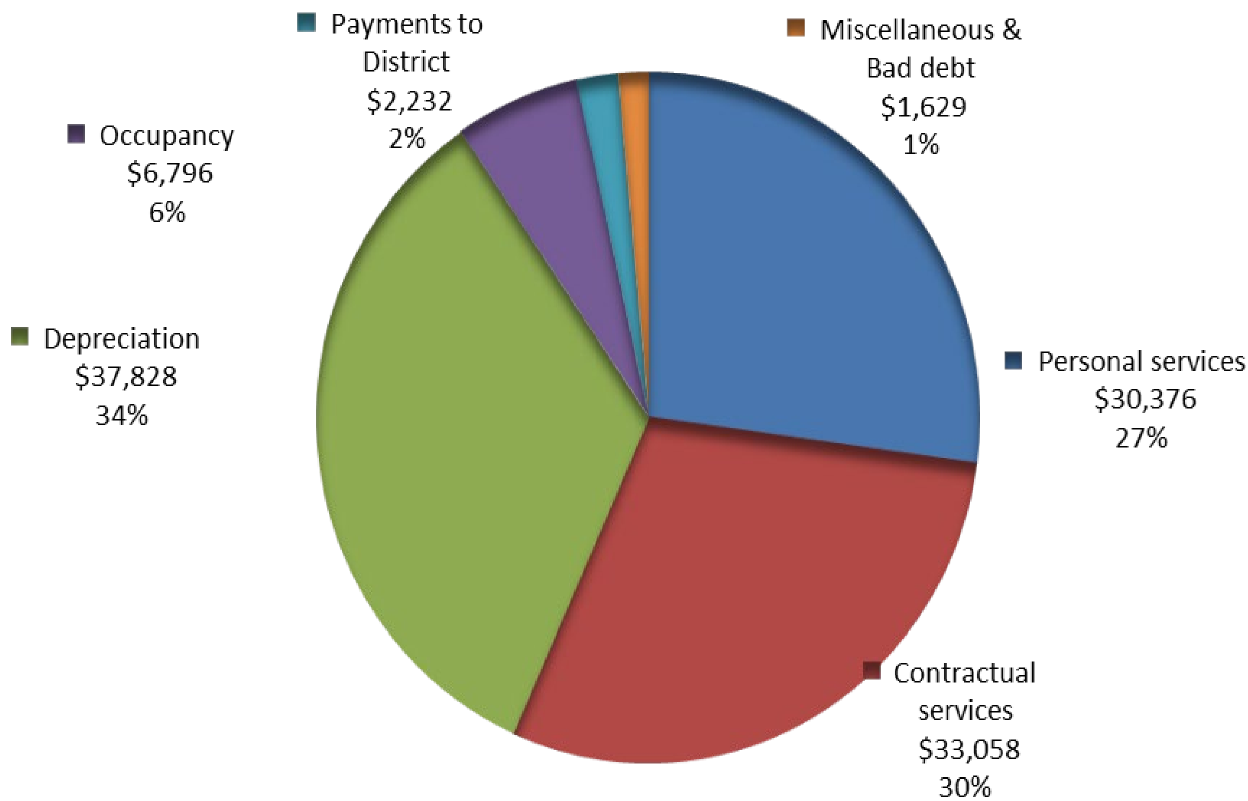
Personal services increased by $1.6 million or 6%. The increase was due to new hires, alignment of salaries, and positions being filled that were vacant in the previous year. Contractual services costs increased by $2.4 million or 11% compared to fiscal year 2017. This was primarily due to increased cost in marketing and community engagement expenses related to the new Arena and consulting services related to the RFK redevelopment study as well as an increase in payments to the District for RFK facility maintenance services. Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled $6.4 million, an increase of 23% from fiscal year 2017. Depreciation expense, primarily for the convention center building, amounted to $34 million.

The Authority's non-operating expenses consisted of $29.6 million in bond interest and amortization, and $19.8 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. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, an additional 0.3 percent hotel room tax was imposed. The new 0.3 percent tax is dedicated to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination.

(2) Financial Analysis (Continued)

The following is a graphic illustration of 2019 operating expenses.

(In Thousands)



(3) *Capital Asset and Debt Administration*

Capital Assets

The Authority has invested $573.9 million and $554.5 million in capital assets, net of depreciation for 2019 and 2018, respectively. The Authority's 2019 net capital assets increased by $19.4 million compared to fiscal year 2018, which was primarily due to the completion of the redevelopment of a 27-acre multi-purpose turf fields at RFK Campus. Office renovation and the purchase of furniture, machinery, and equipment also contributed for the increase. The increase is partially offset by depreciation expenses of $37.8 million.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation as of September 30, 2019, 2018, and 2017. 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)

	2019	2018	2017	Percentage Change 2019-2018	2018-2017
Non-depreciable					
Land	$ 4,785	$ 4,785	$ 4,785	0%	0%
Construction in progress		71,489	13,679	-100%	100%
Artwork	2,742	2,742	2,742	0%	0%
Total non-depreciable capital assets	$ 7,527	$ 79,016	$ 21,206		
Depreciable					
Building	769,409	769,409	769,409	0%	0%
Building improvements	49,920	42,790	37,377	17%	14%
Plumber's building	33,425	33,425	33,425	0%	0%
Stadium structure	19,037	19,037	19,037	0%	0%
Building Improvements/Displays (SED)	38,592	38,367	38,344	1%	0%
Building-ESA	73,975	-	-		
RFK Multi-Purpose Fields	37,138	-	-		
Parking Lot improvements	7,041	7,041	7,041	0%	0%
Central plant	16,265	16,265	16,265	0%	0%
Carnegie Library	14,798	14,798	14,798	0%	0%
Carnegie Library-building improvements	1,479	1,479	1,466	0%	1%
Financial systems	2,124	1,751	1,645	21%	6%
Furniture and fixtures	33,547	28,005	25,403	20%	10%
Furniture and fixtures-RFK	1,652	1,578	1,566	5%	1%
Machinery and equipment	27,881	23,652	20,496	18%	15%
Total depreciable capital assets	1,126,283	997,597	986,272		
Less accumulated depreciation	559,941	522,113	488,117	7%	7%
Net depreciable capital assets	$ 566,342	$ 475,484	$ 498,155		

Debt Administration

The Authority had $523.1 million and $542.5 million in long-term liabilities outstanding, including current maturities, as of September 30, 2019 and 2018, respectively. Principal payments of $18.3 million and $20.8 million were made during fiscal years 2019 and 2018, 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)

	2019	**2018**	**2017**	**Percentage change 2019-2018**	**Percentage change 2018-2017**
Bonds Payable, Premium & Deferral	$ 516,881	$ 536,240	$ 592,931	-4%	-10%
Capital Lease obligation	4,826	4,972	5,123	-3%	-3%
Compensated Absences	1,421	1,306	1,284	9%	2%
Total debt outstanding	523,128	542,518	599,338	-4%	-9%
Current portion of debt outstanding	24,612	18,327	20,880	34%	-12%
Debt outstanding less current portion	$ 498,516	$ 524,191	$ 578,458	-5%	-9%

Current portion of debt outstanding includes $89 thousand and $75 thousand current portion of compensated absences, as of September 30, 2019 and 2018, respectively. See Note 8 for detail.

The Authority's bonds are rated "Aa3" by Moody's for fiscal year 2018 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
SEPTEMBER 30, 2019 and 2018
(Dollar Amounts in Thousands)

	2019	2018
Assets		
Current assets:		
Cash and Cash Equivalents	$ 17,146	$ 14,522
Restricted Cash	5,414	8,974
Investments	140,100	206,758
Due from District of Columbia	21,259	13,344
Accounts Receivable, Net of Allowance for Uncollectible Accounts	5,656	3,449
Lease Receivable	2,198	-
Prepaid Expenses and Other Assets	831	1,162
Accrued Interest Receivable	687	511
Total current assets	193,291	248,720
Noncurrent Assets		
Lease Receivable	12,020	14,336
Other Receivable	28,443	39,410
Restricted Investments	214,339	190,331
Non-Depreciable Capital Assets	7,527	79,016
Capital Assets, Net of Accumulated Depreciation	566,342	475,484
Total Noncurrent Assets	828,671	798,577
Total Assets	1,021,962	1,047,297
Deferred Outflow of Resources	10,165	10,692
Total Assets and Deferred Outflow of Resources	$ 1,032,127	$ 1,057,989
Liabilities and Net Position		
Current Liabilities		
Accounts Payable	$ 13,632	$ 16,754
Other Liabilities	6,151	8,275
Due to District Government	3,940	2,329
Compensation Liabilities	1,778	1,317
Unearned Revenue	2,788	3,273
Accrued Interest Payable	12,334	12,629
Capital Lease- Current Portion	143	147
Bonds Payable, Current Portion	24,380	18,105
Total Current Liabilities	65,145	62,829
Noncurrent Liabilities		
Compensated Absences	1,332	1,231
Capital Lease- Long-Term	4,683	4,825
Long-term Bonds Payable including Premium	492,501	518,135
Total Noncurrent Liabilities	498,516	524,191
Total Liabilities	563,661	587,020
Deferred Inflow of Resources	15,042	13,922
Net Position		
Net Position		
Invested in Capital Assets	247,243	210,772
Restricted Net Position:		
Debt Service and Capital Interest	31,310	23,635
Capital Renewal	31,797	21,815
Operating Fund	67,677	50,635
Debt Service Reserve	27,554	27,554
ESA Project	-	6,621
Kenilworth Park	144	144
Unrestricted Net Position	47,699	115,871
Total Net Position	$ 453,424	$ 457,047

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
SEPTEMBER 30, 2019 and 2018
(Dollar Amounts in Thousands)

	2019	2018
Operating Revenues and Expenses		
Operating Revenues:		
Building Rental	**$ 8,807**	$ 8,417
Food Services	**6,549**	7,721
Electrical	**2,842**	3,036
Rigging	**1,504**	2,014
Parking	**608**	425
Telecommunications	**2,182**	2,158
Retail & Office Space Rental	**1,203**	1,131
Advertising & Sponsorship	**946**	928
Building Lease Rental	**3,419**	3,246
Miscellaneous	**3,105**	2,425
Total Operating Revenues	**31,165**	31,501
Operating Expenses		
Personal Services	**30,376**	27,284
Contractual Services	**33,058**	23,113
Depreciation	**37,828**	33,996
Occupancy	**6,796**	6,433
Payment to District	**2,232**	2,501
Miscellaneous	**1,555**	1,428
Bad Debt	**74**	16
Total Operating Expenses	**111,919**	94,771
Operating Loss	**(80,754)**	(63,270)
Nonoperating Revenues and (Expenses)		
Interest Income	**8,478**	4,821
Dedicated Taxes	**147,633**	141,448
TIF Revenue	**19,248**	20,320
Miscellaneous Revenue	**5,933**	27,043
Interest Expense	**(24,702)**	(29,295)
Amortization of Bond Issuance Costs	**729**	(294)
Marketing Agencies Payments	**(20,370)**	(19,846)
Miscellaneous Expenses	**(11,971)**	(7,589)
Total Nonoperating Revenues and (Expenses)	**124,978**	136,608
Excess Cash Transfer to the District	**(47,847)**	-
(Decrease) Increase in Net Position	**(3,623)**	73,338
Net Position, Beginning of Year	**457,047**	383,709
Net Position, End of Year	**$ 453,424**	$ 457,047

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

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2019 and 2018
(Dollar Amounts in Thousands)

	2019	2018
Cash flows from operating activities:		
Receipts from Customers	**$ 28,400**	$ 31,744
Payments to Suppliers	**(45,624)**	(27,090)
Payments to Employees	**(29,814)**	(27,204)
Other Payments	**(1,322)**	(3,163)
Net cash used in Operating Activities	**(48,360)**	(25,713)
Cash flows from Noncapital Financing Activities:		
Dedicated Tax Receipts	**139,718**	141,013
Tax Incremet Financing Tax Receipts	**19,248**	20,320
Transfer to Tourism Responsibility Centers	**(20,370)**	(19,846)
Other Payments	**(11,971)**	(7,589)
Other Receipts	**15,139**	33,240
Excess Cash Transfer to the District	**(47,847)**	-
Net cash provided by Noncapital Financing Activities	**93,916**	167,138
Cash flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(57,195)**	(69,135)
Capital Lease Payment	**(146)**	(151)
Bonds payable payment	**(18,105)**	(83,900)
Interest payments	**(22,462)**	(2,541)
Net cash used in Capital and Related Financing Activities	**(97,908)**	(155,727)
Cash flows from Investing Activities:		
Proceeds from sale and maturities of investment securities	**230,413**	191,709
Purchases of investment securities	**(187,300)**	(181,840)
Interest and dividends on investments	**8,302**	4,954
Net cash used in Investing Activities	**51,416**	14,823
Net (decrease) increase in cash and cash equivalents	**(936)**	521
Cash and Cash Equivalents, Beginning of Year	**23,496**	22,975
Cash and Cash Equivalents, End of Year	**$ 22,560**	$ 23,496
Reconciliation of Operating Loss to Net Cash Used In		
Operating Loss	**$ (80,754)**	$ (63,270)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	**37,828**	33,996
Provision for Doubtful Accounts	**40**	(61)
(Increase) Decrease in Receivables	**(2,246)**	463
Decrease (Increase) in Prepaid Expenses and Other Assets	**331**	(174)
(Decrease) Increase in Accounts Payable	**(3,535)**	3,396
Increase in Compensation Liabilities	**461**	58
(Decrease) Increase in Unearned Revenue	**(485)**	(121)
Net Cash Used in Operating Activities	**$ (48,360)**	$ (25,713)

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. Effective October 1, 2017, the hotel room charges of 14.5% changed to 14.8% with the additional 0.3% increase going to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination. 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, DC Armory, ESA and Gateway.

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, 2019 and 2018, gross accounts receivable was $6 million and $3.8 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, 2019 and 2018, the allowance for uncollectible accounts was $342 thousand and $303 thousand, respectively.

- ***Lease Receivable***

  Lease receivable, which is recorded at the present value of lease payments expected to be received during the lease term, is related to subleasing Entertainment and Sport Arena and Carnegie Library. The net present value of the minimum lease payments is recognized as current and non-current receivables.

- ***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***

On February 22, 2018, the Authority defeased series 2010C bond and incurred bond refunding costs. 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 2010C bonds are amortized over 22 years. As of September 30, 2019, bond refunding costs which are reflected as deferred outflow of resources in the Statements of Net Position totaled $10.2 million.

- ***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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Deferred Inflow of Resources***

  The Deferred inflow of resources represents the transactions related to subleasing Entrainment and Sports Arena and Carnegie Library. The amount of the initial measurement of the lease receivable less payments received from the lease at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to or on behalf of the lessee at or before the commencement of the lease term is recognized as deferred inflow of resources to account for a lease.

- ***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.

- ***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- 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 funds in various reserve accounts to meet the requirements. As of September 30, 2019, and 2018, those restricted funds totaled approximately $214.3 million and $190.3 million, respectively.

  Unrestricted- This amount is the portion of net position that does not meet the definition of net investment 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***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.

- ***New Accounting Pronouncements***

  The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, Leases, which the Authority has implemented for the fiscal years ending September 30, 2019 and 2018.

  The GASB has also issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and Statement No. 91, Conduit Debt Obligations; which will require adoption in the future, if applicable.

  These statements may or will have a material effect on the Authority's financial statements once implemented. The Authority will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amounts of the Authority's cash as of September 30, 2019 and 2018 were $22.5 million and $23.5 million, respectively. The Authority's bank balances as of September 30, 2019 and 2018 were $24.3 million and $25.6 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, 2019 and 2018, 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.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

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.

The Authority has the following recurring fair value measurements as of September 30, 2019 and 2018.

Investment Instrument Measured at Fair Value
(In Thousands)

	Fair Value Measurement Using			
Investment by Fair Value Level	**9/30/2019**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
U.S. Treasury Securities	$ 12,851	$ 12,851	$ -	$ -
Repurchase Agreement	32,821	32,821	-	-
Negotiable Certificate of Deposit	20,827	20,827	-	-
Money Market Deposits *	287,940	N/A	N/A	N/A
Total investments by fair value level	$ 354,439	$ 66,499	$ -	$ -

	Fair Value Measurement Using			
Investment by Fair Value Level	**9/30/2018**	**Level 2**	**Level 3**	**Level 3**
Debt Securities				
U.S. Treasury Securities	$ 45,422	$ 45,422	$ -	$ -
Repurchase Agreement	22,833	22,833	-	-
Money Market Deposit*	328,834	N/A	N/A	N/A
Total investments by fair value level	$ 397,089	$ 68,255	$ -	$ -

* Valued at net asset value

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, 2019, and 2018, 18% and 16% of the Authority's investments were held by a counterparty that is insured and collateralized.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

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, 2019 and 2018, 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, 2019 and 2018, 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.

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.

The following table summarize the minimum reserve requirements and restricted and unrestricted amounts as of September 30, 2019 (in thousands).

Reserve Accounts	Investment Balance as of September 30, 2019	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2018A			
Capital Renewal & Replacement Account	$ 118,214	$ 31,797	$ 86,417
Debt Service	31,310	31,310	-
Debt Service Reserve Account	30,002	27,554	2,448
Marketing Account	15,947	15,947	-
Operating and Market Reserve Account	102,821	51,730	51,091
Revenue Account	143	-	143
Totals	298,437	158,338	140,099
Series 2018B and 2010			
Tax Increment Financing Accounts	22,557	22,557	-
Debt Service Reserve Account	33,443	33,443	-
Total Restricted and Non-restricted Investments	$ 354,437	$ 214,338	$ 140,099

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

The following table summarize the minimum reserve requirements and restricted and unrestricted amounts as of September 30, 2018 (in thousands).

Reserve Accounts	Investment Balance as of September 30, 2018	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2018A			
Capital Renewal & Replacement Account	$ 69,521	$ 21,815	$ 47,706
Debt Service	23,635	23,635	-
Debt Service Reserve Account	31,041	27,553	3,488
Marketing Account	8,491	8,491	-
Operating and Market Reserve Account	187,264	42,143	145,121
Revenue Account	10,443	-	10,443
ESA Project	6,621	6,621	-
Totals	337,016	130,258	206,758
Series 2010			
Tax Increment Financing Accounts	28,268	28,268	-
Debt Service Reserve Account	31,805	31,805	-
Total Restricted and Non-restricted Investments	$ 397,089	$ 190,331	$ 206,758

NOTE 3 OTHER ASSETS

The Authority contributed $47 million in 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, 2019, and 2018, the outstanding balance was $28.4 million and $39.4 million, respectively.

NOTE 4 CAPITAL ASSETS

Capital asset balances as of September 30, 2019, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2018	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2019
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	71,489	-	-	(71,489)	-
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	**$ 79,016**	**$ -**	**$ -**	**$ (71,489)**	**$ 7,527**
Depreciable					
Building (WEWCC)	$ 769,409	$ -	$ -	$ -	$ 769,409
Building Improvements (WEWCC)	42,790	7,129	-	-	49,920
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,367	224	-	-	38,592
Building-ESA	-	73,975	-	-	73,975
RFK Multi-Purpose Fields	-	37,138	-	-	37,138
Parking Lot Improvements (SED)	7,041	-	-	-	7,041
Central Plant	16,265	-	-	-	16,265
Carnegie Library -Capital Lease	14,798	-	-	-	14,798
Carnegie Library-Building Improvements	1,479	-	-	-	1,479
Financial Systems	1,751	373	-	-	2,124
Furniture and Fixtures	28,005	5,542	-	-	33,547
Furniture and Fixtures (SED)	1,578	74	-	-	1,652
Machinery and Equipment	23,652	4,229	-	-	27,881
Total Depreciable Capital Assets	997,597	128,686	-	-	1,126,283
Less: Accumulated Depreciation					
Building (WEWCC)	396,148	25,595	-	-	421,743
Building Improvements (WEWCC)	8,609	1,318	-	-	9,927
Plumber's Building	4,921	1,114	-	-	6,035
Stadium Structure	19,068	28	-	-	19,097
Building Improvements/Displays (SED)	36,255	490	-	-	36,745
Building-ESA	-	2,371	-	-	2,371
RFK Multi-Purpose Fields	-	282	-	-	282
Parking Lot Improvements	6,073	37	-	-	6,110
Central Plant	12,584	813	-	-	13,397
Carnegie Library-Capital Lease	3,118	505	-	-	3,622
Carnegie Library-Building Improvements	142	53	-	-	195
Financial Systems	1,446	88	-	-	1,534
Furniture and Fixtures	18,599	1,922	-	-	20,522
Furniture and Fixtures (SED)	682	186	-	-	868
Machinery and Equipment	14,468	3,025	-	-	17,493
Total Accumulated Depreciation	522,113	37,827	-	-	559,941
Total Net Depreciable Capital Assets	**$ 475,484**	**$ 90,858**	**$ -**	**$ -**	**$ 566,342**

NOTE 4 CAPITAL ASSETS (continued)

Capital asset balances as of September 30, 2018, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2017	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2018
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	13,679	57,810	-	-	71,489
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	21,206	57,810	-	-	79,016
Depreciable					
Building (WEWCC)	769,409	$ -	$ -	$ -	769,409
Building Improvements (WEWCC)	37,377	5,413	-	-	42,790
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,344	23	-	-	38,367
Parking Lot Improvements (SED)	7,041	-	-	-	7,041
Central Plant	16,265	-	-	-	16,265
Carnegie Library - Capital Lease	14,798	-	-	-	14,798
Carnegie Library - Building Improvements	1,466	13	-	-	1,479
Financial Systems	1,645	106	-	-	1,751
Furniture and Fixtures	25,403	2,602	-	-	28,005
Furniture and Fixtures (SED)	1,566	12	-	-	1,578
Machinery and Equipment	20,496	3,156	-	-	23,652
Total Depreciable Capital Assets	986,272	11,325	-	-	997,597
Less: Accumulated Depreciation					
Building (WEWCC)	370,553	25,595	-	-	396,148
Building Improvements (WEWCC)	7,354	1,255	-	-	8,609
Plumber's Building	3,807	1,114	-	-	4,921
Stadium Structure	19,048	20	-	-	19,068
Building Improvements/Displays (SED)	35,777	478	-	-	36,255
Parking Lot Improvements	6,036	37	-	-	6,073
Central Plant	11,771	813	-	-	12,584
Carnegie Library-Capital Lease	2,613	505	-	-	3,118
Carnegie Library-Building Improvements	94	48	-	-	142
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	17,090	1,509	-	-	18,599
Furniture and Fixtures (SED)	516	166	-	-	682
Machinery and Equipment	12,012	2,456	-	-	14,468
Total Accumulated Depreciation	488,117	33,996	-	-	522,113
Total Net Depreciable Capital Assets	**$ 498,155**	**$ (22,671)**	**$ -**	**$ -**	**$ 475,484**

NOTE 5 CAPITAL LEASE

A) The Authority as a Lessee:

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, 2019 was $3.6 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, 2019 *(in thousands)*:

Years Ending September 30,	Amount
2020	$ 183
2021	188
2022	188
2023	188
2024	188
2025-2029	940
2030-2034	963
2035-2039	969
2040-2044	991
2045-2049	998
2050-2054	1,021
2055-2059	1,028
2060-2064	1,052
2065-2069	1,058
2070-2074	1,083
2075-2079	1,090
2080-2084	1,116
2085-2089	1,123
2090-2094	1,149
2095-2098	848
Total Minimum Lease Payments	16,364
Less: Interest Costs	(11,539)
Present Value of Minimum Lease Payments	$ 4,826

NOTE 5 CAPITAL LEASES (continued)

B) The Authority as a Lessor:

The Authority subleased Carnegie Library for a ten (10) years lease term with option to extend the term of the lease for two successive periods of five lease years each, under the same terms and conditions except the rental escalation increase. The total renal income recognized from the leases for the current period was $595 thousand. The following is a schedule of minimum future rentals on sublease as of September 30, 2019 *(in thousands)*:

Years Ending September 30,	Amount
2020	$ 793
2021	813
2022	817
2023	837
2024	841
2025-2029	4,475
2030-2034	5,193
2035-2039	4,737
Total Minimum Lease Payments	18,505
Less: Interest Costs	4,799
Present Value of Minimum Lease Payments	$ 13,706

The Authority subleased Entertainment and Sport Arena for a nineteen (19) years lease term with advance payment of an amount equal to the net present value of term of the lease using a discount rate of six percent (6%) per annum. The total renal income recognized from the leases for the fiscal year ended September 30, 2019 was $235 thousand. The following is a schedule of minimum future rentals on sublease as of September 30, 2019 *(in thousands)*:

Years Ending September 30,	Amount
2020	$ 400
2021	400
2022	400
2023	400
2024	400
2025-2029	2,000
2030-2034	2,000
2035-2039	1,200
Total Minimum Lease Payments	7,200
Less: Interest Costs	3,126
Present Value of Minimum Lease Payments	$ 4,074

NOTE 6 OPERATING LEASES (Rental Income)

The Authority leases buildings and retail spaces to outside parties. As of September 30, 2019, and 2018, rental income from operating leases was $3.8 million and $4.4 million, respectively. The following is a schedule of minimum future rentals on non-cancelable operating leases as of September 30, 2019 *(in thousands)*:

Years Ending September 30	Amount
2020	$ 3,351
2021	3,427
2022	3,502
2023	3,589
2024	3,678
2025-2029	17,914
2030-2034	19,024
2035-2039	22,054
2040-2044	20,547
2045-2049	2,020
2050-2054	2,120
2055-2059	2,220
2060-2064	2,320
2065-2069	2,420
2070-2074	2,520
2075-2079	2,620
2080-2084	2,720
2085-2089	2,820
2090-2094	2,920
2095-2099	3,020
2100-2104	3,120
2105-2109	3,220
Total	**$ 131,146**

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.

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).

NOTE 7 BONDS PAYABLE (continued)

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 was fully paid by the Trustee on October 1, 2016.

On February 22, 2018, the Authority issued $333.1 million in Senior Lien Dedicated Tax Revenue Refunding Bonds, with a net premium of $37.9 million, with interest rates ranging between 1.390% and 3%. The proceeds from Series 2018A and 2018B Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. The Authority deposited the net proceeds from 2018B along with other funds of the Authority in an irrevocable trust to provide for all future debt service on the refunded 2010C bonds. As a result, the 2010C series bonds is considered legally defeased and, as such, are not reflected in the Authority's books. The aggregate difference in debt service between the refunded debt and the refunding debt was $9.7 million (NPV).

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

[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)

impose surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2019 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, 2019, and 2018, the Authority's bond liability totaled approximately $481.1 million and $499.2 million, respectively. A summary of annual maturities of the bonds payable as of September 30, 2019, is as follows *(in thousands)*:

Fiscal Years	**Principal**	**Interest**	**Total Debt Service**
2020	$ 24,380	$ 24,069	$ 48,449
2021	25,600	22,840	48,440
2022	27,590	21,531	49,121
2023	28,960	20,137	49,097
2024	12,480	19,111	31,591
2025-2029	138,680	80,190	218,870
2030-2034	118,500	39,400	157,900
2035-2039	74,920	18,431	93,351
2040-2042	30,025	1,346	31,371
Total	**$ 481,135**	**$ 247,055**	**$ 728,190**

As of September 30, 2019, and 2018, the unamortized bond premiums were $36 million and $37.3 million, respectively, and unamortized bond discount was $255 thousand and $267 thousand, respectively.

NOTE 8 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2019 and 2018 *(in thousands)*:

	Balance @ 9/30/2018	Additions	Reductions	Balance @ 9/30/2019	Amount Due Within One Year
Series 2018 Bond Payable	$ 333,050	$ -	$ (14,920)	$ 318,130	$ 21,100
Series 2010 Bond Payable	166,190	-	(3,185)	163,005	3,280
Series 2010 Bond Discount	(267)	-	12	(255)	-
Series 2018 Bond Premium	37,267	-	(1,266)	36,001	-
Bonds Payable, net	536,240	-	(19,359)	516,881	24,380
Capital Lease Obligation	4,972		(146)	4,826	143
Compensated Absences	1,306	169	(54)	1,421	89
Total Long-term Liabilities	$ 542,518	$ 169	$ (18,293)	$ 523,128	$ 24,612

	Balance @ 9/30/2017	Additions	Reductions	Balance @ 9/30/2018	Amount Due Within One Year
Series 2018 Bond Payable	$ -	$ 333,050	$ -	$ 333,050	$ 14,720
Series 2007Bond Payable	341,000	-	(341,000)	-	
Series 2010 Bond Payable	242,140	-	(75,950)	$166,190	3,385
Series 2007 Bond Premium	10,069	-	(10,069)	$0	-
Series 2010 Bond Discount	(279)	-	12	(267)	-
Series 2018 Bond Premium	-	37,985	(718)	37,267	-
Bonds Payable, net	$ 592,931	$ 371,035	$ (427,007)	$ 536,240	$ 18,105
Capital Lease Obligation	5,123		(151)	4,972	147
Compensated Absences	1,284	43	(21)	1,306	75
Total Long-term Liabilities	$ 599,337	371,078	($427,179)	$542,518	$18,327

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 2019 and 2018 were approximately $1.6 million and $1.4 million, respectively. The Plan's administrator issues financial statements 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 2019 and 2018, the Authority recognized revenue from dedicated tax receipts of $147.6 million and $141.4 million, respectively. As of September 30, 2019, and 2018, the dedicated taxes due from the District Government were $16.3 million and $12.3 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 2018 and 2017, the Authority recognized revenue from TIF tax receipts of $19.2 million and $20.3 million, respectively. As of September 30, 2019, and 2018, TIF receivables due from the District Government were $4.9 million and $1 million, respectively.

Excess Cash Transfer to the District's General Fund
In accordance with D.C. Code § 10-1202.13, Transfer of Excess Cash, if, at the end of a fiscal year, the Authority's balance of cash and investments in its Convention Center Operating Fund exceeds the balance of current liabilities, reserves, and any amounts the Authority will need to purchase or redeem its outstanding indebtedness during the upcoming fiscal year, the Authority must transfer the excess, in cash, to the District's General Fund. Consistent with District legislation, the Master Trust Agreement between the Authority and The Bank of New York (as Trustee), and a Memorandum of Understanding between the District and the Authority, the Authority must maintain the following reserves: (1) maximum annual debt service on outstanding bonds and notes issued by the Authority; (2) an operating reserve equal to 1.5 times the operating and marketing budget; and (3) a capital reserve of 5% of the original cost of the convention center adjusted for inflation.

During the year ended September 30, 2019 the Authority transferred $47,847 to the District's General Fund for the excess funds related to the calculation for fiscal years 2017 and 2018 of $27,852 and $19,995, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS (continued)

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.

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 2019 and 2018, the District received annual rent equal to $6.1 million and $6 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."

NOTE 10 RELATED PARTY TRANSACTIONS (continued)

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. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, an additional 0.3 percent hotel room tax was imposed. The new 0.3 percent tax is dedicated to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination.

During fiscal years 2019 and 2018, the total amount of dedicated taxes allocated to the Marketing Fund was approximately $20.3 million and $19.8 million, respectively. The Authority incurred the following marketing services expenses in fiscal years 2019 and 2018 *(in thousands)*, respectively:

Marketing Agencies	**FY2019**	**FY2018**
Destination DC	$ 13,751	$ 13,796
Destination DC-0.3% Additional	6,170	5,625
DC Chamber of Commerce	150	175
Ibero Chamber of Comm	300	250
	$ 20,370	$ 19,846

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 contribution received in FY2019 was fully utilized along with FY2018 carry forward balance of approximately $329 thousand.

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 2019 and 2018, there was no activity other than a bank service charge fee. As of September 30, 2019, and 2018, the remaining balance of $664,906 and $655,22, respectively, is reflected in Due to District Government 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, 2019, and 2018, the remaining balance of $3.3 million and $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, 2019.

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 2019 and 2018. As of September 30, 2019, and 2018, 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.

NOTE 17 SUBSEQUENT EVENTS

The Authority evaluated the subsequent events and transactions through December 19, 2019, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

SUPPLEMENTAL SCHEDULES

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND
AS OF SEPTEMBER 30, 2019
(In Thousands)

	Operating (WCC) Fund	Operating (SED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SED Fund Capital	Visitor Center Operating Fund	Visitor Center Capital Fund	TOTAL
ASSETS										
Current assets:										
Cash and cash equivalents	$ 1,167	$ 2,947	$ 2,021	$ 6,751	$ -	$ 3,000	$ -	$ 1,260	$ -	$ 17,146
Restricted cash	-	1,185	-	-	-	4,039	-	190	-	5,414
Investments	124,153	-	15,947	-	-	-	-	-	-	140,100
Due from District of Columbia	13,788	35	2,548	-	4,888	-	-	-	-	21,259
Accounts receivable, net of allowance for uncollectible accounts	4,129	1,508	-	19	-	-	-	-	-	5,656
Lease receivable	-	1,463	-	-	-	-	-	735	-	2,198
Prepaid expenses and other assets	831	-	-	-	-	-	-	-	-	831
Accrued interest receivable	579	-	-	-	108	-	-	-	-	687
Interfund Receivable (Payable)	988	(988)	1,000	-	(1,000)	-	-	-	-	-
Total current assets	145,635	6,150	21,516	6,770	3,996	7,039	-	2,185	-	193,291
Noncurrent Assets										
Lease receivable	-	-	-	-	-	-	-	12,020	-	12,020
Other Receivable	28,443	-	-	-	-	-	-	-	-	28,443
Restricted investments	158,338	-	-	-	56,001	-	-	-	-	214,339
Non-Depreciable Capital Assets	7,511	-	-	16	-	-	-	-	-	7,527
Capital assets, net depreciable	353,230	31	-	169,121	27,390	-	4,101	11,176	1,293	566,342
	-	-	-	-	-	-	-	-	-	-
Total Noncurrent Assets	547,522	31	-	169,137	83,391	-	4,101	23,196	1,293	828,671
Total Assets	693,157	6,181	21,516	175,907	87,387	7,039	4,101	25,381	1,293	1,021,962
Deferred Outflow of Resources	2,403	-	-	-	7,762	-	-	-	-	10,165
Total Assets and Deferred Outflow of Resources	$ 695,560	$ 6,181	$ 21,516	$ 175,907	$ 95,149	$ 7,039	$ 4,101	$ 25,381	$ 1,293	$ 1,032,127

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND *(Continued)*
AS OF SEPTEMBER 30, 2019
(In Thousands)

LIABILITIES AND NET POSITION										
Current Liabilities										
Accounts payable	$ 2,194	$ 1,794	$ 2,317	$ 7,176	$ -	$ -	$ 127	$ 24	$ -	$ 13,632
Other Short-term Liabilities	78	1,699	-	-	1,000	3,374	-	-	-	6,151
Due to District Government	4	2,271	-	-	1,000	665		-	-	3,940
Compensation liabilities	1,549	225	-	-	-	-	-	4	-	1,778
Unearned Revenue	2,214	508	-	-	-	-	-	66	-	2,788
Accrued interest payable	6,520	-	-	-	5,814	-	-	-	-	12,334
Capital Lease- Current portion	-	-	-	-	-	-	-	143	-	143
Bonds payable, current portion	20,735	-	-	-	3,645	-	-	-	-	24,380
Total Current Liabilities	33,294	6,497	2,317	7,176	11,459	4,039	127	237	-	65,145
Noncurrent Liabilities										
Compensated absences	1,124	200	-	-	-	-	-	8	-	1,332
Capital Lease- Long-Term	-	-	-	-	-	-	-	4,683	-	4,683
Bonds payable including premium	276,081	-	-	-	216,420	-	-	-	-	492,501
Total Noncurrent Liabilities	277,205	200	-	-	216,420	-	-	4,691	-	498,516
Total Liabilities	310 499	6 697	2 317	7 176	227 879	4 039	127	4 928	-	563 661
Deferred Inflow of Resources	-	4,228	-	-	-	-	-	10,814	-	15,042
Total Deferred Outflow of Resources	-	4,228	-	-	-	-	-	10,814	-	15,042
NET POSITION										
Net Position										
Invested in capital assets, net of related debt	66,329	31	-	169,138		-	4,101	6,351	1,293	247,243
Restricted for:	-	-	-	-		-	-	-	-	
Debt service Reserve and capitalized interest	31,310	-	-	-	-	-	-	-	-	31,310
Capital renewal	31,797	-	-	-	-	-	-	-	-	31,797
Operating & Marketing fund	67,677	-	-	-	-	-	-	-	-	67,677
Debt services reserve	27,554	-	-	-	-	-	-	-	-	27,554
Kenilworth Park	-	144	-	-	-	-	-	-	-	144
ESA Project	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Unrestricted Net Position	160,394	(4,918)	19,199	(407)	(132,730)	3,000	(127)	3,288	-	47,699
Total Net Position	$ 385,061	$ (4,743)	$ 19,199	$ 168,731	$ (132,730)	$ 3,000	$ 3,974	$ 9,639	$ 1,293	$ 453,424

WASHINGTON CONVENTION AND SPORTS AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(In Thousands)

	Operating (WCC) Fund	Operating (SED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SED Fund Capital	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
Operating Revenues:										
Building rental	$ 8,271	$ 533	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 8,807
Food services	6,472	77	-	-	-	-	-	-	-	6,549
Electrical	2,798	11	-	-	-	-	-	33	-	2,842
Rigging	1,495	9	-	-	-	-	-		-	1,504
Parking	-	608	-	-	-	-	-	-	-	608
Telecommunications	2,149	33	-	-	-	-	-		-	2,182
Retail/ office rental	633	570	-	-	-	-	-	-	-	1,203
Advertising & Sponsorship	68	878	-	-	-	-	-		-	946
Building lease rental	-	235	-	-	2,589	-	-	595	-	3,419
Miscellaneous	1,471	1,632	-	-	-	-	-	2	-	3,105
Total Operating Revenues	23,357	4,586	-	-	2,589	-	-	633	-	31,165
Operating Expenses										
Personal services	25,622	4,596	-	-	-	-	-	158	-	30,376
Contractual services	16,609	7,612	7,864	809	-	-	117	47	-	33,058
Depreciation	26,573	2	-	8,681	1,115	-	896	505	56	37,828
Occupancy	4,794	1,804	-	-	-	-	-	198	-	6,796
Payment to District	-	2,232	-	-		-	-	-	-	2,232
Miscellaneous	1,405	149	1		-	-	-	-	-	1,555
Bad debt	50	24	-	-		-	-	-	-	74
Total Operating Expenses	75,053	16,419	7,865	9,490	1,115	-	1,013	908	56	111,919
Operating Loss	(51,696)	(11,833)	(7,865)	(9,490)	1,474	-	(1,013)	(275)	(56)	(80,754)
Nonoperating Revenues and (Expenses)										
Interest Income	7,256	-	1	-	1,221	-	-	-	-	8,478
Dedicated taxes	147,633	-	-	-	-	-	-	-	-	147,633
TIF Revenue	-	-	-	-	19,248	-	-	-	-	19,248
Miscellaneous revenue	2	-	-	-	5,931	-	-	-	-	5,933
Interest expense	(13,041)	-	-	-	(11,628)	-	-	(33)	-	(24,702)
Amortization of Bond Premium	1,120	-	-	-	(391)	-	-	-	-	729
Marketing Agencies Payments		-	(20,370)	-	-	-	-	-	-	(20,370)
Other	(47,847)		-		(11,971)	-	-	-	-	(59,818)
Total Nonoperating Revenues and (Expenses)	95,123	-	(20,369)	-	2,410	-	-	(33)	-	77,131
Increase (Decrease) in Net Position before Transfers	43,427	(11,833)	(28,234)	(9,490)	3,884	-	(1,013)	(308)	(56)	(3,623)
Transfer In (out)	(109,756)	6,973	39,133	62,309	(2,144)	3,000	484	1	-	-
Change in Net Position	(66,329)	(4,860)	10,899	52,819	1,740	3,000	(529)	(307)	(56)	(3,623)
Net Position, Beginning of Year	451,390	117	8,300	115,912	(134,470)	-	4,503	9,946	1,349	457,047
Net Position, End of Year	$ 385,061	$ (4,743)	$ 19,199	$ 168,731	$ (132,730)	$ 3,000	$ 3,974	$ 9,639	$ 1,293	$ 453,424

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
Inspector General of the District of Columbia
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, 2019 and 2018, 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 19, 2019.

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 controls* 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*.

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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, D.C.
December 19, 2019