

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT OF COLUMBIA**

**WASHINGTON CONVENTION CENTER  
AUTHORITY**

**Financial Statements, Management's  
Discussion and Analysis, and  
Independent Auditors' Report  
Fiscal Years Ended September 30, 2006  
And September 30, 2005**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



April 2, 2007

The Honorable Adrian M. Fenty  
Mayor of the District of Columbia  
Mayor's Correspondence Unit, Suite 221  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

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

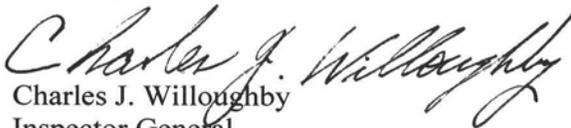
Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2006, Bert Smith and Company (Bert Smith) submitted the enclosed final report on the District of Columbia Washington Convention Center Authority (Authority).

Bert Smith opined that the financial statements present fairly, in all material respects, the financial position of the Authority for the years ended September 30, 2006, and 2005, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, Bert Smith also has issued its report on consideration of the Authority's internal control over financial reporting and on its tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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

Sincerely,

  
Charles J. Willoughby  
Inspector General

Enclosure

CJW/ws

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Mayor Fenty and Chairman Gray  
FY 2006 and 2005 Washington Convention Center Authority  
Financial Statements, Management's Discussion and  
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OIG No. 07-1-12ES – Final Report  
April 2, 2007  
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WASHINGTON CONVENTION CENTER AUTHORITY  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006 AND 2005  
*Together With Independent Auditor's Report*

BERTSMITH  
& Co.

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Certified Public Accountants and Management Consultants

WASHINGTON CONVENTION CENTER AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of net assets of the Washington Convention Center Authority (Authority), a component unit of the District of Columbia, as of September 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Washington Convention Center Authority and do not purport to, and do not, present fairly the financial position of the District of Columbia, as of September 30, 2006 and 2005, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2006 and 2005 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

*Member of the AICPA Alliance for CPA Firms*

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The supplemental information on pages 26 through 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. The schedule has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Bert Smith & Co".

January 11, 2007  
Washington D.C.

**WASHINGTON CONVENTION CENTER AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006**

The Washington Convention Center Authority's (the Authority) Management's Discussion and Analysis (MD&A) is provided to focus on its financial condition and the results of operations for the fiscal year ended September 30, 2006.

**(1) Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The annual financial report is comprised of three components: management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements.

- The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this method of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statement of revenues, expenses, and changes in net assets.
- The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The statement of revenues, expenses and changes in net assets presents information showing how the Authority's net asset changed during the fiscal year.
- The statement of cash flows explains the sources and uses of cash during the fiscal year.

**(2) Basic Financial Statements**

The Authority's audited Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows are presented on pages 10 through 14.

**Assets** – The Authority’s total assets at September 30, 2006 and 2005 consisted of the following (in thousands):

<b>Assets</b>	<b>2006</b>	<b>% of Total</b>	<b>2005</b>	<b>% of Total</b>	<b>% Increase (Decrease)</b>
Current Assets	\$ 59,372	7%	\$ 28,562	4%	108%
Capital Assets	741,798	85%	735,148	88%	1%
Other Non-current Assets	<u>70,653</u>	<u>8%</u>	<u>70,493</u>	<u>8%</u>	<u>0%</u>
Total Assets	<u>\$ 871,823</u>	<u>100%</u>	<u>\$ 834,204</u>	<u>100%</u>	<u>5%</u>

As of September 30, 2006, the Authority had total assets of approximately \$872 million; approximately \$38 million higher than the September 30, 2005 fiscal year-end balance of \$834 million.

Of the total assets as of September 30, 2006, \$59.4 million or 7% were current, \$742 million or 85% were capital assets; and \$70.7 million or 8% were other non-current assets. The 108% increase in current assets is largely due to the receipt of \$10 million from the District of Columbia as partial reimbursement for the demolition and parking construction costs of the old convention center in fiscal years 2005 and 2006. The remaining \$20.8 million is a result of the activities in our investment account. The cash received from dedicated taxes and interest income (\$83.9 million) exceeded the transfers for debt service, marketing, capital and operating expenses (\$63.4 million). The increase in capital assets was a result of acquiring Lot 22 and 24 in Square 370 (known as 901 Massachusetts Avenue, N.W.) for the construction of a long-planned headquarters hotel at Mt. Vernon Square.

**Capital Assets** — As of September 30, 2006 and 2005, the Authority had capital assets of \$742 million and \$735 million, respectively, net of accumulated depreciation.

**Liabilities** — The Authority’s total liabilities at September 30, 2006 and 2005 consisted of the following (in thousands):

<b>Assets</b>	<b>2006</b>	<b>% of Total</b>	<b>2005</b>	<b>% of Total</b>	<b>% Increase (Decrease)</b>
Current Liabilities	\$ 65,202	11%	\$ 32,684	6%	99%
Other Noncurrent Liabilities	<u>502,660</u>	<u>89%</u>	<u>507,631</u>	<u>94%</u>	<u>( 1%)</u>
Total Liabilities	<u>\$ 567,862</u>	<u>100%</u>	<u>\$ 540,315</u>	<u>100%</u>	<u>5%</u>

Of the \$568 million total liabilities of the Authority as of September 30, 2006, current liabilities amounted to \$65 million or 11% and long-term liabilities amounted to \$503 million or 89%. The current liabilities include a \$30.5 million promissory note that the Authority executed in August 2006 with a financial institution to finance the acquisition of two lots (Lots 22 and 24) in Square 370 also known as 901 Massachusetts Avenue, N.W. Washington, DC for the planned construction of the headquarters hotel.

## **Bonds Payable**

The Authority's long term liabilities consists of bonds payable, financing arrangement payable, and notes payable. In 1998, the Authority issued senior lien dedicated tax revenue serial and term bonds in the amount of \$524,460,000. The Authority has a bond payable, net of bond discounts, amounting to approximately \$487 million and \$498 million at September 30, 2006 and 2005 respectively. Prior to the completion of building construction, only interest payments were required. Repayment of principal on the bonds began in fiscal year 2004.

## **Other Financing Arrangement**

The Authority entered into an arrangement with a company to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center and owned by the Authority, provides hot and chilled water to the facility. The total construction cost of the Central Plant was \$16,171,532. The company financed \$14,344,000 and the Authority paid the remaining balance of \$1,827,532 with 1998 Bond proceeds. Under the financing arrangement, the Authority agreed to pay the company \$719,000 annually for 20 years. As of September 30, 2006 and 2005, the Authority had a financing arrangement liability of approximately \$11.5 million and \$12.2 million respectively.

## **Notes Payable**

- ▶ *Demolition and Parking Lot* — On July 1, 2004, a lease agreement was signed between the District of Columbia and the Washington Convention Center Authority granting the Authority the exclusive right use of the old convention center site located on 900 9<sup>th</sup> Street, N.W. Washington, DC. The term of the lease is from July 1, 2004 through July 1, 2014. The District of Columbia reserved the right to terminate the lease for any reason, upon 90 days written notice.

The Authority agreed to use the leased premises solely for razing and demolition of the old convention center and ancillary improvements in order to operate a public parking lot providing vehicular parking service to the general public and related administrative and recreational uses. To secure the funding for the demolition and construction of a parking lot, the Authority signed a promissory note for \$17 million for non-revolving construction line of credit with a financial institution. If the District terminates the lease prior to the Authority repaying the loan, the District is responsible for repaying any outstanding loan balance and all obligations related to the demolition and parking redevelopment project. As of September 30, 2006 and 2005, the Authority owed \$15.8 million and \$8.5 million under the line of credit respectively. The increase in the line was to finance the razing and conversion of the parking lot. The prior year's balance was related to the demolition of the site.

- ▶ *Headquarters Hotel Site* — On August 10, 2006, the Authority borrowed \$30,500,000 from the same financial institution to acquire the property at 901 Massachusetts Avenue, part of the land assemblage for the Convention Center Headquarters Hotel. Interest is due and payable in consecutive quarterly payments commencing on September 30, 2006. The principal is due and payable on June 30, 2007. The amount owed on the note at September 30, 2006 was \$30,500,000.

**Net Assets** — The Authority's net assets at September 30, 2006 and 2005 consisted of the following (in thousands)

<b>Net Assets</b>	<b>2006</b>	<b>% of total</b>	<b>2005</b>	<b>% of total</b>	<b>% Increase (Decrease)</b>
Invested in Capital Assets, Net of Related Debt	\$212,542	70%	\$224,717	76%	( 5%)
Restricted Net Assets:					
Debt Service	23,946	8%	23,682	8%	1%
Capital Renewal	17,000	6%	15,824	5%	7%
Operating and Marketing Fund	20,000	7%	20,000	7%	0%
Marketing Fund	1,872	0%	2,059	1%	( 9%)
Senior Proceeds Fund	2	0%	739	0%	(100%)
Unrestricted Net Assets	<u>28,599</u>	<u>9%</u>	<u>6,868</u>	<u>3%</u>	<u>316%</u>
Total Net Assets	<u>\$303,961</u>	<u>100%</u>	<u>\$293,889</u>	<u>100%</u>	<u>3%</u>

As of September 30, 2006, the Authority had total net assets amounting to approximately \$304 million with \$213 million invested in capital assets (net of related debt), \$62.8 million in restricted net assets and \$28.6 million in unrestricted net assets.

**Operating Revenues** — For the fiscal years ended September 30, 2006 and 2005, the Authority's operating revenues were \$16.1 million and \$16.3 million, respectively.

The breakdown of operating revenues by source for the fiscal years ended September 30, 2006 and 2005 are presented below (in thousands):

<b>Revenue Source</b>	<b>2006</b>	<b>% of Total</b>	<b>2005</b>	<b>% of Total</b>	<b>% Increase (Decrease)</b>
Building Rental	\$ 7,971	49%	\$ 8,668	53%	( 8%)
Food services	4,071	25%	4,105	25%	( 1%)
Electrical	2,093	13%	1,859	11%	13%
Telecommunications	1,126	7%	1,011	6%	11%
Audio-visual	357	3%	316	3%	13%
Miscellaneous	<u>495</u>	<u>3%</u>	<u>390</u>	<u>2%</u>	<u>27%</u>
Total Operating Revenues	<u>\$16,113</u>	<u>100%</u>	<u>\$16,349</u>	<u>100%</u>	<u>(1%)</u>

The sources of the Authority's fiscal year 2006 operating revenues were: \$8 million or 49% from building rental income; \$4.1 million or 25% from food services commissions; \$2.1 million or 13% from electrical revenue; \$1.1 million or 7% from telecommunication service revenues for work orders done for and services rendered to the Authority's customers; \$357,000 or 3% from audio-visual; and the remaining \$495,000 or 3% from other miscellaneous sources. Miscellaneous income sources include retail space rental income, trash hauling charges, special meeting room set up charges, equipment rental and fees earned from ATMs installed inside the Convention Center.

**Operating Expenses** — For fiscal years 2006 and 2005, the Authority’s operating expenses totaled \$58.6 million and \$58 million, respectively. The details of the total operating expenses for the years ended September 30, 2006 and 2005 are as follows (in thousands):

<b>Expenditures</b>	<b>2006</b>	<b>% of total</b>	<b>2005</b>	<b>% of total</b>	<b>% Increase (Decrease)</b>
Personal Services	\$ 11,959	20%	\$ 12,315	21%	( 3%)
Contractual Services	12,053	21%	10,912	19%	10%
Depreciation and Amortization	27,999	48%	27,795	48%	1%
Occupancy	5,406	9%	5,721	10%	( 6%)
Supplies	552	1%	514	1%	7%
Miscellaneous	<u>627</u>	<u>1%</u>	<u>773</u>	<u>1%</u>	<u>( 19%)</u>
<b>Total Operating Expenses</b>	<b><u>\$ 58,596</u></b>	<b><u>100%</u></b>	<b><u>\$ 58,030</u></b>	<b><u>100%</u></b>	<b><u>1%</u></b>

Personal services which are comprised of salaries, wages, and other personnel related expenses (fringe benefits) accounted for \$11.9 million or 20% of fiscal year 2006 operating expenses; contractual services such as housekeeping and security contracts accounted for \$12 million or 21%; occupancy expense which includes all utility bills such as, electricity, telecommunication, water, sewer, and gas expense accounted for \$5.4 million or 9%; supplies accounted for \$552,000 or 1%; and other miscellaneous operating expenses accounted for \$627,000 or 1%. Depreciation and amortization expense, primarily for the new building, amounted to \$28 million or 48% in fiscal year 2006.

In fiscal year 2006, as a “percentage of total operating expenses,” personal services decreased by 3% and contractual services increased by 10%. The decrease in personal services reflects salary savings from unfilled positions during the fiscal year. Occupancy costs decreased by 6%; supplies increased by 7% and miscellaneous decreased by 19%.

In terms of “absolute dollars”, the Authority’s fiscal year 2006 total operating expenses reflected a 1% increase over fiscal year 2005.

**Operating Loss** — The fiscal year 2006 operating loss (total operating revenues of \$16.1 million less total operating expenses after depreciation, of \$58.6 million) for the Authority amounted to \$42.5 million representing a 2% increase from fiscal year 2005’s \$41.7 million. Excluding depreciation expense of \$28 million, the fiscal year 2006 operating loss of \$14.5 million represented a 4.3% increase compared to the fiscal year 2005 operating loss of \$13.9 million.

**Non-operating Revenues and Expenses** — The composition of the Authority’s nonoperating revenues and expenses for the years ended September 30, 2006 and 2005 are presented below (in thousands):

<b>Non-operating Revenues/Expenses</b>	<b>2006</b>	<b>2005</b>	<b>% Increase (Decrease)</b>
Dedicated Taxes	\$ 79,707	\$ 77,490	3%
Interest Income	3,519	1,843	91%
Parking Lot Revenue (Old Center site)	1,416	-	100%
District Demolition & Parking Lot Reimbursement	10,000	-	100%
Bond Interest and Amortization Issue Costs	(26,095)	(26,205)	0%
Marketing Agencies payments	( 9,476)	( 8,705)	9%
Parking Lot Expenses	( 6,516)	( 8,888)	( 27%)
Loss on Sale of Fixed Asset	<u>-</u>	<u>( 16)</u>	<u>(100%)</u>
<b>Total Non-operating Revenues and Expenses</b>	<b><u>\$ 52,555</u></b>	<b><u>\$ 35,519</u></b>	<b><u>48%</u></b>

**Non-operating Revenues** — The Authority collected \$79.7 million and \$1.4 million in dedicated taxes and parking lot revenue respectively, and earned \$3.5 million in interest income from investments. In addition, the Authority also received a \$10 million partial reimbursement of a loan it had taken out for the demolition of the old convention center and construction of a parking lot on the old convention center site. The Office of Research and Analysis (ORA) of the District of Columbia forecasted in March 2005 that \$68.6 million in dedicated taxes would be generated in FY 2006. As of June 2006, ORA revised the forecast upwards to \$78.2 million.

However, the Authority’s fiscal year 2006 dedicated tax collections amounted to \$79.7 million and was 2% over ORA’s revised forecast, due to greater than anticipated tax revenues resulting from an exemplary financial year in the District’s hospitality industry.

Interest earned on the Authority’s cash reserves in fiscal years 2006 and 2005 totaled approximately \$3.5 million and \$1.8 million respectively.

**Non-operating Expenses** — The Authority’s non-operating expenses consisted of \$24.4 million in bond interest expense; \$1 million in loan interest expense for the central plant, \$589,000 in bond amortized costs, and \$6.5 million in parking lot expenses and \$9.5 million in marketing agencies’ expenses. Marketing agency expenses increased by 9% from 2005 due to increased dedicated hotel tax revenue.

**(3) Events with Future Impacts**

The Authority has plans to enter into several financing transactions that are expected to occur during 2007 and 2008. We expect to refund the current convention center debt, contribute to the financing of the headquarters hotel and issue additional bonds to expand the convention center as part of the hotel project.

— *Refunding of Senior Lien Dedicated Tax Revenue Bonds, Series 1998*

The Series 2007A Bonds are being issued pursuant to the Authority's Act, the Hotel Act, and the Amended Master Trust Agreement and the proceeds thereof, together with other available funds of the Authority, will be used to (i) pay or refund all of the Series 1998 Bonds currently Outstanding in the aggregate principal amount of \$480,640,000 (the "Refunded Bonds"), (ii) refinance a portion of the land acquisition costs of the Authority related to the Headquarters Hotel; (iii) pay the premium for the Reserve Account Credit Facility that will fund the Debt Service Reserve Account Requirement; and (iv) pay costs of Issuance of the Series 2007A Bonds, including the premium for the Bond insurance Policy.

— *Headquarters Hotel*

On June 6, 2006, the Council passed the Hotel Act which, among other things, created a tax increment financing ("TIF") district (the "Hotel TIF District"). The Hotel TIF District is expected to generate TIF revenues (the Hotel TIF Revenues) that will be used primarily to secure approximately \$155 million aggregate principal amount of bonds, the proceeds of which will be used to finance the costs of funding the Authority's \$134 million contribution for the design and development of a privately owned and operated headquarters hotel (the "Headquarters Hotel") for the Convention Center, \$2 million for training programs relating to the hospitality industry, together with related reserves, capitalized interest and costs of issuance (collectively, the "Headquarters Hotel Bonds").

— *Expansion Project*

Pursuant to the Hotel Act, the Authority also expects to issue \$142 million aggregate principal amount in bonds, the proceeds of which will be used to finance the costs of the development of expansion space for the Convention Center (the "Expansion Space Project"), for certain land acquisition costs related to the Headquarters Hotel (the "Hotel Land Acquisition") and certain additional costs, together with related reserves, capitalized interest and costs of issuance (the "Expansion Space Project Bonds").

**(4) 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 Center Authority, 801 Mount Vernon Place, NW, Washington, D.C. 20001.

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**STATEMENTS OF NET ASSETS (in thousands)**  
**SEPTEMBER 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 14,849	\$ 2,970
Investments	36,406	16,857
Due from District of Columbia	6,832	6,536
Accounts Receivable, Net of Allowance for Uncollectible Accounts	937	890
Prepaid Expenses and Other Assets	12	917
Accrued Interest Receivable	336	392
<b>Total Current Assets</b>	<b>59,372</b>	<b>28,562</b>
<b>Noncurrent Assets</b>		
Capital Assets, Net of Accumulated Depreciation	741,798	735,148
Unamortized Bond Issue Costs	7,833	8,190
Restricted Investments	62,820	62,304
<b>Total Noncurrent Assets</b>	<b>812,451</b>	<b>805,642</b>
<b>Total Assets</b>	<b>\$ 871,823</b>	<b>\$ 834,204</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 7,039	\$ 5,767
Compensation Liabilities	326	523
Deferred Revenue	2,672	1,993
Accrued Interest Payable	12,226	12,492
Other Financing Arrangement Payable, Current Portion	719	719
Notes Payable, Current Portion	30,500	-
Bonds Payable, Current Portion	11,720	11,190
<b>Total Current Liabilities</b>	<b>65,202</b>	<b>32,684</b>
<b>Noncurrent Liabilities</b>		
Compensated Absences	514	557
Notes Payable	15,829	8,552
Bonds Payable, net of discount	475,509	486,995
Other Financing Arrangement Payable	10,808	11,527
<b>Total Noncurrent Liabilities</b>	<b>502,660</b>	<b>507,631</b>
<b>Total Liabilities</b>	<b>\$ 567,862</b>	<b>\$ 540,315</b>

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

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**STATEMENTS OF NET ASSETS (in thousands)**  
**SEPTEMBER 30, 2006 and 2005**

	2006	2005
<b>NET ASSETS</b>		
Restricted Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 212,542	\$ 224,717
Debt Services	23,946	23,682
Capital Renewal	17,000	15,824
Operating and Marketing Fund	20,000	20,000
Marketing Fund	1,872	2,059
Senior Proceeds Account	2	739
<b>Unrestricted Net Assets</b>	<b>28,599</b>	<b>6,868</b>
<b>Total Net Assets</b>	<b>\$ 303,961</b>	<b>\$ 293,889</b>

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

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**STATEMENTS OF REVENUE, EXPENSES,**  
**AND CHANGES IN NET ASSETS (in thousands)**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005**

	2006	2005
<b>Operating Revenues:</b>		
Building Rental	\$ 7,971	\$ 8,668
Food Services	4,071	4,105
Electrical	2,093	1,859
Telecommunications	1,126	1,011
Audio-Visual	357	316
Miscellaneous	495	390
<b>Total Operating Revenues</b>	16,113	16,349
<b>Operating Expenses</b>		
Personal Services	11,959	12,315
Contractual Services	12,053	10,912
Depreciation and Amortization	27,999	27,795
Occupancy	5,406	5,721
Supplies	552	514
Miscellaneous	627	773
<b>Total Operating Expenses</b>	58,596	58,030
<b>Operating Loss</b>	( 42,483)	( 41,681)
<b>Nonoperating Revenues and (Expenses)</b>		
Interest Income	3,519	1,843
Dedicated Taxes	79,707	77,490
Parking Lot Revenue	1,416	-
District Demolition and Parking Lot Reimbursement	10,000	-
Interest Expense	( 25,739)	( 25,849)
Bond Issuance Costs	( 356)	( 356)
Transfer to Tourism Responsibility Centers	( 9,476)	( 8,705)
Parking Lot Expenses	( 6,516)	( 8,888)
Loss on Sale of Fixed Asset	-	( 16)
<b>Total Nonoperating Revenues and (Expenses)</b>	52,555	35,519
<b>Increase (Decrease) in Net Assets</b>	10,072	( 6,162)
<b>Net Assets, Beginning of Year</b>	293,889	300,051
<b>Net Assets, End of Year</b>	\$ 303,961	\$ 293,889

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

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**STATEMENTS OF CASH FLOWS (in thousands)**  
**FOR FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005**

	2006	2005
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers	\$ 16,750	\$ 16,429
Payments to Suppliers	( 16,304)	( 25,382)
Payments to Employees	<u>( 12,197)</u>	<u>( 12,465)</u>
<b>Net Cash Used in Operating Activities</b>	<u>( 11,751)</u>	<u>( 21,418)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	( 34,649)	( 1,498)
Proceed from Notes Payable	37,777	7,503
Other Financing Arrangement Payment	( 719)	( 632)
Bonds Payable Payment	( 11,190)	( 10,685)
Interest Payments	<u>( 25,772)</u>	<u>( 25,869)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>( 34,553)</u>	<u>( 31,181)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Dedicated Tax Receipts	79,410	76,688
Transfers to Tourism Responsibility Centers	( 9,690)	( 7,600)
District Demolition and Parking Lot Reimbursement	10,000	-
Parking Lot Receipts	1,412	-
Parking Lot Expenses	( 6,458)	( 8,888)
Proceeds from Sale of Capital Assets	<u>-</u>	<u>247</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>74,674</u>	<u>60,447</u>
<b>Cash Flows from Investing Activities:</b>		
Sales of Investments	92,677	99,576
Purchases of Investments	(112,743)	(111,241)
Receipts of Interest and Dividends	<u>3,575</u>	<u>1,750</u>
<b>Net Cash Used in Investing Activities</b>	<u>( 16,491)</u>	<u>( 9,915)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	11,879	( 2,067)
Cash and Cash Equivalents, Beginning of Year	<u>2,970</u>	<u>5,037</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,849</u>	<u>\$ 2,970</u>

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

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**STATEMENTS OF CASH FLOWS (in thousands)**  
**FOR FISCAL YEARS ENDED SEPTEMBER 30, 2006 and 2005**

	2006	2005
<b>Reconciliation of Operating Loss to Net Cash (Used In)</b>		
<b>Operating Activities</b>		
Operating Loss	\$( 42,483)	\$( 41,681)
<i>Adjustments to Reconcile Operating Loss to Net Cash:</i>		
Depreciation	27,999	27,795
(Increase) Decrease in Receivables	( 43)	90
Decrease (Increase) in Prepaid Expenses and Other Assets	905	( 917)
Increase (Decrease) in Accounts Payable	1,430	( 1,544)
(Decrease) in Compensation Liabilities	( 238)	( 150)
Increase (Decrease) in Deferred Revenue	679	( 5,011)
Net Cash Used in Operating Activities	\$( 11,751)	\$( 21,418)

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

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006 and 2005**

**NOTE 1 ORGANIZATION**

The Washington Convention Center Authority (the Authority), a corporate body and an independent authority of the District of Columbia government was created pursuant to the "Washington Convention Center Authority Act of 1994," D.C. Law 10-188 (the WCCA Act), effective September 28, 1994.

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

The Authority is governed by a nine-member board of directors (the Board). 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 seven public members are appointed by the Mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. The Mayor appoints one public member as Chairperson with the advice and consent of the Council.

The Authority receives its funding by generating operating revenue, collecting dedicated taxes, and earning interest income on invested funds. The dedicated taxes were established pursuant to the WCCA Act. Effective October 1, 1998, the dedicated taxes consist of a separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and a sales and use tax of 1.0% (of the District's 10.0%) on restaurant meals, alcohol beverages consumed on the premises, and rental vehicle charges. The dedicated taxes are collected on behalf of the WCCA in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District and a financial institution.

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 \$524,460,000 in senior lien dedicated tax revenue bonds to finance the construction of the new Washington Convention Center.

The United States Congress also approved certain actions of the Council and the Authority relating to the issuance of the bonds and the development of the new convention center.

The Authority is a component unit of the Government of the District of Columbia. A separate report is prepared for the Government of the District of Columbia, for all agencies, boards, commissions, authorities over which the District of Columbia exercise or has the ability to exercise oversight authority.

The Authority's financial statements do not purport to, and do not, present the District of Columbia's overall financial position as of September 30, 2006 and 2005, and the changes in its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Accounting***

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The Authority accounts for its activities in five separate funds: the Operating Fund, the Building Fund, the Marketing Fund, Capital Fund, and the Demolition Fund. The following activities are reported in each fund.

- a.      Operating Fund — The operating fund accounts for the transactions related to the operation of the new convention center.
- b.      Building Fund — The building fund accounts for the transactions related to the new hotel and expansion projects. In the prior fiscal year, the construction costs of the new convention center were accounted for in the building fund. All of the transactions related to those activities were transferred to the operating fund in Fiscal Year 2005.
- c.      Marketing Fund — The marketing fund accounts for the transactions related to the marketing agencies.
- d.      Capital Fund — The capital fund accounts for the transactions related to the improvement of the new convention center.
- e.      Demolition Fund — The demolition fund accounts for the transactions related to the demolition of the old convention center and construction of a parking lot.

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

### ***Cash and Cash Equivalents***

The Authority considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

### ***Allowance for Doubtful Accounts***

The Authority establishes an allowance for doubtful accounts for all account receivables over 180 days old. At September 30, 2006 and 2005, accounts receivables were shown net of allowance for doubtful accounts of \$103,146 and \$71,222, respectively.

### ***Investments***

Investments are stated at amortized cost which approximates fair value.

### ***Capital Assets and Depreciation***

Capital assets are carried at cost less accumulated depreciation. Donated capital assets are recorded at fair market value at the date donated.

Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Equipment	5 years
Furniture and Fixtures	10 years
Building and Building Improvements	30 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.

### ***Amortization of Bond Discount and Issuance Costs***

The bond discount is recorded as a reduction of the carrying cost of the bonds. Bond discount and issuance costs are amortized based upon the weighted average of bonds outstanding over the term of the bonds.

### ***Deferred Revenue***

Deferred revenue consists of unearned revenues for future events.

### ***Revenue Recognition***

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

The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, audio-visual and miscellaneous revenues. Operating expenses include personal services, contractual services, depreciation, occupancy, supplies, and miscellaneous expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### ***Reclassifications***

Certain amounts in the 2005 financial statements have been reclassified to conform with the 2006 presentation. More specifically, the parking lot expenses of \$8.8 million were reclassified from operating to non-operating expenses once it was determined that the net profits generated from the parking lot could not be used in the Authority's operations. Current and future net profits earned from the parking lot are to be applied to pay interest and reduce the principal on the outstanding line of credit. Any remaining proceeds will be remitted to the District.

### **NOTE 3 INVESTMENTS**

Pursuant to an investment policy adopted in 1999, the Authority may invest in bonds, notes, certificate of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies, and instrumentalities, 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 amended Investment Act of 1940, repurchase agreement with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York, and investments 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, 2006 and 2005, the Authority had the following investments:

	<u>Maturity Dates</u>	<u>2006</u>
Treasury Obligations	One month	\$ 46,478
Commercial Paper	One month	35,000
Repurchase Agreement	6 months	<u>17,748</u>
		<u>\$ 99,226</u>
	<u>Maturity Dates</u>	<u>2005</u>
Treasury Obligations	One month	\$ 28,455
Commercial Paper	One month	30,000
Repurchase Agreement	6 months	<u>20,706</u>
		<u>\$ 79,161</u>

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 value of its investments. As of September 30, 2006 and 2005, none of the Authority's investments that were held by a counterparty were insured or collateralized. The Authority does not have a formal policy to address its exposure to the custodial credit risk.

- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy to address its exposure to interest rate risk. In order to limit its exposure, the Authority invests in short-term investments.
- *Credit Risk.* Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard and Poor's. As of September 30, 2006 and 2005, the Authority's investments in commercial paper and repurchase agreements were rated A1 or P1 by Standard and Poor's and Moody's.
- *Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments are in Citigroup's commercial paper and Wachovia's repurchase agreement. These investments are 35% and 18% respectively, of the Authority's total investments as of September 30, 2006 and 26% and 38%, respectively as of September 30, 2005.

Under the trust agreements securing the Authority's outstanding bonds, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement. The Authority maintained the reserve requirements in various investments accounts. At September 30, 2006 and 2005, those restricted investments totaled \$62.8 and \$62.3 million, respectively.

In connection with the Series 1998 Bonds, the Debt Service Reserve Account requirement is satisfied by the deposit of a surety bond (the Reserve Account Credit Facility) provided by Ambac Assurance Corporation ("Ambac Assurance" the "Reserve Account Credit Facility Provider"). If there are insufficient funds in the debt service account, the 1998 Bonds are insured against non-payment by a Municipal Bond Insurance Policy issued by AMBAC Assurance Corporation ("Ambac Assurance" or the "Insurer").

The following tables summarize the minimum reserve requirements and actual balance on the reserves as of September 30, 2006 and 2005, respectively.

Reserve Account	Cash & Investment Balance as of September 30, 2006	Minimum Required Reserve (Restricted)	Available Cash Over and Above the Required Minimum
Debt Service Account	\$ 28,247	\$ 23,946	\$ 4,301
Capital Renewal & Replacement Account	20,881	17,000	3,881
Operating & Marketing Reserve Account	47,206	20,000	27,206
Marketing Account	2,029	1,872	157
WCCA Bond Fund Senior Proceeds Account	2	2	-
Operating Account	1,094	-	1,094
Revenue Account	173	-	173
Revenue Stabilization Account	<u>3</u>	<u>-</u>	<u>3</u>
<b>Total</b>	<b><u>\$ 99,635</u></b>	<b><u>\$ 62,820</u></b>	<b><u>\$ 36,815</u></b>

Reserve Account	Cash & Investment Balance as of September 30, 2005	Minimum Required Reserve (Restricted)	Available Cash Over and Above the Required Minimum
Debt Service Account	\$ 24,232	\$ 23,682	\$ 550
Capital Renewal & Replacement Account	20,032	15,824	4,208
Operating & Marketing Reserve Account	31,757	20,000	11,757
Marketing Account	2,331	2,059	272
WCCA Bond Fund Senior Proceeds Account	739	739	-
Operating Account	67	-	67
Revenue Account	-	-	-
Revenue Stabilization Account	<u>3</u>	<u>-</u>	<u>3</u>
<b>Total</b>	<b><u>\$ 79,161</u></b>	<b><u>\$ 62,304</u></b>	<b><u>\$ 16,857</u></b>

#### NOTE 4 CAPITAL ASSETS

Capital asset balances at September 30, 2006 and 2005 are summarized as follows (in thousands):

	Balance @ 9/30/2005	Additions	Disposals	Balance @ 9/30/2006
<b>Non-Depreciable</b>				
Land	\$ 4,785	\$ -	\$ -	\$ 4,785
Construction in Progress	683	534	-	1,217
Plumber's Building	-	30,517	-	30,517
Artwork	2,725	-	-	2,725
<b>Depreciable</b>				
Building	769,452	-	-	769,452
Building Improvements	771	3,476	-	4,247
Central Plant	16,172	-	-	16,172
Financial Systems	1,411	-	-	1,411
Furniture and Fixtures	8,375	-	-	8,375
Machinery and Equipment	<u>6,450</u>	<u>122</u>	<u>-</u>	<u>6,572</u>
Total Capital Assets	810,824	34,649	-	845,473
Less: Accumulated Depreciation	<u>75,676</u>	<u>27,999</u>	<u>-</u>	<u>103,675</u>
Net Capital Assets	<b><u>\$ 735,148</u></b>	<b><u>\$ 6,650</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 741,798</u></b>

	Balance @ 9/30/2004	Additions	Disposals	Adjustments	Balance @ 9/30/2005
<b>Non-Depreciable</b>					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction in Progress	-	683	-	-	683
Artwork	2,725	-	-	-	2,725
<b>Depreciable</b>					
Building	769,409	43	-	-	769,452
Building Improvements	-	771	-	-	771
Central Plant	16,172	-	-	-	16,172
Financial Systems	638	-	-	773	1,411
Furniture and Fixtures	9,441	-	( 293)	(773)	8,375
Machinery and Equipment	<u>6,512</u>	<u>-</u>	<u>( 62)</u>	<u>-</u>	<u>6,450</u>
Total Capital Assets	<u>809,682</u>	<u>1,497</u>	<u>( 355)</u>	<u>-</u>	<u>810,824</u>
Less Accumulated Depreciation	<u>47,974</u>	<u>27,795</u>	<u>( 93)</u>	<u>-</u>	<u>75,676</u>
Net Capital Assets	<u>\$ 761,708</u>	<u>\$ (26,298)</u>	<u>\$ ( 262)</u>	<u>\$ -</u>	<u>\$ 735,148</u>

### ***Construction in Progress***

The construction in progress represents predevelopment costs related to construction of the new hotel and expansion space next to the new convention center.

### ***Building and Building Improvements***

The new convention center was substantially completed in 2003 and became operational in March 2003. In Fiscal Year 2005, the Authority started construction of leased retail space outlets. There are twelve retail lease locations at the Convention Center. In Fiscal Year 2006, three retail spaces were completed and two leased. The other locations are either in construction or nearing completion.

### **NOTE 5 FINANCING ARRANGEMENT PAYABLE**

The Authority entered into an arrangement with a company to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center and owned by the Authority, provides hot and chilled water to the facility. The total construction cost of the Central Plant was \$16,171,532. The company financed \$14,344,000 and the Authority paid the remaining balance of \$1,827,532 with 1998 Bond proceeds. Under the financing arrangement, the Authority agreed to pay the company \$719,000 annually for 20 years.

The following reflects the annual financing arrangement payable through maturity as of September 30, 2006 (in thousands):

2007	\$ 1,279
2008	1,243
2009	1,207
2010	1,171
2011	1,135
2012 - 2016	5,136
2017 - 2021	4,237
2022 - 2023	<u>763</u>
Total	16,171
Less Interest	<u>( 4,644)</u>
Total Financing Arrangement Payable	11,527
Less Current Portion	<u>( 719)</u>
Total Financing Arrangement Payable-Long Term Portion	<u>\$ 10,808</u>

**NOTE 6 NOTES PAYABLE**

**Old Convention Center Demolition and Parking Lot** — On July 1, 2004, a lease agreement was signed between the District of Columbia and the Washington Convention Center Authority granting the Authority the exclusive right to use the old convention center site located on 900 9<sup>th</sup> Street, N.W., Washington D.C. The term of the lease is from July 1, 2004 through July 1, 2014. The Authority agreed to use the leased premises solely for the operation of a public parking lot. To secure the funding of the demolition of the old convention center and the construction of the parking lot, the Authority signed a \$17 million non-revolving construction line of credit with a financial institution with the old convention center site as collateral. Any outstanding balance on the line of credit is due July 1, 2008.

If the District terminates the lease prior to the Authority repaying the loan, the District is responsible for repaying any outstanding loan balance and all obligations related to demolition and parking redevelopment project. As of September 30, 2006 and 2005, the Authority had drawn \$15,828,679 and \$8,551,961, respectively on the line of credit.

No principal payments were made on the line of credit in fiscal years 2006 and 2005. However, the Authority received a \$10 million reimbursement from the District in fiscal year 2006 for costs incurred related to the demolition of the old convention center and construction of the parking lot, which was applied against the note in fiscal year 2007. The remaining balance of the note is expected to be paid off from the net profits generated from the parking lot, which became operational during fiscal year 2006. The net profits from the parking lot totaled \$901,000. Interest payments for 2006 and 2005 were \$789,730 and \$230,778, respectively.

**Headquarters Hotel Site** — On August 10, 2006, the Authority borrowed \$30,500,000 from the same financial institution to acquire the property at 901 Massachusetts Avenue, part of the land assemblage for the Convention Center Headquarters Hotel. Interest is due and payable in consecutive quarterly payments commencing on September 30, 2006. The principal is due and payable on June 30, 2007. The amount owed on the note at September 30, 2006 was \$30,500,000.

**NOTE 7 BOND PAYABLE**

On September 1, 1998, the Authority issued \$524,460,000 Senior Lien Dedicated Tax Revenue Bonds, Series 1998 for the construction of the new convention center. The interest rate of the bonds ranged from 4.25% to 5.25%. The 1998 Bonds are special obligations of the Authority. The 1998 Bonds are payable solely from dedicated tax receipts and pledged funds established under the Trust Agreement. The WCCA Act authorized the pledge of the dedicated taxes to secure the repayment of the 1998 Bonds. Pursuant to the WCCA Act, the District also has pledged not to limit or alter any rights vested in the Authority to fulfill agreements made with holders of the 1998 Bonds, or in any way impair rights and remedies of bondholders until the 1998 Bonds and the interest thereon are paid in full.

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 on the following day. Dedicated taxes are collected one month in arrears.

The WCCA Act provides that on or before July 15 of each year, the District’s Auditor shall deliver a certification relating to the sufficiency of the projected dedicated tax revenues, Authority operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose surtax in an amount sufficient to meet the projected deficiency. The District’s Auditor determined that the projected dedicated taxes for fiscal year 2006 are expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the mayor.

As of September 30, 2006, the Authority’s bond liability totaled \$492,360,000. A summary of annual maturities of the bonds payable is as follows (in thousands):

	<b>September 30, 2006</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 11,720	\$ 24,452
2008	12,310	23,866
2009	12,925	23,251
2010	13,600	22,572
2011	14,315	21,858
2012-2016	83,675	97,197
2017-2021	107,690	73,180
2022-2026	137,145	43,723
2027-2028	<u>98,980</u>	<u>9,548</u>
	<u>\$492,360</u>	<u>\$339,647</u>

At September 30, 2006 and 2005, the unamortized bond discount and bond issuance costs were \$5,131,341 and \$7,832,774, respectively and \$5,365,000 and \$8,189,000, respectively.

**NOTE 8 CHANGE IN LONG TERM LIABILITIES**

	<b>Balance @ 9/30/2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance @ 9/30/2006</b>	<b>Amount Due Within One Year</b>
Bonds Payable	\$ 503,550	\$ -	\$( 11,190)	\$ 492,360	\$ 11,720
Bond Discount Payable	(5,365)	-	233	( 5,132)	-
Notes Payable	8,551	7,278	-	15,829	-
Financing Arrangement Payable	12,246	-	( 719)	11,527	719
Compensated Absences	<u>599</u>	<u>-</u>	<u>( 43)</u>	<u>556</u>	<u>42</u>
<b>Total Long Term Liabilities</b>	<b><u>\$ 519,581</u></b>	<b><u>\$ 7,278</u></b>	<b><u>\$( 11,719)</u></b>	<b><u>\$ 515,140</u></b>	<b><u>\$ 12,481</u></b>

	<b>Balance @ 9/30/2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance @ 9/30/2005</b>	<b>Amount Due Within One Year</b>
Bonds Payable	\$ 514,235	\$ -	\$( 10,685)	\$ 503,550	\$ 11,190
Bond Discount Payable	( 5,598)	-	233	( 5,365)	-
Notes Payable	1,050	7,501	-	8,551	-
Financing Arrangement Payable	12,877	-	( 631)	12,246	719
Compensated Absences	<u>641</u>	<u>-</u>	<u>( 42)</u>	<u>599</u>	<u>42</u>
<b>Total Long Term Liabilities</b>	<b><u>\$ 523,205</u></b>	<b><u>\$ 7,501</u></b>	<b><u>\$( 11,125)</u></b>	<b><u>\$ 519,581</u></b>	<b><u>\$ 11,951</u></b>

**NOTE 9 RETIREMENT PLAN**

Effective April 1998, all WCCA full-time employees are covered by a defined contribution plan. The plan, which is managed by ICMA Retirement Corporation, requires no employee contributions. All employees are vested after four years of service. The contribution is 7% of total employee's salaries. The total employer's contribution for 2006 and 2005 was \$653,520 and \$626,410, respectively.

**NOTE 10 RELATED PARTY TRANSACTIONS**

In accordance with the WCCA Act, a local financial institution on behalf of 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 1998 Bonds. In 2006 and 2005, the Authority recognized dedicated tax receipts of \$79,707,000 and \$77,490,000, respectively. As of September 30, 2006 and 2005, the dedicated taxes due from the District government were \$6,832,000 and \$6,536,000, respectively. These receivable amounts substantially represent September tax payments collected by the District in October.

**NOTE 11            MARKETING SERVICE CONTRACTS**

In accordance with the provisions of Section 208(c) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to fund a marketing account in an amount equal to the greater of 17.4% of the hotel sales tax received, or the amount necessary to provide payment from the marketing account to pay the marketing services contracts.

During fiscal year 2006 and 2005, the dedicated taxes allocable to the marketing account were \$9.3 million.

The Authority incurred the following marketing services expenses in fiscal years 2006 and 2005 (in thousands):

	<u>2006</u>	<u>2005</u>
WCTC	\$ 8,751	\$ 7,980
D.C. Chamber of Commerce	525	525
IBERO Chamber of Commerce	<u>200</u>	<u>200</u>
Total	<u>\$ 9,476</u>	<u>\$ 8,705</u>

**NOTE 12            COMMITMENTS AND CONTINGENCIES**

The Authority is exposed to various asserted claims arising from the normal course of business. To limit its exposure, the Authority has commercial liability insurance. Under the insurance policy, the Authority has a \$175,000 deductible per claim. As of September 30, 2006 and 2005, the Authority had one claim and two claims, respectively, that in the opinion of legal counsel that would result unfavorably. As a result, the Authority has recorded a liability in its financial statements totaling \$175,000 for 2006 and \$350,000 for 2005.

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS (in thousands)**  
**SEPTEMBER 30, 2006**

	Operating Fund	Building Fund	Marketing Fund	Demolition Fund	Capital Funds	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 2,372	\$ 1,035	\$ 35	\$ 11,407	\$ -	\$ 14,849
Investments	35,900	-	506	-	-	36,406
Due from District of Columbia	6,040	-	792	-	-	6,832
Accounts Receivable, Net of Allowance for Uncollectible Accounts	933	-	-	4	-	937
Prepaid Expenses and Other Assets	12	-	-	-	-	12
Accrued Interest Receivable	336	-	-	-	-	336
Interfund Receivable (Payable)	<u>( 1,328)</u>	<u>22</u>	<u>1,545</u>	<u>( 239)</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>44,265</u>	<u>1,057</u>	<u>2,878</u>	<u>11,172</u>	<u>-</u>	<u>59,372</u>
<b>Noncurrent Assets</b>						
Capital Assets, Net of Accumulated Depreciation	705,773	31,734	-	-	4,291	741,798
Unamortized Bond Issue Costs	7,833	-	-	-	-	7,833
Restricted Investments	<u>62,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,820</u>
<b>Total Noncurrent Assets</b>	<u>776,426</u>	<u>31,734</u>	<u>-</u>	<u>-</u>	<u>4,291</u>	<u>812,451</u>
<b>Total Assets</b>	<u>\$ 820,691</u>	<u>\$ 32,791</u>	<u>\$ 2,878</u>	<u>\$ 11,172</u>	<u>\$ 4,291</u>	<u>\$ 871,823</u>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 3,161	\$ 325	\$ 952	\$ 346	\$ 2,255	\$ 7,039
Compensation Liabilities	326	-	-	-	-	326
Deferred Revenue	2,672	-	-	-	-	2,672
Accrued Interest Payable	12,226	-	-	-	-	12,226
Other Financing Arrangement Payable, Current Portion	719	-	-	-	-	719
Notes Payable, Current Portion	-	30,500	-	-	-	30,500
Bonds Payable, Current Portion	<u>11,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,720</u>
<b>Total Current Liabilities</b>	<u>30,824</u>	<u>30,825</u>	<u>952</u>	<u>346</u>	<u>2,255</u>	<u>65,202</u>

WASHINGTON CONVENTION CENTER AUTHORITY  
SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS (in thousands)  
SEPTEMBER 30, 2006

	Operating Fund	Building Fund	Marketing Fund	Demolition Fund	Capital Funds	Total
<b>Noncurrent Liabilities</b>						
Compensated Absences	514	-	-	-	-	514
Notes Payable	-	-	-	15,829	-	15,829
Bonds Payable, Net of Discount	475,509	-	-	-	-	475,509
Other Financing Arrangement	<u>10,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,808</u>
<b>Total Noncurrent Liabilities</b>	<u>486,831</u>	<u>-</u>	<u>-</u>	<u>15,829</u>	<u>-</u>	<u>502,660</u>
<b>Total Liabilities</b>	<u>517,655</u>	<u>30,825</u>	<u>952</u>	<u>16,175</u>	<u>2,255</u>	<u>567,862</u>
<b>Net Assets</b>						
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	207,017	1,234	-	-	4,291	212,542
<b>Restricted Net Assets</b>						
Debt Service	23,946	-	-	-	-	23,946
Capital Renewal	17,000	-	-	-	-	17,000
Operating and Marketing Fund	20,000	-	-	-	-	20,000
Marketing Fund	-	-	1,872	-	-	1,872
Senior Proceeds Account	2	-	-	-	-	2
Unrestricted Net Assets	<u>35,071</u>	<u>732</u>	<u>54</u>	<u>( 5,003)</u>	<u>( 2,255)</u>	<u>28,599</u>
<b>Total Net Assets</b>	<u>\$ 303,036</u>	<u>\$ 1,966</u>	<u>\$ 1,926</u>	<u>\$ ( 5,003)</u>	<u>\$ 2,036</u>	<u>\$ 303,961</u>

**WASHINGTON CONVENTION CENTER AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (in thousands)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	Operating Fund	Building Fund	Marketing Fund	Demolition Fund	Capital Funds	Total
<b>Operating Revenues:</b>						
Building Rental	\$ 7,971	\$ -	\$ -	\$ -	\$ -	\$ 7,971
Food Services	4,071	-	-	-	-	4,071
Electrical	2,093	-	-	-	-	2,093
Telecommunications	1,126	-	-	-	-	1,126
Audio-visual	357	-	-	-	-	357
Miscellaneous	495	-	-	-	-	495
<b>Total Operating Revenues</b>	<u>16,113</u>	-	-	-	-	16,113
<b>Operating Expenses:</b>						
Personal Services	11,959	-	-	-	-	11,959
Contractual Services	12,053	-	-	-	-	12,053
Depreciation and Amortization	27,999	-	-	-	-	27,999
Occupancy	5,406	-	-	-	-	5,406
Supplies	552	-	-	-	-	552
Miscellaneous	627	-	-	-	-	627
<b>Total Operating Expenses</b>	<u>58,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,596</u>
<b>Operating Loss</b>	(42,483)	-	-	-	-	(42,483)
<b>Nonoperating Revenues and (Expenses)</b>						
Interest Income	3,494	-	-	25	-	3,519
Dedicated Taxes	70,363	-	9,344	-	-	79,707
Parking Lot Revenue	-	-	-	1,416	-	1,416
District Demolition & Parking Lot Reimbursement	-	-	-	10,000	-	10,000
Interest Expense	(25,739)	-	-	-	-	(25,739)
Bond Issuance Costs	( 356)	-	-	-	-	(356)
Transfer to Tourism Responsibility Centers	-	-	(9,476)	-	-	(9,476)
Parking Lot Expenses	-	-	-	( 6,516)	-	( 6,516)
Loss on Sale of Fixed Asset	-	-	-	-	-	-
Intercompany Transfers To/(From)	( 2,812)	1,400	-	-	1,412	-
<b>Total Nonoperating Revenues and (Expenses)</b>	<u>44,950</u>	<u>1,400</u>	<u>( 132)</u>	<u>4,925</u>	<u>1,412</u>	<u>52,555</u>
Increase (Decrease) in Net Assets	2,467	1,400	( 132)	4,925	1,412	10,072
Net Assets, Beginning of Year	300,569	566	2,058	( 9,928)	624	293,889
Net Assets, End of Year	<u>\$ 303,036</u>	<u>\$ 1,966</u>	<u>\$ 1,926</u>	<u>\$ ( 5,003)</u>	<u>\$ 2,036</u>	<u>\$ 303,961</u>