

**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 with
Independent Auditors' Report
Years Ended September 30, 2009,
and September 30, 2008**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 30, 2010

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

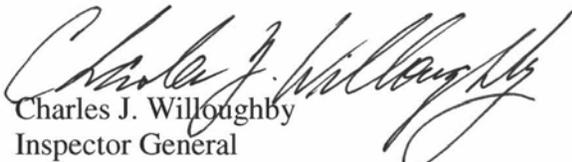
Dear Mayor Fenty and Chairman Gray:

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year 2009, 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, 2009, and 2008, 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 Victoria Lucchesi, Acting 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 2009 and 2008 Washington Convention Center Authority
Financial Statements, Management's Discussion and
Analysis, and Independent Auditor's Report
OIG No. 10-1-11ES – Final Report
March 30, 2010
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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, 2009 and 2008



BDO Seidman, LLP
Accountants and Consultants

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BDO Seidman, LLP
Accountants and Consultants

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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, 2009 and 2008, 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, 2009 and 2008, 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 25, 2010 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.



BDO Seidman, LLP
Accountants and Consultants

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 net assets by fund on pages 30 through 31 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 25, 2010

WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)

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, 2009, 2008 and 2007. 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 2009 Financial Highlights

- Net assets increased by \$12.8 million from last year, an increase of 4%, as a result of capital contributions.
- Operating expenses slightly increased by \$.9 million or 2% from fiscal year 2008, due to increases in personnel services, contractual services, occupancy and supplies expenses.
- Operating revenue decreased by \$.8 million or 5% from fiscal year 2008, resulting in total operating revenue of \$17.6 million in FY09.
- Assets exceed liabilities by \$347 million at the close of fiscal year 2009, a 4% increase over fiscal year 2008.
- The statement of cash flows indicates an increase in cash for the year by \$4.3 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 there in.
- The Statements of Net Assets present 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 Statements 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
SEPTEMBER 30, 2009 and 2008
(In thousands)**

- o 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, 2009, 2008 and 2007 (in thousands):

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

	2009	2008	2007	Percentage change	
				2009-2008	2008-2007
Current assets	\$ 103,728	\$ 88,463	\$ 66,344	17%	33%
Capital assets, net of accumulated depreciations	674,170	693,175	719,034	-3%	-4%
Other non-current assets	79,162	73,671	62,533	7%	18%
Total Assets	857,060	855,309	847,911		
Current liabilities	34,947	33,543	28,979	4%	16%
Noncurrent liabilities	475,067	487,545	503,611	-3%	-3%
Total Liabilities	510,014	521,088	532,590		
Net Assets:					
Investment in capital assets, net of related debt	187,015	191,684	213,319	-2%	-10%
Restricted	73,045	67,330	58,696	8%	15%
Unrestricted	86,986	75,207	43,306	16%	74%
Total Net Assets	\$ 347,046	\$ 334,221	\$ 315,321		

For the year-ended September 30, 2009 the Authority's financial position remained strong with total assets of \$857 million and liabilities of \$510 million. Current assets increased by \$15 million or 17% and \$22 million or 33%, for the years ended September 30, 2009 and 2008, respectively. Other non-current assets increased by \$5.4 million or 7% and \$11 million or 18%, for the years ended September 30, 2009 and 2008, respectively. The increase in both current and non-current assets is due to purchase of additional investments from unspent dedicated tax balance.

The total net assets of the Authority increased by \$12.8 million or 4%, and \$18.9 million or 6%, for the years ended September 30, 2009 and 2008, respectively. As of September 30, 2009, the Authority had total net assets amounting to approximately \$347 million, with the largest portion of the Authority's net assets, \$193 million or 56%, reflecting its investment in capital assets less any related debt used to acquire the

WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)

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 (i) 4.45% sales and use tax on hotel room charges and (ii) a 1% sales and use tax on restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges in the District of Columbia. Of the Authority's remaining net assets, \$73 million or 21% represents resources that are subject to external restrictions (primarily related to the Authority's bond indenture reserve requirements) on how they may be used, while the remaining balances of \$81 million or 23% is unrestricted. Of the \$81 million unrestricted amount, the Authority is planning to use a large portion of it for the financing of the new headquarters hotel.

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

	2009	2008	2007	Percentage change	
				2009-2008	2008-2007
Operating Revenues:					
Building rental	\$ 8,448	\$ 9,157	\$ 8,143	-8%	12%
Ancillary charges	9,170	9,303	8,525	-1%	9%
Total Operating Revenues	<u>17,618</u>	<u>18,460</u>	<u>16,668</u>		
Operating Expenses:					
Personal services	15,974	15,256	14,279	5%	7%
Contractual services	12,513	12,067	12,460	4%	-3%
Depreciation	27,516	27,700	28,088	-1%	-1%
Occupancy	6,023	5,838	6,052	3%	-4%
Supplies	652	615	530	6%	16%
Miscellaneous	420	682	468	-38%	46%
Bad debt	252	254	112	-1%	127%
Total Operating Expenses	<u>63,350</u>	<u>62,412</u>	<u>61,989</u>		
Operating loss	(45,732)	(43,952)	(45,321)	4%	-3%
Non-operating Revenues and (Expenses):					
Interest income	139	3,439	4,999	-96%	-31%
Dedicated taxes	91,468	91,494	83,312	0%	10%
Parking lot revenue (old center site)	2,601	2,709	2,236	-4%	21%
Miscellaneous	416	1,293	1,986	-68%	-35%
Bond interest and amortization issue costs	(24,412)	(25,074)	(25,532)	-3%	-2%
Marketing agencies payments	(10,740)	(9,994)	(9,120)	7%	10%
Parking lot expenses	(915)	(1,015)	(1,200)	-10%	-15%
Total Non-operating Revenues and (Expenses)	<u>\$ 58,557</u>	<u>\$ 62,852</u>	<u>\$ 56,681</u>		
Increase in net assets	12,825	18,900	11,360	-32%	66%
Net assets, beginning of year	334,221	315,321	303,961	6%	4%
Net assets, end of year	<u>\$ 347,046</u>	<u>\$ 334,221</u>	<u>\$ 315,321</u>		

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)**

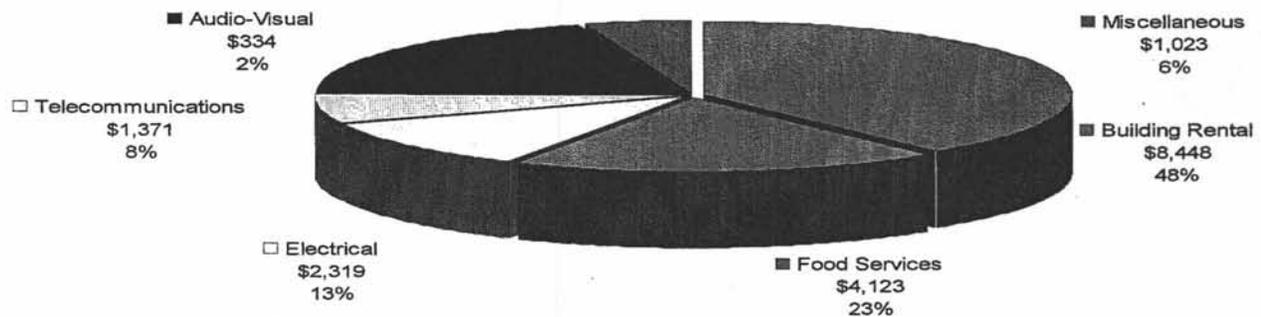
Analysis of Changes in Net Assets

Revenues

For the fiscal years ended September 30, 2009, 2008 and, 2007 the Authority's operating revenues were \$17.6 million, \$18.5 million and \$16.7 million, respectively.

Revenue decreased by 5% compared to the previous year. The economic slowdown has negatively affected building rental revenue as clients cut costs through reduction of rental space or cancelling booked events. This contributed to the decrease in ancillary revenues such as food service, 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.

The following is a graphic illustration of revenue by source.



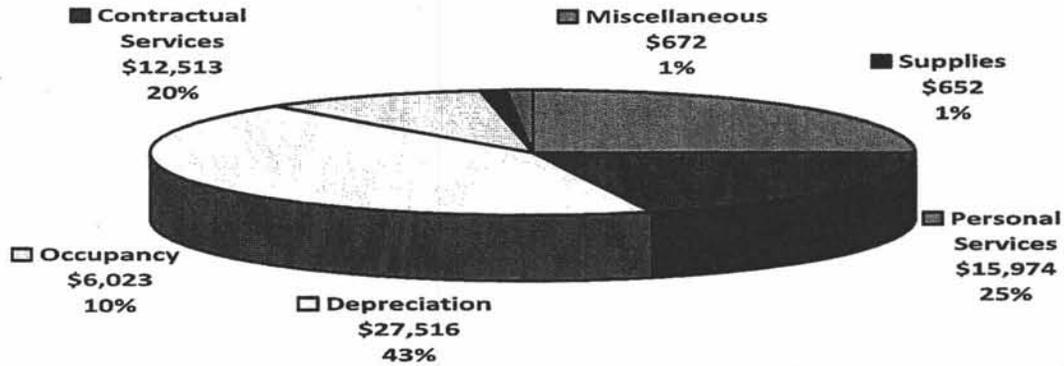
During 2009, non-operating revenues of \$94.6 million were \$4.3 million lower than in 2008, principally because of a decrease in interest income due to major changes in interest rates and economic market conditions. Non-operating revenues increased by \$6.4 million or 6.9% from 2007 to 2008, as result of higher dedicated tax transfers and parking lot revenue.

Expenses

For fiscal years 2009, 2008 and 2007, the Authority's total operating expenses were \$63.4 million, \$62.4 million and \$61.9 million, respectively. Total operating expenses increased by \$0.9 million or 2% from fiscal year 2008, primarily due to an increase in personnel services as a result of filled vacant positions and increases in utility related expenses. When compared to fiscal year 2007, fiscal year 2008 operating expenses increased by \$1.4 million or 2% due to hiring of more staff to reduce reliance on contractor services to accommodate traffic coordination related to event activities.

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)**

The following is a graphic illustration of operating expenses.



Personal services which include salaries and benefits increased by \$0.7 million or 0.5%, reflecting positions filled that were vacant in fiscal year 2008. Contractual services such as housekeeping, building insurance and security accounted for \$12.5 million in fiscal year 2009, an increase of \$.4 million or 4% compared to 2008. Occupancy expense, which includes all utility bills such as electricity, telecommunication, water, sewer and natural gas expense accounted for \$6 million, an increase of 3% compared to 2008. The increases in expense were primarily due to general inflation rate. Depreciation expense, primarily for the building, amounted to \$27 million in fiscal years 2009 and 2008.

The Authority's non-operating expenses consisted of \$24 million in bond interest payment and amortized issuance costs, \$.9 million in parking lot expenses and \$10.7 million in marketing agencies payments. The Washington Convention Center Authority Act of 1994," D.C. Law 10-188 (the WCCA Act or Act), effective September 28, 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.

Parking lot revenues decreased by 4% in fiscal year 2009 as compared to 2008 due to less event activities in fiscal year 2009. The 10% decreases in parking lot expenses were attributed to a reduction of financing related costs due to the payment of the loan balance in fiscal year 2009.

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)**

(3) Capital Asset and Debt Administration

Capital Assets

The Authority has invested \$674 million in capital assets (net of depreciation). Approximately 89% of this investment is related to the cost of the convention center building. The Authority's capital assets have increased by \$8.5 million in fiscal year 2009 and by \$1.8 million in fiscal year 2008 due to an increase in construction in progress related to the Convention Center headquarters hotel pre-development costs and building improvements.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2009, 2008 and 2007. The changes are presented in detail in Note 4 to the financial statements.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009-2008</u>	<u>2008-2007</u>
Non-depreciable					
Land	\$ 4,785	\$ 4,785	\$ 4,785	0%	0%
Construction in progress	3,052	2,389	1,765	28%	35%
Plumber's building	33,425	33,425	33,425	0%	0%
Artwork	2,742	2,742	2,742	0%	0%
Total non-depreciable capital assets	<u>44,004</u>	<u>43,341</u>	<u>42,717</u>		
Depreciable					
Building	769,452	769,452	769,452	0%	0%
Building improvements	12,552	5,888	5,046	113%	17%
Central plant	16,266	16,266	16,219	0%	0%
Financial Systems	1,414	1,413	1,411	0%	0%
Furniture and Fixtures	9,777	9,430	9,314	4%	1%
Machinery and equipment	7,685	6,847	6,638	12%	3%
Total depreciable capital assets	<u>817,146</u>	<u>809,296</u>	<u>808,080</u>	1%	0%
Total capital assets	<u>861,150</u>	<u>852,637</u>	<u>850,797</u>		
Less accumulated depreciation	186,980	159,463	131,763	17%	21%
Net capital assets	<u>\$ 674,170</u>	<u>\$ 693,174</u>	<u>\$ 719,034</u>		

Debt Administration

The Authority had \$487 million and \$501 million in debt outstanding, a decrease of \$14.3 million or 3% and \$11 million or 2% at the end of fiscal year September 30, 2009 and 2008, respectively. In both years, the decrease is primarily due to repayment of a \$15 million note payable entered on July 1, 2004 for demolition and construction of the parking lots. Repayments of \$10.4 million and \$2.3 million were made during fiscal year 2008 and 2009, respectively.

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).

**WASHINGTON CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 and 2008
(In thousands)**

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

	2009	2008	2007	Percentage change	
				2009-2008	2008-2007
Bonds Payable	\$ 477,785	\$ 489,102	\$ 488,772	-2%	0%
Notes payable	-	2,300	12,745	-100%	-82%
Financing Arrangements	9,370	10,089	10,809	-7%	-7%
Total debt outstanding	487,155	501,491	512,326		
Current portion of debt outstanding	12,879	14,709	9,509	-12%	55%
Debt outstanding less current portion	\$ 474,276	\$ 486,782	\$ 502,817		

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

Between June, 2006 and July, 2009, the Council has passed a series of legislative Acts (collectively, the "Hotel Acts"),¹ to authorize the financing, construction and development of a privately owned and operated headquarters hotel (the "HQ Hotel") for the Convention Center, including a program to train D.C. residents for HQ Hotel jobs. Together, the Acts have, among other things: (a) created a tax increment financing ("TIF") area, (the "Hotel TIF District"), the revenues from which will be used to secure Authority bonds to partially finance the costs of the HQ Hotel, (b) authorized the Authority to issue TIF bonds and to extend loans to Marriott International, Inc. for the HQ Hotel in an amount up to \$206 million to partially finance the development and construction of the HQ Hotel, (c) established a \$2 million HQ Hotel jobs training program, (d) authorized the Authority and the District to acquire and lease land for the HQ Hotel to Marriott, and (e) approved the HQ Hotel Development Funding Agreement, Ground Lease and related project documents.

Since the passage of the last of the Hotel Acts by the Council in July, 2009 and before the TIF bonds could be issued, Wardman Investor, LLC ("Wardman"), a party unrelated to the HQ Hotel project, has filed actions challenging the development of the HQ Hotel. Wardman's first action was filed on July 28, 2009

¹ See New Convention Center Hotel Omnibus Financing and Development Act of 2006 (D.C. Law 16-163); New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008, D.C. Law 17-144; New Convention Center Hotel Technical Amendments Act of 2008, D.C. Law 17-399; New Convention Center Hotel Emergency Amendment Act of 2009, D.C. Bill No. 18-391; and New Convention Center Hotel Amendment Act of 2009, D.C. Bill No. 18-310.

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(In thousands)**

before the District's Contract Appeals Board ("Board")² to dispute the 2001 process by which the District selected Marriott International, Inc. as the HQ Hotel Developer. Wardman was unsuccessful in that protest and on October 16, 2009, petitioned the District of Columbia Superior Court to review the Board's decision.³ On September 4, 2009, Wardman filed a separate civil action against the District in Superior Court to enjoin the development of the HQ Hotel.⁴ Both cases are pending of the court.

Although the District of Columbia Government, not the Authority, is the named defendant in both Superior Court cases, the Authority has temporarily halted its participation in the HQ Hotel project, as unfavorable rulings in either case could affect the propriety of TIF bond issuance.

(5) *Budgetary Controls*

The Authority adopts annual operating and capital budgets, which are approved by its Board of Directors in February of each year for the subsequent fiscal year. The budgets are 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.

² See District of Columbia Contract Appeals Board No. CAB P-0818.

³ See Superior Court Civil Docket No. 0007748-09.

⁴ See Superior Court Civil Action No. 0006426-09

WASHINGTON CONVENTION CENTER AUTHORITY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands)

	2009	2008
Assets		
Current assets:		
Cash and Cash Equivalents	\$ 7,240	\$ 2,927
Investments	87,351	76,579
Due from District of Columbia	8,438	7,606
Accounts Receivable, Net of Allowance for Uncollectible Accounts	699	1,199
Prepaid Expenses and Other Assets	-	29
Accrued Interest Receivable	-	123
Total current assets	103,728	88,463
Noncurrent Assets		
Non-Depreciable Capital Assets	44,004	43,341
Depreciable Capital Assets, Net of Accumulated Depreciation	630,166	649,834
Unamortized Bond Issue Costs	6,116	6,340
Restricted Investments	73,046	67,331
Total Noncurrent Assets	753,332	766,846
Total Assets	\$ 857,060	\$ 855,309
Liabilities		
Current Liabilities		
Accounts Payable	\$ 7,875	\$ 3,834
Compensation Liabilities	324	298
Deferred Revenue	2,488	3,088
Accrued Interest Payable	11,381	11,614
Other Financing Arrangement Payable, Current Portion	719	719
Notes Payable, Current Portion	-	2,300
Bonds Payable, Current Portion	12,160	11,690
Total Current Liabilities	34,947	33,543
Noncurrent Liabilities		
Compensated Absences	791	763
Long-term Bonds Payable including Premium	465,625	477,412
Long-term Other Financing Arrangement Payable	8,651	9,370
Total Noncurrent Liabilities	475,067	487,545
Total Liabilities	510,014	521,088
Net Assets		
Invested in Capital Assets, Net of Related Debt	187,015	191,684
Restricted Net Assets		
Debt Services and Capitalized Interest	23,540	22,733
Capital Renewal	17,000	17,000
Operating Fund	23,000	23,000
Marketing Fund	2,502	2,904
Senior Proceeds Account	2	2
Bond Issuance	-	48
Debt services reserve	7,001	-
Capitalized Bond Interest	-	1,643
Unrestricted Net Assets	86,986	75,207
Total Net Assets	\$ 347,046	\$ 334,221

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, 2009 AND 2008
 (In Thousands)

	2009	2008
Operating Revenue and Expenses		
Operating Revenues:		
Building Rental	\$ 8,448	\$ 9,157
Food Services	4,123	4,786
Electrical	2,319	2,364
Telecommunications	1,371	1,231
Audio-Visual	334	417
Miscellaneous	1,023	505
Total Operating Revenues	<u>17,618</u>	<u>18,460</u>
Operating Expenses		
Personal Services	15,974	15,256
Contractual Services	12,513	12,067
Depreciation	27,516	27,700
Occupancy	6,023	5,838
Supplies	652	615
Miscellaneous	420	682
Bad Debt	252	254
Total Operating Expenses	<u>63,350</u>	<u>62,412</u>
Operating Loss	<u>(45,732)</u>	<u>(43,952)</u>
Nonoperating Revenues and (Expenses)		
Interest Income	139	3,439
Dedicated Taxes	91,468	91,494
Parking Lot Revenue	2,601	2,709
Interest Expense	(24,188)	(24,850)
Amortization of Bond Issuance Costs	(224)	(224)
Marketing Agencies & Internal Marketing Expenses	(10,740)	(9,994)
Parking Lot Expenses	(915)	(1,015)
Prior Year Cost Recovery	28	130
Rental Income-Plumbers Building	388	1,163
Total Nonoperating Revenues and (Expenses)	<u>58,557</u>	<u>62,852</u>
Increase in Net Assets	<u>12,825</u>	<u>18,900</u>
Net Assets, Beginning of Year	<u>334,221</u>	<u>315,321</u>
Net Assets, End of Year	<u>\$ 347,046</u>	<u>\$ 334,221</u>

The accompanying notes are an integral part of these financial statements

WASHINGTON CONVENTION CENTER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands)

	2009	2008
Cash flows from operating activities:		
Receipts from customers	\$ 17,687	\$ 17,590
Payments to suppliers	(15,538)	(18,295)
Payments to employees	(15,918)	(15,299)
Net cash used in operating activities	(13,769)	(16,004)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,514)	(1,840)
Payments of notes payable	(2,300)	(10,445)
Other financing arrangement payment	(719)	(720)
Bonds payable payment	(11,690)	-
Interest payments	(24,048)	(24,477)
Net cash used in capital and related financing activities	(47,271)	(37,482)
Cash flows from noncapital financing activities:		
Dedicated tax receipts	90,635	91,072
Transfers to tourism responsibility centers	(10,740)	(9,858)
Parking lot receipts	2,573	2,722
Parking lot expenses	(915)	(979)
Other (receipts) payments	27	(43)
Net cash provided by noncapital financing activities	81,580	82,914
Cash flows from investing activities:		
Sales of investments	75,033	186,523
Purchases of investments	(91,521)	(219,159)
Receipts of interest and dividends	261	3,316
Net cash used in investing activities	(16,227)	(29,320)
Net increase in cash and cash equivalents	4,313	108
Cash and cash equivalents, beginning of year	2,927	2,819
Cash and cash equivalents, end of year	\$ 7,240	\$ 2,927

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

WASHINGTON CONVENTION CENTER AUTHORITY
STATEMENTS OF CASH FLOWS - *Continued*
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands)

	2009	2008
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	\$ (45,732)	\$ (43,952)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities.</i>		
Depreciation	27,516	27,700
Bad debt expense	252	254
Decrease (increase) in receivables	278	(437)
Decrease (increase) in prepaid expenses and other assets	29	(20)
Increase in accounts payable	4,041	927
Increase (decrease) in compensation liabilities	56	(43)
Decrease in deferred revenue	(209)	(433)
Net Cash Used in Operating Activities	\$ (13,769)	\$ (16,004)
<i>Non-cash investing, capital and financing activities</i>		
Interest expense paid	\$ (24,048)	\$ (24,477)

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

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(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, 2009 and 2008
(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 Uncollectable Accounts

The Authority establishes an allowance for doubtful accounts for all account receivables over 180 days old. At September 30, 2009 and 2008, accounts receivable were shown net of allowance for doubtful accounts of \$.77 million and \$.53 million, respectively.

Investments

Investments in money markets are recorded at market value which approximates fair value. Commercial paper investments 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 bonds.

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, 2009 and 2008
(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 (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

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.

Cash Deposits

The carrying amount of the Authority's cash as of September 30, 2009 and 2008 is \$7,240 and \$2,927, respectively. The Authority's bank balance at September 30, 2009 and 2008 is \$8,506 and \$2,697, respectively. These bank balances are entirely insured or collateralized with securities held by the Authority's agent in its name.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(In thousands)

Investments

In accordance with the Authority's investment policy adopted in 1999 and amended in 2009, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S Government, its agencies, and instrumentalities, domestic interest bearing savings accounts, 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, 2009 and 2008, the Authority had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>2009</u> <u>Fair Value</u>	<u>2008</u>	<u>2009</u> <u>Less than</u> <u>3 Months</u>	<u>2008</u> <u>Less than</u> <u>3 Months</u>
Money Market Funds	\$ 160,397	\$ 71,410	\$ -	\$ -
Commercial Paper	-	72,500	-	72,500
Total Investment	<u>\$ 160,397</u>	<u>\$ 143,910</u>	<u>\$ -</u>	<u>\$ 72,500</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. The Authority's investment policy requires that, at the time funds are invested, collateral for repurchase agreements be held in the Authority's name by a custodial agent for the term of the agreement and investments in obligations of United States or its agencies be held by the Federal Reserve in a custodial account. Repurchase agreements are collateralized at 102 percent of the investment with obligations of the U.S. agencies, or investment grade obligations of the District or state or local governments. As of September 30, 2009 and 2008, the Authority's investments were in AIM Money Market Funds that were AAA rated which were a composite of various US Government treasury obligations and US Government Agencies notes which are guaranteed by the Federal Government and or collateralized by the fund provider.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing short term investment by matching the maturities of investments with its expected cash flow needs. For investment intended to be used for operations and capital maintenance, the Authority purchases investments so that the maturity dates are in line with anticipated cash flow needs. For investment restricted for

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
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capital projects, the Authority invests in maturities that meet the projected draw schedule for the related project.

Credit Risk: The Authority's Board of Directors has approved a cash management and investment policy which is consistent with the District of Columbia's investment policy as defined in DC Law 12-56. Allowable investments include obligation U.S. Treasury, and U.S. agencies. The Authority may also invest in highly rated commercial paper, banker's acceptance, municipal obligations, federally insured or collateralized certificates of deposit and money market mutual funds. As of September 30, 2009 and 2008, the authority's investments were in AAA rated money market funds which were composite of various Government Agencies notes.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2009, the Authority had 100% of its investments in money market funds.

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, 2009 and 2008, those restricted investments totaled approximately \$73 million and \$67 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"). However, due to the lowering of AMBAC's credit rating, the Authority is obligated to provide a disclosure with respect to the downgrade of AMBAC who provided the surety policy for the 2007 Convention Center Revenue and Refunding Bonds and the Authority is required either to provide a substitute surety or post cash or other collateral in the debt service reserve account. The Indenture requires that the Authority fill the debt service reserve fund in 10 equal installments on each April 1 and October 1 over the next five years. The Authority chose to self fund the debt service reserve fund and as of September 30, 2009, the Authority set aside \$7 million in the debt service reserve account as part of the ten equal amount contributions.

The following tables summarize the minimum reserve requirements and actual balance on the reserves as of September 30, 2009 and 2008, respectively.

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

Reserve Account	Investment Balance as of September 30, 2009	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	\$ 2	\$ 2	\$ -
Revenue Account	10,840	-	10,840
Revenue Stabilization Account	3	-	3
Debt Service Account	39,188	23,540	15,648
Debt Services Reserve Account	7,001	7,001	-
Capital Renewal & Replacement Account	43,418	17,000	26,418
Operating Account	332	-	332
Marketing Account	2,503	2,503	-
Operating & Marketing Reserve Account	57,110	23,000	34,110
Total	\$ 160,397	\$ 73,046	\$ 87,351

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, 2009 and 2008
(In thousands)

NOTE 4 CAPITAL ASSETS

Capital asset balances at September 30, 2009 are summarized as follows (in thousands):

	Balance @ 9/30/2008	Additions	Disposals	Adjustments	Balance @ 9/30/2009
Non-Depreciable					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction in Progress	2,389	665	-	(2)	3,052
Plumber's Building	33,425	-	-	-	33,425
Artwork	2,742	-	-	-	2,742
Total Non-Depreciable Capital Assets	<u>\$ 43,341</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 44,004</u>
Depreciable					
Building	\$ 769,452	\$ -	\$ -	\$ -	\$ 769,452
Building Improvements	5,888	6,664	-	-	12,552
Central Plant	16,266	-	-	-	16,266
Financial Systems	1,413	1	-	-	1,414
Furniture and Fixtures	9,430	347	-	-	9,777
Machinery and Equipment	6,847	838	-	-	7,685
Total Depreciable Capital Assets	809,296	7,850	-	-	817,146
Less Accumulated Depreciation	159,463	27,517	-	-	186,980
Total Net Depreciable Capital Assets	<u>\$ 649,833</u>	<u>\$ (19,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,166</u>

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(In thousands)

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	<u>\$ 42,717</u>	<u>\$624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,341</u>
Depreciable					
Building	\$ 769,452	\$ -	\$ -	\$ -	\$ 769,452
Building Improvements	5,046	842	-	-	5,888
Central Plant	16,219	47	-	-	16,266
Financial Systems	1,411	2	-	-	1,413
Furniture and Fixtures	9,314	116	-	-	9,430
Machinery and Equipment	6,638	209	-	-	6,847
Total Depreciable Capital Assets	808,080	1,216	-	-	809,296
Less Accumulated Depreciation	131,763	27,700	-	-	159,463
Total Net Depreciable Capital Assets	<u>\$ 676,317</u>	<u>\$ (26,484)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,833</u>

Construction in Progress

The construction in progress represents predevelopment costs related to construction of the new headquarters hotel project. The estimated completion cost is \$537 million.

Building and Building Improvements

The 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 2009, all retail spaces had been completed to a standard fitting 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.

During 2009, the convention center started several capital budget projects. Three of the largest projects include an interior retrofit/reconfiguration of certain spaces, installation of an energy efficient lighting system and the signage program. The interior Retrofit Project is to renovate approximately 45,000 square feet of existing interior public space into upscale flexible prime meeting room space. The renovation shall create an additional forty thousand (40,000) square feet of prime

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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meeting space, with appropriate adjacent support spaces, including office space, break out space and restroom areas.

A contract was awarded to provide an Energy Efficient Lighting and wireless control system. This contract was to replace approximately 1,500 fixtures and lamps and add controls in various areas of the facility. These areas included the loading dock and ramps, and all exhibit halls. The purpose of these services is to reduce energy consumption and utility costs and to provide uniform light within the exhibit halls and loading dock areas

The Signage Program is to replace all interior and exterior signs, improve way finding and add digital signs throughout the facility as a revenue source. WCCA engaged a consultant in March 2008 to conduct a comprehensive assessment of the interior and exterior public directional, way finding and information signage. The assessment was utilized to develop a comprehensive signage program that both complements the Center's architecture, finishes and amenities and provides a more user-friendly means of navigating the facility both internally and externally.

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 \$15.8 million. The vendor financed \$14 million and the Authority paid the remaining balance of \$1.8 million with bond proceeds. Under the financing arrangement, the Authority agreed to pay the vendor \$.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):

<u>Year ending September 30:</u>		
2010	\$	1,171
2011		1,135
2012		1,099
2013		1,063
2014		1,027
2015-2019		4,597
2020-2022		<u>2,350</u>
Total		12,442
Less Interest		<u>(3,072)</u>
Total Financing Arrangement Payable		9,370
Less Current Portion		<u>719</u>
Long Term Portion	\$	<u>8,651</u>

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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.

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, 2009, the Authority had drawn \$15.8 million on the line of credit. In FY2009, the outstanding principal payment in the amount of \$2.3 million was fully paid on July 1, 2009 upon the due date of the loan balance.

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 headquarters 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 2007 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 headquarters 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 have 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 was \$13.8 million.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(In thousands)

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 were not included in the FY2008 financial statements. In October 2008, the defeased bonds that were outstanding were paid by the Trustee.

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 2009 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the mayor.

As of September 30, 2009, the Authority's bond liability totaled approximately \$481 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
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	14,545	19,687	34,232
2015-2019	83,855	86,651	170,506
2020-2024	106,725	62,744	169,469
2025-2029	135,060	33,082	168,142
2030-2034	75,120	6,118	81,238
2035-2037	13,540	627	14,167
Total	\$ 480,835	\$ 294,217	\$ 775,052

At September 30, 2009, the unamortized bond premium and bond issuance costs were \$14.2 million and \$6.1 million, respectively. At September 30, 2008 the unamortized bond premium and bond issuance cost were \$14.8 million and \$6.3 million, respectively.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(In thousands)

NOTE 8 CHANGE IN LONG TERM LIABILITIES

	Balance @ 9/30/2008	Additions	Reductions	Balance @ 9/30/2009	Amount Due Within One Year
Bonds Payable	\$ 492,525	\$ -	\$ (11,690)	\$ 480,835	\$ 12,160
Unamortized Bond Premium	14,757	-	(521)	14,236	-
Bond Deferral	(18,180)	-	894	(17,286)	-
Notes Payable	2,300	-	(2,300)	-	-
Financing Arrangement Payable	10,089	-	(719)	9,370	719
Total Long Term Liabilities	\$ 501,491	\$ -	\$ (14,336)	\$ 487,155	\$ 12,879

	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

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 2009 and 2008 was \$.84 million and \$.81 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 2007A Bonds. The Authority recognized revenue from dedicated tax receipts of \$91.5 million for fiscal years 2009 and 2008. As of September 30, 2009 and 2008, the dedicated taxes due from the District government recorded as a receivable were \$8.4 million and \$7.6 million, respectively. These receivables amounts substantially represent September tax payments collected by the District in October.

WASHINGTON CONVENTION CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(In thousands)

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 2009 and 2008, the dedicated taxes allocable to the marketing account were \$10.8 million in each fiscal year.

The Authority incurred the following marketing services expenses in fiscal years 2009 and 2008 (in thousands):

	2009	2008
Washington D.C. Convention and Tourism Corporation	\$ 10,015	\$ 9,269
D.C. Chamber of Commerce	525	525
Greater Washington IBERO American Chamber of Commerce	200	200
Total	\$ 10,740	\$ 9,994

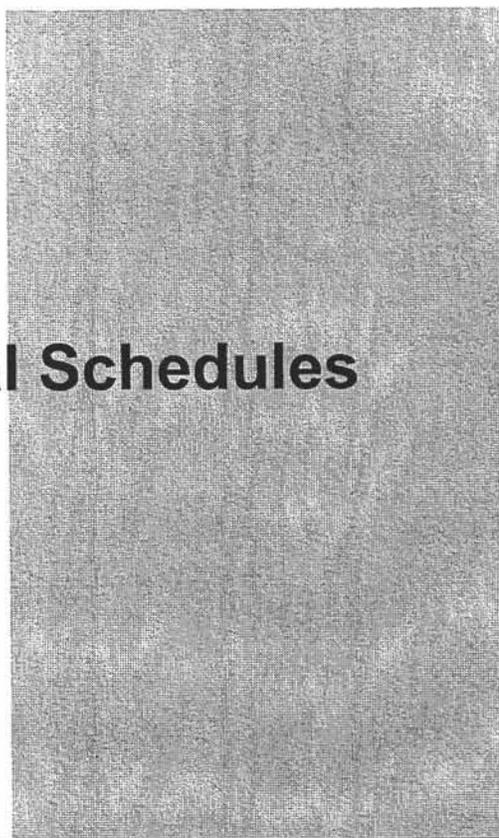
NOTE 12 COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2009, 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.

NOTE 13 SUBSEQUENT EVENTS

Effective October 1, 2009, the Washington Convention Center Authority merged with the DC Sports and Entertainment Commission to form the Washington Convention and Sports Authority. This merger created one umbrella organization with a broadened charter for increasing economic development through the promotion of key sports and entertainment offerings as well as major national and international conventions, meetings and special events held in the District of Columbia. The new Authority will enhance the city's sports, entertainment, convention and special events programming for the benefit of visitors, residents and the business community. The Sports, Entertainment and Special Events Division will manage and program Robert F. Kennedy Memorial Stadium and the DC Armory, and also serve as landlord for Nationals Park. The core Convention Center Operations team remains unchanged. Also, as part of the merger, the facility maintenance tasks previously performed by the DC Sports and Entertainment Commission will be assumed by the District's Department of Real Estate Services (DRES).

Supplemental Schedules



WASHINGTON CONVENTION CENTER AUTHORITY
 SCHEDULE OF NET ASSETS BY FUND
 SEPTEMBER 30, 2009
 (IN THOUSANDS)

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,949	\$ 231	\$ 3,051	\$ 801	\$ 208	\$ 7,240
Investments	86,845	506	-	-	-	87,351
Due from District of Columbia	7,518	920	-	-	-	8,438
Accounts receivable, net of allowance for uncollectible accounts	666	-	-	-	33	699
Prepaid expenses and other assets	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-
Interfund receivable (payable)	45,298	813	(12,052)	(33,498)	(561)	-
Total current assets	<u>143,276</u>	<u>2,470</u>	<u>(9,001)</u>	<u>(32,697)</u>	<u>(320)</u>	<u>103,728</u>
Noncurrent Assets						
Capital assets, net of accumulated depreciation	624,110	-	13,583	36,477	-	674,170
Unamortized bond issue costs	6,116	-	-	-	-	6,116
Restricted investments	73,046	-	-	-	-	73,046
Total Noncurrent Assets	<u>703,272</u>	<u>-</u>	<u>13,583</u>	<u>36,477</u>	<u>-</u>	<u>753,332</u>
Total Assets	<u>\$ 846,548</u>	<u>\$ 2,470</u>	<u>\$ 4,582</u>	<u>\$ 3,780</u>	<u>\$ (320)</u>	<u>\$ 857,060</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 2,512	\$ 752	\$ 4,425	\$ 180	\$ 6	\$ 7,875
Compensation liabilities	324	-	-	-	-	324
Deferred revenue	2,488	-	-	-	-	2,488
Accrued interest payable	11,381	-	-	-	-	11,381
Other financing arrangement payable	719	-	-	-	-	719
Bonds payable, current portion	12,160	-	-	-	-	12,160
Total Current Liabilities	<u>\$ 29,584</u>	<u>\$ 752</u>	<u>\$ 4,425</u>	<u>\$ 180</u>	<u>\$ 6</u>	<u>\$ 34,947</u>

WASHINGTON CONVENTION CENTER AUTHORITY
 SCHEDULE OF NET ASSETS BY FUND
 SEPTEMBER 30, 2009
 (IN THOUSANDS)

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
Noncurrent Liabilities						
Compensated absences	791	-	-	-	-	791
Bonds payable including premium	465,625	-	-	-	-	465,625
Other financing arrangement payable	8,651	-	-	-	-	8,651
Total Noncurrent Liabilities	<u>475,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,067</u>
Total Liabilities	<u>504,651</u>	<u>752</u>	<u>4,425</u>	<u>180</u>	<u>6</u>	<u>510,014</u>
NET ASSETS						
Invested in capital assets, net of related debt						
Restricted Net Assets						
Debt services and capitalized interest	136,955	-	13,583	36,477	-	187,015
Capital renewal	23,540	-	-	-	-	23,540
Operating fund	17,000	-	-	-	-	17,000
Marketing fund	23,000	-	-	-	-	23,000
Senior proceeds account	-	2,502	-	-	-	2,502
Debt services reserve	2	-	-	-	-	2
Capitalized bond interest	7,001	-	-	-	-	7,001
Unrestricted Net Assets	<u>134,399</u>	<u>(784)</u>	<u>(13,426)</u>	<u>(32,877)</u>	<u>(326)</u>	<u>86,986</u>
Total Net Assets	<u>\$ 341,897</u>	<u>\$ 1,718</u>	<u>\$ 157</u>	<u>\$ 3,600</u>	<u>\$ (326)</u>	<u>\$ 347,046</u>

WASHINGTON CONVENTION CENTER AUTHORITY
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND
 YEAR ENDED SEPTEMBER 30, 2009
 (IN THOUSANDS)

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
Operating Revenues:						
Building rental	\$ 8,448	\$ -	\$ -	\$ -	\$ -	8,448
Food services	4,123	-	-	-	-	4,123
Electrical	2,319	-	-	-	-	2,319
Telecommunications	1,371	-	-	-	-	1,371
Audio-visual	334	-	-	-	-	334
Miscellaneous	1,023	-	-	-	-	1,023
Total Operating Revenues	17,618	-	-	-	-	17,618
Operating Expenses						
Personal services	15,974	-	-	-	-	15,974
Contractual services	11,618	485	410	-	-	12,513
Depreciation	27,418	-	98	-	-	27,516
Occupancy	6,023	-	-	-	-	6,023
Supplies	652	-	-	-	-	652
Miscellaneous	420	-	-	-	-	420
Bad debt	252	-	-	-	-	252
Total Operating Expenses	62,357	485	508	-	-	63,350
Operating Loss	(44,739)	(485)	(508)	-	-	(45,732)
Nonoperating Revenues and (Expenses)						
Interest income	139	-	-	-	-	139
Dedicated taxes	80,668	10,800	-	-	-	91,468
Parking lot revenue	-	-	-	1	2,600	2,601
Interest expense	(24,186)	-	-	-	(2)	(24,188)
Amortization of Bond issuance costs	(224)	-	-	-	-	(224)
Marketing Agencies & Internal Marketing Expenses	-	(10,740)	-	-	-	(10,740)
Parking lot expenses	-	-	-	-	(915)	(915)
Prior year cost recovery	-	(10)	28	10	28	28
Rental income-plumbers building	-	-	-	388	-	388
Total Nonoperating Revenues and (Expenses)	56,397	50	28	399	1,683	58,557
Increase (Decrease) in Net Assets	11,658	(435)	(480)	399	1,683	12,825
Net assets, Beginning of Year	330,239	2,153	637	3,201	(2,009)	334,221
Net assets, End of Year	\$ 341,897	\$ 1,718	\$ 157	\$ 3,600	\$ (326)	\$ 347,046