

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

DISTRICT OF COLUMBIA

**WASHINGTON CONVENTION CENTER
AUTHORITY**

**Financial Statements and Management's
Discussion and Analysis, and
Independent Auditors' Report
Years Ended September 30, 2008,
and September 30, 2007**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 16, 2009

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
Mayor's Correspondence Unit, Suite 316
John A. Wilson Building
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

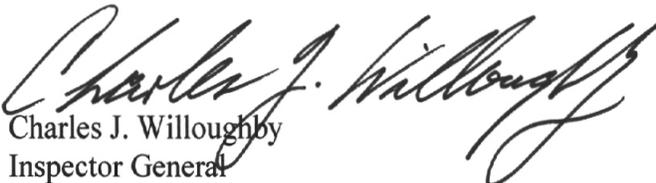
Dear Mayor Fenty and Chairman Gray:

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year 2008, BDO Seidman, LLP (BDO) submitted the enclosed final report on the District of Columbia Washington Convention Center Authority (Authority).

BDO opined that the financial statements present fairly, in all material respects, the financial position of the Authority for the years ended September 30, 2008, and 2007, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, BDO 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, grant agreements, and other matters.

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

Sincerely,


Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

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Mayor Fenty and Chairman Gray
FY 2008 and 2007 Washington Convention Center Authority
Financial Statements, Management's Discussion and
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OIG No. 09-1-13ES – Final Report
March 16, 2009
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WALTER E. WASHINGTON
CONVENTION CENTER

WASHINGTON CONVENTION CENTER AUTHORITY
A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

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

SEPTEMBER 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Washington Convention Center Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2008 and 2007, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit provides a reasonable basis for our 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, 2008 and 2007, and the changes in its financial position and its 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 a report dated January 23, 2009 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. 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 management's discussion and analysis on pages 3 through 10 are 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 audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The schedule of net assets by fund and schedule of revenues, expenses and changes in



BDO Seidman, LLP
Accountants and Consultants

net assets by fund on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Washington, DC
January 23, 2009

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

As management of the Washington Convention Center Authority (Authority), we present Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2008, 2007 and 2006. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Fiscal Year 2008 Financial Highlights

- Net assets increased by \$18.9 million from last year, an increase of 6%, largely attributable to increased dedicated tax transfers and fiscal year 2008 operations.
- Operating expenses slightly increased by \$0.4 million or 1% from fiscal year 2007, primarily due to increases in personnel services.
- Operating revenue increased by \$1.8 million or 11% from fiscal year 2007, resulting in total operating revenue of \$18.5 million in FY08.
- Assets exceed liabilities by \$334 million at the close of the fiscal year 2008, a 6% increase over fiscal year 2007.
- The statement of cash flows indicates an increase in cash for the year by \$0.1 million.
- The Authority's bonds are rated "A2" by Moody's and "A" by both Standard & Poor's Corporation and Fitch Rating Services.

(1) *Overview of the Financial Statements*

The Authority's financial report includes: Management's Discussion and Analysis; the Financial Statements; and notes to the Financial Statements.

- The Financial Statements are designed to provide readers with a broad overview of the Authority's 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 basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statement of revenues, expenses, and changes in net assets. The basic Financial Statements include Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed in them.
- The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets report both the operating and non-operating revenues and expenses and other changes in net assets for the end of a fiscal year.

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

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

(2) Financial Analysis

The Authority's audited Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows are presented on pages 11 through 14.

The following table reflects a summary of the Authority's net assets at September 30, 2008, 2007 and 2006 (in thousands):

**Table 1
Condensed Statements of Net Assets
(in thousands)**

	2008	2007	2006	Percentage change	
				2008-2007	2007-2006
Current assets	\$ 88,463	\$ 66,344	\$ 59,372	33%	12%
Capital assets, net of accumulated depreciations	693,175	719,034	741,798	-4%	-3%
Other non-current assets	73,671	62,533	70,653	18%	-11%
Total Assets	\$ 855,309	\$ 847,911	\$ 871,823	1%	-3%
Current liabilities	\$ 33,543	\$ 28,979	\$ 65,716	16%	-56%
Noncurrent liabilities	487,545	503,611	502,146	-3%	0%
Total Liabilities	\$ 521,088	\$ 532,590	\$ 567,862	-2%	-6%
Net assets:					
Investment in capital assets, net of related debt	\$ 191,684	\$ 213,319	\$ 212,542	-10%	0%
Restricted	67,330	58,696	62,820	15%	-7%
Unrestricted	75,207	43,306	28,599	74%	51%
Total Net Assets	\$ 334,221	\$ 315,321	\$ 303,961	6%	4%

The total net assets of the Authority increased by \$18.9 million or 6%, and \$11 million or 4%, for the years ended September 30, 2008 and 2007, respectively. In both years, the increase is primarily attributable to an increase in tax transfers and result of fiscal year operations. As of September 30, 2008, the Authority had total net assets amounting to approximately \$334 million, with the largest portion of the Authority's net assets, \$198 million or 59%, reflecting its investment in capital assets less any related debt used to acquire those assets. The Authority uses its capital assets to fulfill its mission of promoting conventions and tourism in the District of Columbia. The resources to repay the debt are derived from dedicated tax collections which are composed of 4.5% sales and use tax on hotel room charges, 1% sales and use tax on restaurants and 1% rental vehicle charges in the District of Columbia. Of the Authority's remaining net

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

assets, \$67 million or 20% represents resources that are subject to external restrictions (primarily related to the Authority's bond indenture reserve requirement) on how they may be used, while the remaining balances of \$75 million or 23% is unrestricted.

**Table 2
Revenues, Expenses and Changes in Net Assets
(in thousands)**

	2008	2007	2006	Percentage change	
				2008-2007	2007-2006
Operating Revenues:					
Building rental	\$ 9,157	\$ 8,143	\$ 7,971	12%	2%
Ancillary charges	9,303	8,525	8,142	9%	5%
Total Operating Revenues	18,460	16,668	16,113	11%	3%
Operating Expenses:					
Personal services	15,256	14,279	11,959	7%	19%
Contractual services	12,067	12,460	12,053	-3%	3%
Depreciation	27,699	28,088	27,999	-1%	0%
Occupancy	5,838	6,052	5,406	-4%	12%
Supplies	615	530	552	16%	-4%
Miscellaneous	683	468	573	46%	-18%
Bad debt	254	112	54	127%	107%
Total Operating Expenses	62,412	61,989	58,596	1%	6%
Operating loss	(43,952)	(45,321)	(42,483)	-3%	7%
Non-operating Revenues and (Expenses):					
Interest income	3,439	4,999	3,519	-31%	42%
Dedicated taxes	91,494	83,312	79,707	10%	5%
Parking lot revenue (old center site)	2,709	2,236	1,416	21%	58%
Miscellaneous	1,293	1,986	10,000	-35%	-80%
Bond interest and amortization issue costs	(25,074)	(25,532)	(26,095)	-2%	-2%
Marketing agencies payments	(9,994)	(9,120)	(9,476)	10%	-4%
Parking lot expenses	(1,015)	(1,200)	(6,516)	-15%	-82%
Total Non-operating Revenues and (Expenses)	62,852	56,681	52,555	11%	8%
Increase in net assets	18,900	11,360	10,072	66%	13%
Net assets, beginning of year	315,321	303,961	293,889	4%	3%
Net assets, end of year	\$ 334,221	\$ 315,321	\$ 303,961	6%	4%

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

Analysis of Changes in Net Assets

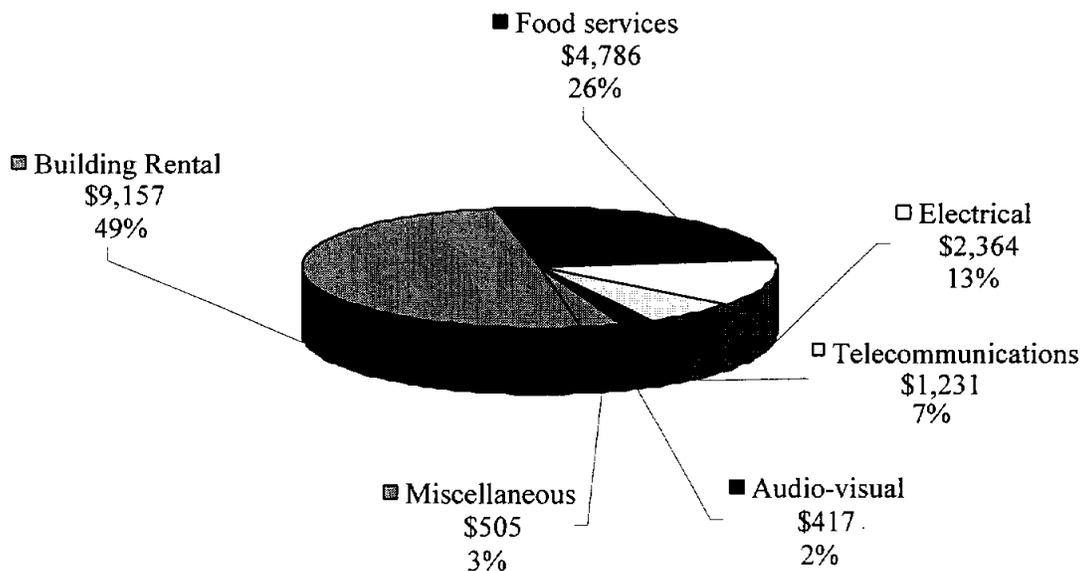
Revenues

For the fiscal years ended September 30, 2008, 2007 and 2006 the Authority's operating revenues were \$18.5 million, \$16.7 million and \$16.1 million, respectively.

The Authority hosted 35 more events in 2008 versus 2007, resulting in a 12% increase in building rental revenue. This contributed to the increase in ancillary revenues such as food service, telecommunication, audio-visual and electrical services charges. Miscellaneous income sources include trash hauling charges, special meeting room setup charges, equipment rental, and fees earned from ATMs installed inside the Convention Center. In fiscal year 2007, the Authority hosted 49 more events compared with fiscal year 2006, resulting in a 2% and 5% increase in building rental and ancillary charges revenue, respectively.

The following is a graphic illustration of revenue by source.

**FY 2008 Operating Revenues
(in thousands)**



During 2008, non-operating revenues of \$98.9 million were \$6.4 million higher than in 2007, principally because of increased dedicated taxes transfers and parking lot revenue, respectively. Non-operating revenues decreased by 2% from 2006 to 2007. This occurred because even though revenue from dedicated tax and interest income increased by \$5 million in 2007, that increase was not sufficient to offset the transfer of \$10 million the Authority received in 2006 from the District of Columbia to pay down the note related to the construction of the parking lots.

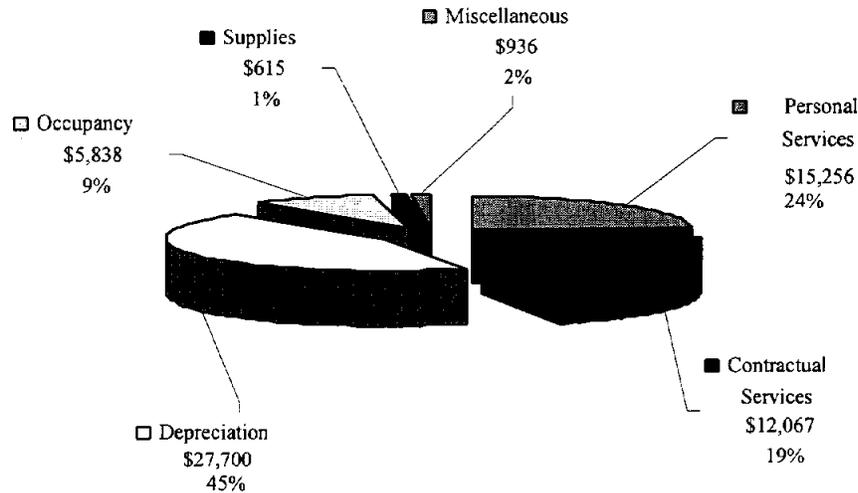
**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

Expenses

For fiscal years 2008, 2007 and 2006, the Authority's total operating expenses were \$62.4 million, \$61.9 million and \$58.6 million, respectively. Total operating expenses increased by \$0.4 million or 1% from fiscal year 2007, primarily due to an increase in personnel services as a result of a cost of living adjustment to the Authority's employees. In fiscal year 2007, operating expenses increased by \$3 million or 6% compared with 2006 due to hiring of more staff reducing reliance on contractor services to accommodate traffic coordination related to event activities. In addition, the increase was also due to an increase in electricity prices as result of deregulation of the electricity supply.

The following is a graphic illustration of operating expenses.

**FY 2008 Operating Expenses
(in thousands)**



Salaries increased by 1 million or 7%, reflecting a cost of living adjustment to the Authority's employees in fiscal year 2008 and overtime paid related to the increased event activities. Contractual services such as housekeeping, building insurance and security accounted for \$12 million in fiscal year 2008, a decrease of \$.4 million or 3% compared to 2007. The decrease was due to more effective management and oversight of the new security contract, and more aggressive marketing by WCCA and its insurance brokers, coupled with an excellent insurance claim history to reduce the security and insurance costs respectively. Occupancy expense, which includes all utility bills such as electricity, telecommunication, water, sewer and natural gas expense accounted for \$5.8 million, a decrease of 4% compared to 2007. The Authority adopted an energy conservation policy that contributed to reducing electricity expenses. Depreciation expense, primarily for the building, amounted to \$27 million, a decrease of \$.4 million or 1% in fiscal year 2007.

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

The Authority's non-operating expenses consisted of \$25 million in bond interest payment and amortized issuance costs, \$1 million in parking lot expenses and \$10 million in marketing agencies payments. As with non-operating revenue, the increased transfer of dedicated tax revenue served as the principal cause of the 1% increase in non-operating expenditure, particularly due to an increase in marketing expenses which are primarily formula driven based on dedicated tax collections. The 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.

The 21% increase in parking lot revenues in fiscal year 2008 as compared to 2007 was due to the increased event activities in fiscal year 2008. The 15% decreases in parking lot expenses were attributed to a reduction of the parking lot construction costs.

(3) Capital Asset and Debt Administration

Capital Assets

The Authority has invested \$693 million in capital assets (net of depreciation). Approximately 90% of this investment is related to the cost of the convention center building. The Authority's capital assets have increased by \$1.8 million in fiscal year 2008 and by \$5 million in fiscal year 2007 due to an increase in construction in progress related to the pre-hotel development cost and building improvements.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2008, 2007 and 2006. The changes are presented in detail in Note 4 to the financial statements.

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

	2008	2007	2006	Percentage change	
				2008-2007	2007-2006
Non-depreciable					
Land	\$ 4,785	\$ 4,785	\$ 4,785	0%	0%
Construction in progress	2,389	1,765	1,217	35%	45%
Plumber's building	33,425	33,425	30,517	0%	10%
Artwork	2,742	2,742	2,725	0%	1%
Total non-depreciable capital assets	43,341	42,717	39,244	1%	9%
Depreciable					
Building	769,452	769,452	769,452	0%	0%
Building improvements	5,888	5,046	4,247	17%	19%
Central plant	16,265	16,219	16,172	0%	0%
Financial Systems	1,414	1,411	1,411	0%	0%
Furniture and Fixtures	9,430	9,314	9,148	1%	2%
Machinery and equipment	6,848	6,638	5,799	3%	14%
Total depreciable capital assets	809,297	808,080	806,229	0.2%	0.2%
Less accumulated depreciation	159,463	131,763	103,675	21%	27%
Net capital assets	\$ 693,175	\$ 719,034	\$ 741,798	-4%	-3%

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

Debt Administration

The Authority had \$501 million and \$512 million in debt outstanding, a decrease of \$11 million or 2% and \$33 million or 6% at the end of fiscal year September 30, 2008 and 2007, respectively. In both years, the decrease is primarily due to repayment of a \$30.5 million note payable entered on August 10, 2006 to acquire property as part of the land assemblage for the convention center hotel. Repayments of \$22 million and \$8.5 million were made during fiscal year 2007 and 2008, respectively. In 2007, the outstanding debt also decreased as a result of repayment of \$10 million related to notes payable entered on July 1, 2004 for demolition and construction of the parking lots.

The debt position of the Authority is summarized below and is more fully analyzed in the financial statements. (see Note 8 for more information on long-term debt)

**Table 4
Long-Term Debt Outstanding
(in thousands)**

	2008	2007	2006	Percentage change	
				2008-2007	2007-2006
Bonds Payable	\$ 489,102	\$ 488,772	\$ 487,228	0%	0%
Notes payable	2,300	12,745	46,329	-82%	-72%
Financing Arrangements	10,089	10,809	11,528	-7%	-6%
Total debt outstanding	501,491	512,326	545,085	-2%	-6%
Current portion of debt outstanding	14,709	9,509	42,939	55%	-78%
Debt outstanding less current portion	\$ 486,782	\$ 502,817	\$ 502,146	-3%	0%

In addition to the above long-term outstanding debt, the Authority has long-term liabilities related to compensated absences of \$0.8 million.

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

(4) Factors Impacting Future Periods

On June 6, 2006, the Council passed the *New Convention Center Hotel Omnibus Financing and Development Act*, D.C. Law 16-163 ("Hotel Act"), which, among other things, created a tax increment financing ("TIF") area (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 \$187 million aggregate principal amount of additional 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 a jobs training program associated with the Headquarter Hotel, together with related reserves, capitalized interest and costs of issuance (collectively, the "Headquarters Hotel Bonds").

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2008 and 2007**

In 2007, the scope of the Headquarters Hotel project was revised to eliminate the proposed expansion of the Convention Center and to provide for the development of the Headquarters Hotel solely on Square 370. As a result, on February 5, 2008, the Council passed the *New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008*, D.C. Law 17-144, to, among other things, eliminate the references in the Hotel Act to expansion of the Convention Center and development in Square 369. Subsequently, the Council passed a number of amendments to the Hotel Act in the form of emergency legislation that were designed to address issues that had been identified during the negotiation of the transaction agreements for the Headquarters Hotel and provide the necessary statutory authority for the Authority and the District to execute the transaction agreements. All of these amendments were incorporated into the *New Convention Center Hotel Technical Amendments Act of 2008* (D.C. Bill 17-774) which the Council passed on December 16, 2008.

All of the transaction agreements relating to the Headquarters Hotel project have been negotiated between the parties including, but not limited to, the Hotel Development and Funding Agreement, the Ground Lease, the Pedestrian Connector Agreement, the Hotel Loading Dock Access Agreement, the Airspace Lease Agreement, the Declaration of Covenants, Conditions and Restrictions and the Lessor – Hotel Manager Agreement. The intent of the parties is that the Hotel Development and Funding Agreement will be executed in early 2009.

(5) *Budgetary Controls*

The Authority adopts an operating and capital budget, which are approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted if necessary by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's financial management system, which prevents overspending without appropriate approvals. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels.

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

(6) *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
SEPTEMBER 30, 2008 AND 2007
(In Thousands)

	2008	2007
Assets		
Current assets:		
Cash and Cash Equivalents	\$ 2,927	\$ 2,819
Investments	76,579	55,304
Due from District of Columbia	7,606	7,184
Accounts Receivable, Net of Allowance for Uncollectible Accounts	1,199	1,028
Prepaid Expenses and Other Assets	29	9
Accrued Interest Receivable	123	-
Total current assets	88,463	66,344
Noncurrent Assets		
Non-Depreciable Capital Assets	43,341	42,717
Depreciable Capital Assets, Net of Accumulated Depreciation	649,834	676,317
Unamortized Bond Issue Costs	6,340	6,563
Restricted Investments	67,331	55,970
Total Noncurrent Assets	766,846	781,567
Total Assets	\$ 855,309	\$ 847,911
Liabilities		
Current Liabilities		
Accounts Payable	\$ 3,834	\$ 2,863
Compensation Liabilities	298	309
Deferred Revenue	3,088	4,684
Accrued Interest Payable	11,614	11,614
Other Financing Arrangement Payable, current portion	719	719
Bond Issuance Cost Payable	-	44
Notes Payable, Current Portion	2,300	8,746
Bonds Payable, Current Portion	11,690	-
Total Current Liabilities	33,543	28,979
Noncurrent Liabilities		
Compensated Absences	763	794
Long-term Notes Payable	-	3,999
Long-term Bonds Payable including Premium	477,412	488,728
Long-term Other Financing Arrangement Payable	9,370	10,090
Total Noncurrent Liabilities	487,545	503,611
Total Liabilities	521,088	532,590
Net Assets		
Restricted Net Assets		
Invested in Capital Assets, Net of Related Debt	191,684	213,319
Debt Services and Capitalized Interest	22,733	13,768
Capital Renewal	17,000	17,000
Operating Fund	23,000	23,000
Marketing Fund	2,904	2,153
Senior Proceeds Account	2	2
Bond Issuance	48	47
Capitalized Bond Interest	1,643	2,726
Unrestricted Net Assets	75,207	43,306
Total Net Assets	\$ 334,221	\$ 315,321

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

WASHINGTON CONVENTION CENTER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
Operating Revenue and Expenses		
Operating Revenues:		
Building Rental	\$ 9,157	\$ 8,143
Food Services	4,786	4,309
Electrical	2,364	2,245
Telecommunications	1,231	1,150
Audio-Visual	417	305
Miscellaneous	505	516
Total Operating Revenues	<u>18,460</u>	<u>16,668</u>
Operating Expenses		
Personal Services	15,256	14,279
Contractual Services	12,067	12,460
Depreciation	27,700	28,088
Occupancy	5,838	6,052
Supplies	615	530
Miscellaneous	682	468
Bad Debt	254	112
Total Operating Expenses	<u>62,412</u>	<u>61,989</u>
Operating Loss	<u>(43,952)</u>	<u>(45,321)</u>
Nonoperating Revenues and (Expenses)		
Interest Income	3,439	4,999
Dedicated Taxes	91,494	83,312
Parking Lot Revenue	2,709	2,236
Interest Expense	(24,850)	(25,383)
Amortization of Bond Issuance Costs	(224)	(149)
Transfer to Tourism Responsibility Centers	(9,994)	(9,120)
Parking Lot Expenses	(1,015)	(1,200)
Prior Year Cost Recovery	130	629
Rental Income-Plumbers Building	1,163	1,357
Total Nonoperating Revenues and (Expenses)	<u>62,852</u>	<u>56,681</u>
Increase in Net Assets	<u>18,900</u>	<u>11,360</u>
Net Assets, Beginning of Year	<u>315,321</u>	<u>303,961</u>
Net Assets, End of Year	<u>\$ 334,221</u>	<u>\$ 315,321</u>

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

WASHINGTON CONVENTION CENTER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$ 17,590	\$ 16,938
Payments to suppliers	(18,295)	(22,826)
Payments to employees	(15,299)	(14,016)
Net cash used in operating activities	<u>(16,004)</u>	<u>(19,904)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,840)	(2,415)
Payments on notes payable	(10,445)	(33,584)
Other financing arrangement payment	(720)	(719)
Bond proceeds	-	492,525
Bond premium	-	15,278
Bonds payable payment	-	(498,471)
Interest payments	(24,477)	(25,995)
Bond issuance costs	-	(6,668)
Net cash used in capital and related financing activities	<u>(37,482)</u>	<u>(60,049)</u>
Cash flows from noncapital financing activities:		
Dedicated tax receipts	91,072	82,961
Transfers to tourism responsibility centers	(9,858)	(9,473)
Parking lot receipts	2,722	2,222
Parking lot expenses	(979)	(1,296)
WCTC reimbursement	-	224
Other payments	(43)	-
Net cash provided by noncapital financing activities	<u>82,914</u>	<u>74,638</u>
Cash flows from investing activities:		
Sales of investments	186,523	138,423
Purchases of investments	(219,159)	(150,473)
Receipts of interest and dividends	3,316	5,335
Net cash used in investing activities	<u>(29,320)</u>	<u>(6,715)</u>
Net increase (decrease) in cash and cash equivalents	108	(12,030)
Cash and cash equivalents, beginning of year	<u>2,819</u>	<u>14,849</u>
Cash and cash equivalents, end of year	<u>\$ 2,927</u>	<u>\$ 2,819</u>

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

WASHINGTON CONVENTION CENTER AUTHORITY
 STATEMENTS OF CASH FLOWS - *Continued*
 YEARS ENDED SEPTEMBER 30, 2008 AND 2007
 (In Thousands)

	2008	2007
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	\$ (43,952)	\$ (45,321)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>		
Depreciation	27,700	28,088
Bad debt expense	254	112
Increase in receivables	(437)	(190)
(Increase) Decrease in prepaid expenses and other assets	(20)	3
Increase (Decrease) in accounts payable	927	(3,320)
(Decrease) Increase in compensation liabilities	(43)	263
(Decrease) Increase in deferred revenue	(433)	461
Net Cash Used in Operating Activities	\$ (16,004)	\$ (19,904)
 <i>Non-cash investing, capital and financing activities</i>		
Additions to capital assets as a result of deferred rent	\$ -	\$ 2,908
Deferral, bond refunding	\$ 18,180	\$ 19,074
Discount on defeased bond	\$ -	\$ 5,131

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

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

NOTE 1 REPORTING ENTITY

The Washington Convention Center Authority (the Authority or WCCA), 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. No board member is permitted to serve more than two consecutive four-year terms. 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, alcoholic beverages consumed on 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 is a component unit of the District of Columbia, due to the fact that the District of Columbia Government is financially accountable for this unit.

NOTE 2 SUMMARIES 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:

Basis of Accounting

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

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

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

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

The Authority accounts for its activities in 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 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 the marketing fund for the purpose of promoting conventions and tourism in the District of Columbia.
- d. Capital Fund—The capital fund accounts for the transactions related to the improvement of the convention center.
- e. Demolition Fund—The demolition fund accounts for the transactions related to the demolition of the old convention center, construction of a parking lot, and management of parking operations.

Current and Noncurrent

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

Cash and Cash Equivalents

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

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(In thousands)

Receivables

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

Allowance for Doubtful Accounts

The Authority establishes an allowance for doubtful accounts for all account receivables over 180 days old. At September 30, 2008 and 2007, accounts receivable were shown net of allowance for doubtful accounts of \$0.53 million and \$0.11 million, respectively.

Investments

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

Capital Assets and Depreciation

Capital assets are carried at cost at the date of acquisition less accumulated depreciation. The Authority capitalized assets with an original cost of \$5 thousand or greater. Donated capital assets are recorded at fair market value at the date donated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Financial Systems	5 years
Machinery and Equipment	5 years
Furniture and Fixtures	10 years
Central Plant	20 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 Premium, Bond Deferral and Issuance Costs

The bond premium is recorded as an increment of the carrying cost of the bonds. Bond premium and issuance costs are amortized based upon the weighted average of bonds outstanding over the term of the bonds. Bond deferral is the result of defeasance of Series 1998A bond which was the difference between the reacquisition price and the net carrying amount of the old debt. It is deferred and amortized over the remaining life of the old or the life of the new debt, whichever is shorter. It is being amortized over twenty two (22) years, the remaining life of the old bond.

Deferred Revenue

Deferred revenue consists of unearned revenues for future events and the recognition of the Plumbers Building lease at fair market value (FMV) discounted to net present value (NPV).

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

Operating Component

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

Revenue Recognition

Revenues are recorded when earned. Dedicated taxes are recorded in the period 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, retail space rental 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.

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, employees may carry a maximum of 240 hours of annual leave beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 hours is permitted with the approval of appropriate Authority officials. The accrued annual leave balance is payable to employee's upon termination of employment.

Estimates

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

Reclassifications

Certain amounts in the 2007 financial statements were reclassified to conform to the fiscal year 2008 presentation.

NOTE 3 CASH DEPOSIT AND INVESTMENTS

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

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

Cash Deposits

The carrying amount of the Authority's cash as of September 30, 2008 and 2007 were \$2,927 and \$2,819, respectively. The Authority's bank balances at September 30, 2008 and 2007 were \$2,697 and \$4,285 respectively. These bank balances are entirely insured or collateralized with securities held by the Authority's agent in its name.

Investments

In accordance with the Authority's investment policy adopted in 1999, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S Government, its agencies, and instrumentalities, domestic interest bearing savings accounts, 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 agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York, and investment agreement which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2008 and 2007, the Authority had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>2008</u>	<u>2007</u>	<u>Investment Maturities</u>	
			<u>2008</u>	<u>2007</u>
	<u>Fair Value</u>		<u>Less than</u>	<u>Less than</u>
			<u>3 Months</u>	<u>3 Months</u>
Money Market Funds	\$ 71,410	\$ 111,274	\$ -	\$ -
Commercial Paper	72,500	-	72,500	-
Total Investment	<u>\$ 143,910</u>	<u>\$ 111,274</u>	<u>\$ 72,500</u>	<u>\$ -</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 the value of its investments. As of September 30, 2008 and 2007, all of the Authority's investments were held by a counterparty that is insured and collateralized. The Authority's investment policy does not address 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. As of September 30, 2008, all funds are invested in triple A rated money market funds and commercial paper thereby limiting the Authority's exposure to interest rate risk.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
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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. As of September 30, 2008, the Authority's investments were in short term money market funds that invested in obligations of the United States government or its agencies.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2008, the Authority had 100% of its investments in money market funds with one financial institution.

Debt Service Reserve

Under the Bond Trust agreements, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement, and marketing. The Authority maintained the above investment in various reserve requirements accounts. At September 30, 2008 and 2007, those restricted investments totaled approximately \$67 million and \$56 million, respectively.

In connection with the Series 2007A Bonds, the Debt Service Reserve Account requirement is satisfied by the deposit of a surety bond (the Reserve Account Credit Facility) provided by AMBAC Assurance Corporation ("Ambac Assurance" the "Reserve Account Credit Facility Provider"). If there are insufficient funds in the debt service account, the series 2007A Bonds are insured against non-payment by a Municipal Bond Insurance Policy issued by AMBAC Assurance Corporation (Ambac Assurance or "Insurer").

The following tables summarize the minimum reserve requirements and actual balance on the reserves as of September 30, 2008 and 2007, respectively.

Reserve Account	Investment Balance as of September 30, 2008	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	\$ 2	\$ 2	\$ -
Revenue Account	42,377	-	42,377
Revenue Stabilization Account	3	-	3
Debt Service Account	22,938	22,733	205
Capital Renewal & Replacement Account	36,979	17,000	19,979
Operating Account	332	-	332
Marketing Account	2,904	2,904	-
Operating & Marketing Reserve Account	36,449	23,000	13,449
Capitalized Interest Account	1,644	1,644	-
Cost of Issuance Account	48	48	-
Project Account	234	-	234
Total	\$ 143,910	\$ 67,331	\$ 76,579

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

Reserve Account	Investment Balance as of September 30, 2007	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	\$ 2	\$ 2	\$ -
Revenue Account	31,213	-	31,213
Revenue Stabilization Account	3	-	3
Debt Service Account	11,407	11,042	365
Capital Renewal & Replacement Account	16,965	17,000	-35
Operating Account	1,146	-	1,146
Marketing Account	2,153	2,153	-
Operating & Marketing Reserve Account	45,578	23,000	22,578
Capitalized Interest Account	2,726	2,726	-
Cost of Issuance Account	47	47	0
Project Account	34	-	34
Total	\$ 111,274	\$ 55,970	\$ 55,304

NOTE 4 CAPITAL ASSETS

Capital asset balances at September 30, 2008 are summarized as follows (in thousands):

	Balance @ 9/30/2007	Additions	Disposals	Adjustments	Balance @ 9/30/2008
Non-Depreciable					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction in Progress	1,765	624	-	-	2,389
Plumber's Building	33,425	-	-	-	33,425
Artwork	2,742	-	-	-	2,742
Total Non-Depreciable Capital Assets	\$ 42,717	\$ 624	\$ -	\$ -	\$ 43,341
Depreciable					
Building	\$ 769,452	\$ -	\$ -	\$ -	\$ 769,452
Building Improvements	5,046	842	-	-	5,888
Central Plant	16,219	47	-	-	16,265
Financial Systems	1,411	2	-	-	1,414
Furniture and Fixtures	9,314	116	-	-	9,430
Machinery and Equipment	6,638	209	-	-	6,848
Total Depreciable Capital Assets	808,080	1,216	-	-	809,297
Less Accumulated Depreciation	131,763	27,700	-	-	159,463
Total Net Depreciable Capital Assets	\$ 676,317	\$ (26,484)	\$ -	\$ -	\$ 649,834

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

Capital asset balances at September 30, 2007 are summarized as follows (in thousands):

	Balance @				Balance @
	9/30/2006	Additions	Disposals	Adjustments	9/30/2007
Non-Depreciable					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction in Progress	1,217	1,639	-	(1,091)	1,765
Plumber's Building	30,517	2,908	-	-	33,425
Artwork	2,725	17	-	-	2,742
Total Non-Depreciable					
Capital Assets	\$ 39,244	\$ 4,564	\$ -	\$ (1,091)	\$ 42,717
Depreciable					
Building	\$ 769,452	\$ -	\$ -	\$ -	\$ 769,452
Building Improvements	4,247	799	-	-	5,046
Central Plant	16,172	47	-	-	16,219
Financial Systems	1,411	-	-	-	1,411
Furniture and Fixtures	9,148	166	-	-	9,314
Machinery and Equipment	5,799	839	-	-	6,638
Total Depreciable					
Capital Assets	806,229	1,851	-	-	808,080
Less Accumulated Depreciation	103,675	28,088	-	-	131,763
Total Net Depreciable					
Capital Assets	\$ 702,554	\$ (26,237)	\$ -	\$ -	\$ 676,317

Construction in Progress

The construction in progress represents predevelopment costs related to construction of the new hotel next to the convention center. Final costs to complete the project yet to be determined.

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. As of fiscal year 2008, all retail spaces had been completed to a standard fitting out of finishes and utilities connections and nine retail spaces were leased. Disputes have arisen with several tenants over lease provisions and past due rents. The Authority is pursuing appropriate action to resolve these matters.

NOTE 5 FINANCING ARRANGEMENTS PAYABLE

The Authority entered into an arrangement with a vendor to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center, provides hot and chilled water to the facility. The total construction cost of the Central Plant was \$16 million. The vendor financed \$14 million and the Authority paid the remaining balance of \$1.8 million with bond proceeds. Under the financing arrangement,

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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the Authority agreed to pay the vendor \$0.7 million annually for twenty years and will assume ownership of the plant at the end of the lease term.

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

Year ending September 30,		
2009	\$	1,207
2010		1,171
2011		1,135
2012		1,099
2013		1,063
2014-2018		4,777
2019-2022		3,197
 Total		 13,649
Less Interest		(3,560)
Total Financing Arrangement Payable		10,089
 Less Current Portion		 719
Long Term Portion	\$	9,370

NOTE 6 NOTES PAYABLE

Old Convention Center Site

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 use of the old convention center site located on 900 9th 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 for the demolition of the old convention center and the construction of parking lots, on July 1, 2004 the Authority signed a \$17 million non-revolving construction line of credit with a financial institution. Interest accrues on the unpaid principal balance at a rate equal to the 1-month LIBOR + 0.95% and payments are due quarterly beginning on October 1, 2004. Interest rates at September 30, 2008 and 2007 are 3.4% and 6.6%, respectively. Any outstanding balance on the line of credit is due July 1, 2009.

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, 2008, the Authority had drawn \$15.8 million on the line of credit. In FY2008, principal payments in the amount of \$1.7 million had been repaid leaving an outstanding balance of approximately \$2.3 million at September 30, 2008.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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901 Massachusetts Avenue

On August 10, 2006, the Authority borrowed \$30.5 million to acquire the property at 901 Massachusetts Avenue, part of the land assemblage for the convention center hotel. Interest is adjusted monthly based on a rate per annum equal to the sum of 1-month LIBOR plus 89 basis points and is due and payable in consecutive quarterly payments commencing on September 30, 2006. The \$8.7 million owed was fully paid in February 2008.

NOTE 7 BOND PAYABLE

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

On February 1, 2007, WCCA issued \$492.5 million of refunding Series 2007A Bonds, with a net premium of \$15.6 million to effect a refunding for the Series 1998A Bonds. These refunding Bonds were dated February 1, 2007, with maturities ranging from October 2008 to October 2037, at a variable interest rates ranging from of 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 convention center hotel; 3) pay the premium for the Reserve Account Credit Facility that will fund the Series 2007A Bonds, including the premium for the Financials Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds are considered to be defeased and the liability for those bonds has been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt is \$10 million (NPV). The economic gain on the transaction is \$13.8 million.

In 2007 the WCCA defeased certain bonds by placing the proceeds of Series 2007A Bonds in a irrevocable trust to provide for all future debt services payments on the Series 1998A Bonds. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the financial statements. At September 30, 2008, the Authority has \$480.6 million, of bonds outstanding that are considered defeased debt.

In connection with the issuance of the bonds, the District and the WCCA entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the bond trustee. Dedicated taxes are collected one month in arrears.

The WCCA Act provides that on or before July 15 of each year, the District's Auditor shall deliver a certification relating to the sufficiency of the projected dedicated tax revenues, WCCA 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 2008 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the mayor.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(In thousands)

As of September 30, 2008, the Authority's bond liability totaled approximately \$492.5 million. A summary of annual maturities of the bonds payable for the years ending September 30, are as follows (in thousands):

	Principal	Interest	Debt Service
2009	\$ 11,690	\$ 22,761	\$ 34,451
2010	12,160	22,222	34,382
2011	12,700	21,655	34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014-2018	79,985	90,752	170,737
2019-2023	101,750	67,876	169,626
2024-2028	128,850	39,546	168,396
2029-2033	100,590	9,499	110,089
2034-2037	17,670	1,237	18,907
Total	\$ 492,525	\$ 316,979	\$ 809,504

At September 30, 2008, the unamortized bond premium and bond issuance costs were \$14.8 million and \$6.3 million, respectively. At September 30, 2007 the unamortized bond discount and bond issuance cost were \$15.3 million and \$6.6 million, respectively.

NOTE 8 CHANGE IN LONG TERM LIABILITIES

	Balance @ 9/30/2007	Additions	Reductions	Balance @ 9/30/2008	Amount Due Within One Year
Bonds Payable	\$ 492,525	\$ -	\$ -	\$ 492,525	\$ 11,690
Unamortized Bond Premium	15,277	-	(520)	14,757	-
Bond Issuance Cost Payable	44	-	(44)	-	-
Bond Deferral	(19,074)	-	894	(18,180)	-
Notes Payable	12,745	-	(10,445)	2,300	2,300
Financing Arrangement Payable	10,809	-	(720)	10,089	719
Total Long Term Liabilities	\$ 512,326	\$ -	\$ (10,835)	501,491	\$ 14,709

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

	Balance @			Balance @	Amount Due
	9/30/2006	Additions	Reductions	9/30/2007	Within One
					Year
Bonds Payable	\$ 492,360	\$492,525	\$ (492,360)	\$492,525	\$ -
Bond Discount Payable	(5,132)	-	5,132	-	-
Unamortized Bond Premium	-	15,624	(347)	15,277	
Bond Issuance Cost Payable	-	6,716	(6,672)	44	44
Bond Deferral	-	(19,074)	-	(19,074)	
Notes Payable	46,329	-	(33,584)	12,745	8,746
Financing Arrangement Payable	11,527	-	(719)	10,809	719
Total Long Term Liabilities	\$ 545,085	\$ 495,791	\$ (528,550)	\$512,326	\$ 9,509

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 2008 and 2007 was \$0.81 million and \$0.78 million, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

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 1998A and Series 2007A Bonds. In 2008 and 2007, the Authority recognized revenue from dedicated tax receipts of \$91.5 million and \$83.3 million, respectively. As of September 30, 2008 and 2007, the dedicated taxes due from the District government recorded as a receivable were \$7.6 million and \$7.2 million, respectively. These receivables 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 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 to be based on 17.4% of the hotel sales tax received.

During fiscal year 2008 and 2007, the dedicated taxes allocable to the marketing account were \$10.8 million and \$9.7 million respectively.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
(In thousands)

The Authority incurred the following marketing services expenses in fiscal years 2008 and 2007 (in thousands):

	2008	2007
Washington D.C. Convention and Tourism Corporation	\$ 9,269	\$ 8,395
D.C. Chamber of Commerce	525	525
Greater Washington IBERO American Chamber of Commerce	200	200
Total	\$ 9,994	\$ 9,120

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2008, the Authority did not record additional liability as the potential exposures for the current or pending contingencies to the Authority cannot be determined at this time. For the year ended September 30, 2007, the Authority recorded a liability in its financial statement totaling \$50 thousand for one claim that in the opinion of legal counsel could result in an unfavorable outcome.

NOTE 13 SUBSEQUENT EVENTS

On December 16, 2008, The City Council of the District of Columbia (The Council) passed the *New Convention Center Hotel Technical Amendments Act of 2008* (D.C. Bill 17-774), which included several amendments to *New Convention Center Hotel Omnibus Financing and Development Act*, (D.C. Law 16-163) previously passed by the Council that were designed to address issues that had been identified during the negotiation of the Headquarters Hotel and provide the necessary statutory authority for the Authority and the District to execute the transaction agreements.

WASHINGTON CONVENTION CENTER AUTHORITY
SCHEDULE OF NET ASSETS BY FUND
SEPTEMBER 30, 2008
(IN THOUSANDS)

	<u>Operating Fund</u>	<u>Marketing Fund</u>	<u>Capital Fund</u>	<u>Building Fund</u>	<u>Demolition Fund</u>	<u>TOTAL</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,313	\$ 33	\$ 29	\$ 169	\$ 383	\$ 2,927
Investments	76,073	506	-	-	-	76,579
Due from District of Columbia	6,712	894	-	-	-	7,606
Accounts receivable, net of allowance for uncollectible accounts	1,194	-	-	-	5	1,199
Prepaid expenses and other assets	4	25	-	-	-	29
Accrued interest receivable	123	-	-	-	-	123
Interfund receivable (payable)	35,484	1,430	(4,767)	(32,124)	(23)	-
Total current assets	<u>121,903</u>	<u>2,888</u>	<u>(4,738)</u>	<u>(31,955)</u>	<u>365</u>	<u>88,463</u>
Noncurrent Assets						
Capital assets, net of accumulated depreciation	651,535	-	5,826	35,814	-	693,175
Unamortized bond issue costs	6,340	-	-	-	-	6,340
Restricted investments	67,331	-	-	-	-	67,331
Total Noncurrent Assets	<u>725,206</u>	<u>-</u>	<u>5,826</u>	<u>35,814</u>	<u>-</u>	<u>766,846</u>
Total Assets	<u>\$ 847,109</u>	<u>\$ 2,888</u>	<u>\$ 1,088</u>	<u>\$ 3,859</u>	<u>\$ 365</u>	<u>\$ 855,309</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 2,306	\$ 734	\$ 452	\$ 270	\$ 72	\$ 3,834
Compensation liabilities	298	-	-	-	-	298
Deferred revenue	2,700	-	-	388	-	3,088
Accrued interest payable	11,614	-	-	-	-	11,614
Other financing arrangement payable	719	-	-	-	-	719
Notes payable, current portion	-	-	-	-	2,300	2,300
Bonds payable, current portion	11,690	-	-	-	-	11,690
Total Current Liabilities	<u>\$ 29,327</u>	<u>\$ 734</u>	<u>\$ 452</u>	<u>\$ 658</u>	<u>\$ 2,372</u>	<u>\$ 33,543</u>

See independent auditors' report.

WASHINGTON CONVENTION CENTER AUTHORITY
SCHEDULE OF NET ASSETS BY FUND
SEPTEMBER 30, 2008
(IN THOUSANDS)

	<u>Operating Fund</u>	<u>Marketing Fund</u>	<u>Capital Fund</u>	<u>Building Fund</u>	<u>Demolition Fund</u>	<u>TOTAL</u>
Noncurrent Liabilities						
Compensated absences	763	-	-	-	-	763
Bonds payable including premium	477,412	-	-	-	-	477,412
Other financing arrangement payable	9,370	-	-	-	-	9,370
Total Noncurrent Liabilities	<u>487,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,545</u>
Total Liabilities	<u>516,872</u>	<u>734</u>	<u>452</u>	<u>658</u>	<u>2,372</u>	<u>521,088</u>
NET ASSETS						
Restricted Net Assets						
Invested in capital assets, net of related debt	152,344	-	5,826	35,814	(2,300)	191,684
Debt services and capitalized interest	22,733	-	-	-	-	22,733
Capital renewal	17,000	-	-	-	-	17,000
Operating fund	23,000	-	-	-	-	23,000
Marketing fund	-	2,904	-	-	-	2,904
Senior proceeds account	2	-	-	-	-	2
Bond issuance	48	-	-	-	-	48
Capitalized bond interest	1,643	-	-	-	-	1,643
Unrestricted Net Assets	<u>113,467</u>	<u>(750)</u>	<u>(5,190)</u>	<u>(32,613)</u>	<u>293</u>	<u>75,207</u>
Total Net Assets	<u>\$ 330,237</u>	<u>\$ 2,154</u>	<u>\$ 636</u>	<u>\$ 3,201</u>	<u>\$ (2,007)</u>	<u>\$ 334,221</u>

See independent auditors' report.

WASHINGTON CONVENTION CENTER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND
YEAR ENDED SEPTEMBER 30, 2008
(IN THOUSANDS)

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
Operating Revenues:						
Building rental	\$ 9,157	\$ -	\$ -	\$ -	\$ -	\$ 9,157
Food services	4,786	-	-	-	-	4,786
Electrical	2,364	-	-	-	-	2,364
Telecommunications	1,231	-	-	-	-	1,231
Audio-visual	417	-	-	-	-	417
Miscellaneous	505	-	-	-	-	505
Total Operating Revenues	18,460	-	-	-	-	18,460
Operating Expenses						
Personal services	15,256	-	-	-	-	15,256
Contractual services	11,895	137	35	-	-	12,067
Depreciation	27,681	-	19	-	-	27,700
Occupancy	5,838	-	-	-	-	5,838
Supplies	615	-	-	-	-	615
Miscellaneous	454	-	228	-	-	682
Bad debt	254	-	-	-	-	254
Total Operating Expenses	61,993	137	282	-	-	62,412
Operating Loss	(43,533)	(137)	(282)	-	-	(43,952)
Nonoperating Revenues and (Expenses)						
Interest Income	3,372	58	5	-	4	3,439
Dedicated taxes	80,655	10,839	-	-	-	91,494
Parking lot revenue	-	-	-	-	2,709	2,709
Interest expense	(24,655)	-	-	(195)	-	(24,850)
Amortization of Bond issuance costs	(224)	-	-	-	-	(224)
Transfer to tourism responsibility centers	-	(9,994)	-	-	-	(9,994)
Parking lot expenses	-	-	-	-	(1,015)	(1,015)
Prior year cost recovery	(7)	-	137	-	-	130
Rental income-plumbers building	-	-	-	1,163	-	1,163
Total Nonoperating Revenues and (Expenses)	59,141	903	142	968	1,698	62,852
Increase (Decrease) in Net Assets	15,608	766	(140)	968	1,698	18,900
Net assets, Beginning of Year	314,631	1,387	777	2,233	(3,707)	315,321
Net assets, End of Year	\$ 330,239	\$ 2,153	\$ 637	\$ 3,201	\$ (2,009)	\$ 334,221

See independent auditors' report.