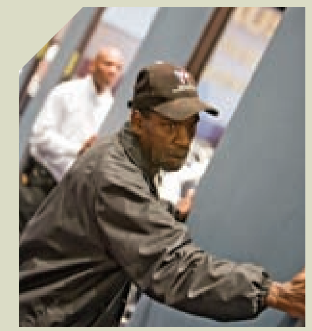
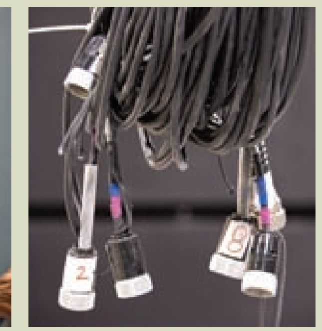
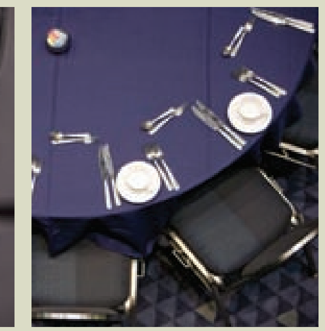




IT ALL COMES TOGETHER

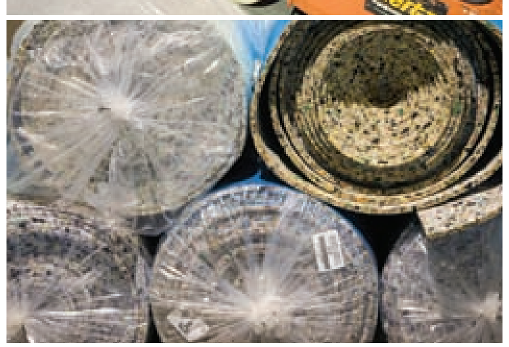
AT THE WALTER E. WASHINGTON CONVENTION CENTER

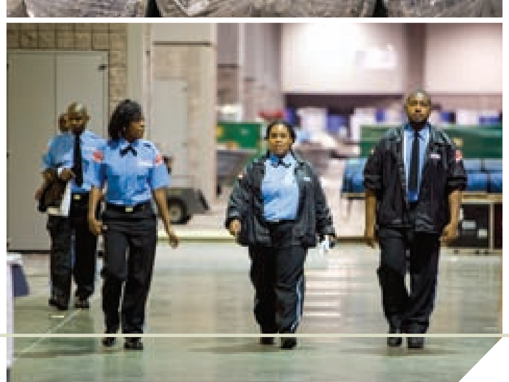
ANNUAL REPORT 2007

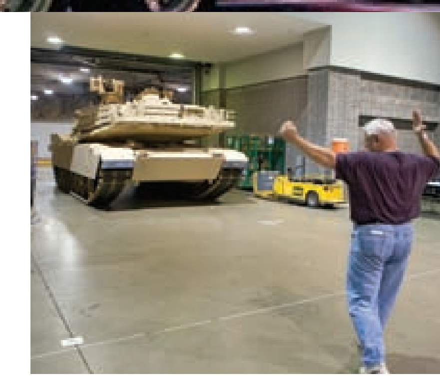




WHERE EXPERIENCE AND HARD WORK COME TOGETHER

At the Walter E. Washington Convention Center each meeting is a unique story of exhibits, education and special events. Join us behind the scenes and share in the intense efforts that define the making of a successful meeting. The 53rd Annual Meeting & Exposition of the Association of the United States Army (AUSA) is touted as one of the fastest growing tradeshows in the country. During the annual AUSA meeting, the Convention Center team is put to an extreme test of will with 86 room change-overs, 700 separate banquet orders, 60 individual food functions and a tradeshow floor the size of eight football fields.







A Legendary Fighter Arrives

It is midnight and the Convention Center team awaits the arrival of the Army's main battle tank, the vaunted 60-ton Abrams. A bone-vibrating rumble is heard from the street as its huge carrier, an immense 18-foot long tractor trailer, rumbles forth to fill the roadway.

Inch by inch, minute by minute, the WCCA Transportation Services team, headed by Ron Branch, guides this gigantic vehicle through ramps and loading docks. At last, after six hours of intense focus and effort, the legendary fighter takes its place of honor in the middle of the convention floor.

"It's like a giant puzzle to get this tank in," says Branch, "but last night, we moved in two Bradley tanks, and more come tomorrow." Annually, Ron manages 2,500 tractor trailers, thousands of taxis, shuttle buses and pedestrians. For the Army meeting alone he must direct 380 trailers and 80 mobile pieces of military equipment. Working at night during Army's move-in, he will carefully monitor more than 7 million tons of freight and deliveries.

The Abrams will now rest on a steel plate to defray its weight as to not crush the cement floor. Its arrival represents the culmination of weeks of planning on the part of hundreds of people. There is a momentary feeling of relief, but the team turns quickly to the next task as opening day nears.

"AUSA was created to tell the Soldier's story. Bringing our Annual Meeting to this spectacular building, and the heart of the nation's capital, has enhanced our ability to tell that story effectively. Our relationship with the Convention Center team has evolved into an extraordinary partnership that provides a foundation for our continued growth."

General Gordon R. Sullivan, Retired
President and Chief Operating Officer, AUSA
Co-author of the leadership book *Hope is Not a Method*

Hope is Not a Method

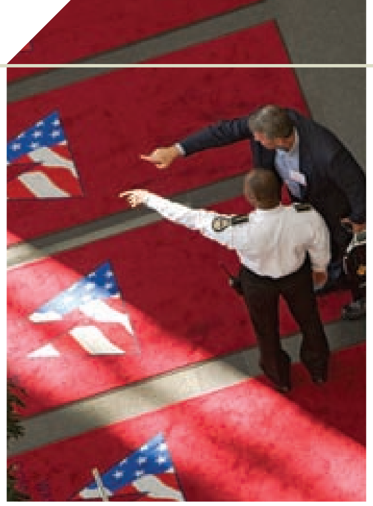
The U.S. Army is one of the largest, most complex organizations in the world with 1.3 million employees and an annual budget of more than $110 billion. The active command of this vast organization demands extraordinary commitment and competence. When Army leadership retires and takes up the reins within its association, the demand for competency remains at an all-time high. Nothing is left to chance, because, as the President and CEO of AUSA, General Gordon R. Sullivan (Ret.), would say, "hope is not a method" for operational achievement.

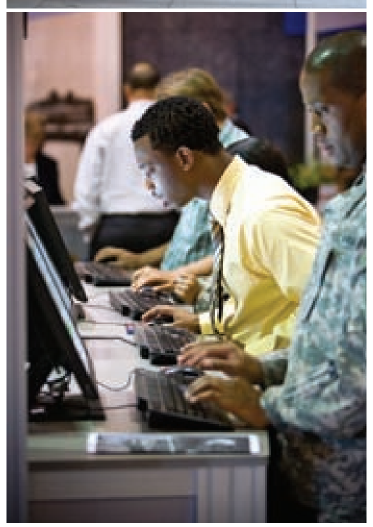
Thus, at the end of each Annual Meeting an "after-action review" is written. This review promotes improvements for the following year. The AUSA meeting planning team uses this review to enhance a Daily Activity Guide referred to as "The DAG". The DAG is a 120 page how-to manual that includes all the meeting details.

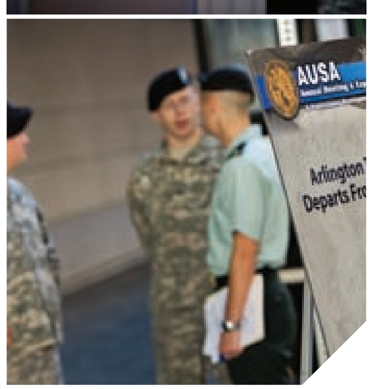
As opening day draws near, there are more than a thousand people working on AUSA's meeting. Caterers, audio visual companies, graphic designers and security are all working to ensure that this complex meeting is successful. Leading the charge for the building is the event manager. During the course of AUSA, the event manager will work untold hours and walk countless miles reviewing the meeting details.

Michael Scanlan, AUSA Director of Industry Affairs states, "The event manager is the point person in preparing the building for our arrival and letting my team know what the art of possible is. The most important thing he or she does is communicate. In a detail-driven environment, communication must be a 360-degree effort. 'Who else needs to know that?' is a central question."

Courtney Lett, this year's AUSA event manager adds, "Attention to detail is the most important character trait an event manager should possess." Courtney's thoroughness is evidenced at the AUSA daily operations meeting. Here, problems are solved and measures are put in place to avoid future complications. Every detail is examined and nothing is left to chance.







Doors Open

It is 7:00 am on the first day of show. In minutes the doors will swing open and waves of attendees will enter the Grand Lobby. Within three hours an estimated 6,000 of the 30,000 attendees are slated to register.

To meet the challenges of the meeting's opening day, the Convention Center has an army of its own. The team has stormed the entire building with platoons cleaning every nook and cranny until the building shines. Squads of staff have polished doors, touched up paint, replaced light bulbs and vacuumed to be ready for the first day of show.

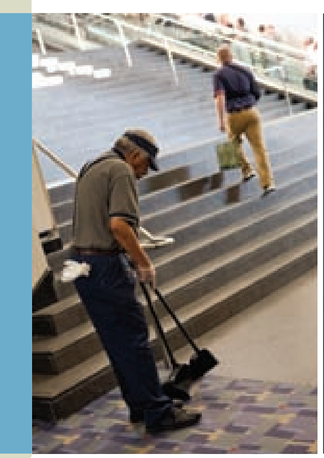
But this is only the beginning. Maintenance of such an enormous facility is a monumental task that daunts even the most seasoned facility expert. For example, the facilities team must surmount the soaring 100-foot ceilings when they take on the seemingly simple task of changing a light bulb. What is more, there are 32,000 light fixtures that require about 160 light bulb changes weekly. And, close to 1,700 gallons of paint in over 35 different colors used each year keep the Center in peak condition.

Says John Collins, Director of Facilities, "We first are doing everything we can to create a comfortable environment for people. We pay attention to the details. We ask: Do the light bulb colors match? What is the exact pressure of the air conditioning vents? Next, we are working to ensure that we operate as efficiently as possible. When we upgrade the switches on the escalators, it reduces the number of times the escalators fail. With 38 escalators, that represents a significant increase in efficiencies. Finally, there are literally hundreds of things we do each year to improve safety including testing emergency systems."

Facility Perspective

Our 2.3 million square foot facility uses the energy of a small city. See page 18 for a review of our sustainability efforts.

- an air conditioning plant that could cool 7,000 typical single-family homes;
- uses 25,000,000 gallons of water and
- 28,000,000 kilowatts of electricity which is enough to power 2,400 households.



Flip the Room

It is now 1:30 pm. The speaker, Secretary of Defense Robert M. Gates, concludes his speech to a standing ovation. Meeting attendees, having enjoyed their lunch and inspiring words, make their way out of the ballroom.

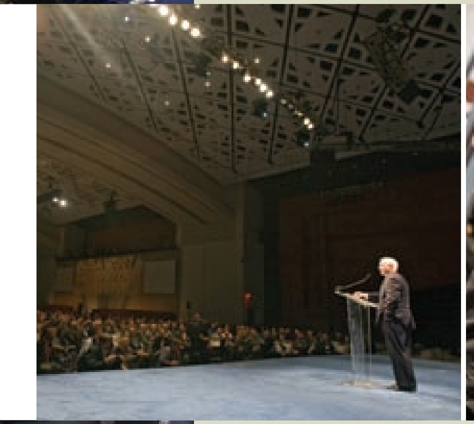
Behind the scenes in the service corridor, an experienced Convention Center team stands ready to turn a room set for a 500-person lunch into a reception and dinner for 2,900 people in four hours flat.

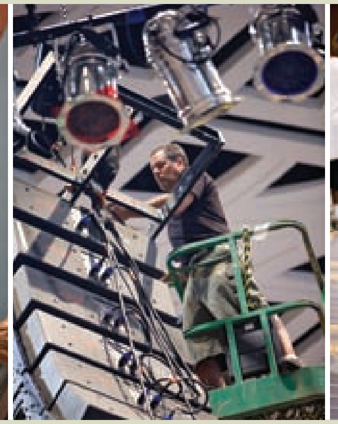
The order is given and the teams move out in waves. Catering staff quickly clears lunch tables. Other team members begin to roll tables out of the room. Another team begins to move the 35-foot tall partitions that will open the ballroom into one 52,000 square-foot space. A 20-foot boom lift emerges silently to begin adjusting lights. Staging backdrops are adjusted and catering tables are set for buffet stations.

The work is so complex that all parties to the dinner, from the caterer to the Army Band, staged a massive rehearsal this past summer to test the room set for the Marshall Dinner. Given the tight schedule, there is no room, or time, for mistakes.

During the next three meeting days, the ballroom set will be changed, or flipped, seven times. Setting large scale events at this speed and with this many players requires total technical expertise and an exact sense of timing.

Says Clinton Bunch, Meeting Services Supervisor, winner of the 2007 WCCA CEO/GM's Award and an 18-year veteran of WCCA, "Setting rooms this fast is a rush. The work is extremely intense. When I see a hall turn in just a few hours, it is extremely rewarding."








The Heat is On

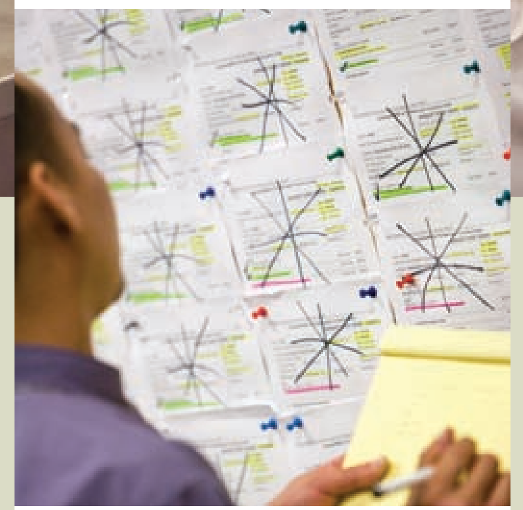
Scores of staff in culinary whites move swiftly with a purpose that matches the monumental task at hand. In the next three days, this team must serve 36,000 catered meals.

Gleaming professional stoves that can cook 3,000 ten-ounce steaks at once radiate waves of heat. But, it is the noise that impresses. Huge six-foot-tall "Queen Mary" carts laden with trays of food roll by. Knives flash, chopping mountains of vegetables; gigantic sauce bowls are whisked and twirled as chefs add to the din, calling out directions to their staffs.

At the dessert station, one worker rapidly lays down plates as if he were dealing cards at a casino. Another follows smartly with dots of sauce. Yet another adds pieces of fruit. With the décor in place, each of the 2,500 plates receives a delicate pastry, creating a picturesque still-life out of berries and cake. The action is a blur, the noise is unnerving, but the results are a culinary extravaganza.

The desserts are complete. The staff moves quickly to clean their station. There is no time to rest because the next order is in the queue.

Says Executive Chef Greg Sharpe, "The AUSA Group is a test of a lifetime. With hundreds of event orders for each day, you have to be extremely organized and energetic. Our crew rises to the occasion each year as if it is our Super Bowl. We all rest our feet for several days when the show moves out."




The Strength of the Nation

The theme of the 53rd AUSA meeting spotlights the Army as the "Strength of the Nation." Since its founding in 1775, the United States Army has used its strength to keep our nation independent and free. AUSA has been the voice of every American soldier.

AUSA uses that voice to help keep our Army strong. They speak to issues that impact our men and women in uniform such as troop size, medical care, retirement, housing and pay.

Upon moving the Annual Meeting to the Walter E. Washington Convention Center five years ago, AUSA has experienced a remarkable level of growth in attendance and number of exhibitors. This year 35 countries were represented and the waiting list of companies wishing to exhibit is now over 150.

Our Soldiers and their families epitomize what is best about America. They carry heavy burdens in today's world and face a hard road ahead. Yet their willingness to sacrifice, to build a better future for others and to preserve our way of life is the reason our Army is the **Strength of the Nation**.

General George W. Casey, Jr., Chief of Staff of the Army
ARMY Magazine, October 2007

The Coin. One of the time-honored traditions in the American military dating back to World War I is to honor excellent service by bestowing Soldiers with uniquely designed coins. LTG Roger G. Thompson, Jr., USA, Ret., Vice President, Membership & Meetings, continues the tradition by thanking the numerous teams who contribute to the Annual Meeting with the annual AUSA coin. Says General Thompson, "At the end of the day, our Annual Meeting is about the American Soldier. Each year we thank the many people who contribute to our meeting with a Soldier's tradition."

A Letter from the Chair

In the face of seemingly insurmountable challenges and hardships, few people have shown the degree of dignity, strength and grace as the Honorable Walter E. Washington. Named for former Mayor Washington in 2007, our Convention Center is honored to carry his name and celebrate his tireless efforts to make our nation's capital a beacon of innovation, cooperation and progress.

Ironically, Mayor Washington's last public appearance was in 2003 here at our Convention Center at an event celebrating his legacy. He cared passionately about this city, and it warms the heart to know that his last public appearance was in the building that would later bear his name.

Mayor Washington's name graces a building that contributes powerfully to the DC's prosperity in ways that extend well past our primary role of hosting major meetings and conventions.

We are honored to be strategic partners for a variety of events that serve Washington, DC. For example, we annually host the Safeway Feast of Sharing the day before Thanksgiving. This extraordinary event feeds approximately 5,000 of our city's citizens, including many senior citizens. As we celebrate the eighth anniversary of this event, we will have fed approximately 40,000 people.

We are also home to the DC Discount Utility Day to help ensure that those in need can afford to pay for basic utility services. We host job and business fairs, training for teachers and numerous graduation ceremonies.

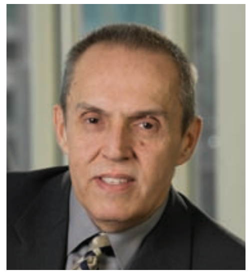
Our primary responsibility to impact the city's economy converges with our heartfelt conviction to assist our fellow citizens. It does indeed all come together at the Walter E. Washington Convention Center.

Sincerely,

Beverly L. Perry
Chairman, Board of Directors

pictured left to right:
Mayor Adrian M. Fenty, memorial wall dedicated to former DC Mayor Walter E. Washington, and Mary Burke Washington, the widow of Walter E. Washington, at the renaming event.

Board of Directors



pictured opposite:

Beverly L. Perry
Senior Vice President
Government Affairs and Public Policy
Pepco Holdings, Inc.
Chair, Board of Directors
Member, Development Committee
Member, Finance Committee
Member, Operations Committee

pictured above, left to right:

Mitchell Schear
President
Vornado/Charles E. Smith
Vice-Chair, Board of Directors
Member, Development Committee

Mark Michael
Co-Founder and CEO
Occasions Caterers
Member, Operations Committee

Max Brown
Partner, 360JMG
Treasurer, Board of Directors
Member, Finance Committee
Member, Operations Committee

Joslyn N. Williams
President, Metropolitan Washington Council/AFL-CIO
Secretary, Board of Directors
Member, Operations Committee
Member, Development Committee

Jay Haddock Ortiz
General Manager
St. Gregory Hotel
Member, Operations Committee

James Abdo
President & CEO
ABDO Development
Co-Chair, Development Committee

not pictured:

Dr. Natwar Gandhi
Chief Financial Officer
Government of the District of Columbia
Chair, Finance Committee

Gregory O'Dell
Chief Executive Officer
DC Sports and Entertainment Commission
Member, Development Committee

Hooah (hü-ä or who-ah) — *U.S. Army slang term*. It is used by infantry, cavalry, airborne troops, and rangers referring to or meaning anything and everything except no.

Hooah!

The meetings and events held in our facility are often inspiring operational marvels. By adopting military management techniques and traditions, the AUSA meeting stands out because of its expert planning and execution. We embrace the concept of "Hooah" not only during AUSA, but throughout the year as we host the thousands of delegates that walk through our doors.

In Fiscal Year 2007 the Walter E. Washington Convention Center was home to 151 meetings and events, and 1,028,953 attendees.

During the year, WCCA's experience and enthusiasm led the way to success for both our customers and city. All told our delegate direct spending to the city by virtue of the conventions hosted during the year was $353,482,579.

Overall, Convention Center annual expenses for FY 2007 were lower than the budget. Operating revenues were $2,367,192 or 17% higher than projected primarily due to food services and electrical services exceeding budget. Operating expenses were $3,131,374 or 9% under budget due primarily to unfilled vacancies and under spending in non-personal services. As a result, our operating deficit was $5,498,566 under budget. Dedicated tax collections of $83.3 million were $5.1 million over budget and represented $3.6 million more than taxes collected in Fiscal Year 2006.

We are mindful that part of our mission is to create jobs and business opportunities for DC residents. Last year we awarded $17,630,770 in total to contractors and 63% of those dollars, or $11,047,265, was awarded to local, small, disadvantaged businesses. Half of our employees are DC residents.

On the page that follows I have highlighted four initiatives that I believe are particularly important: the work on the headquarters hotel, our retail program, our environmental initiatives and public safety work. I invite you to review our FY 2007 progress.

Sincerely,

Reba Pittman Walker
CEO and General Manager

Monthly Attendance

October	76,240
November	58,304
December	12,903
January	415,886
February	81,964
March	127,134
April	36,951
May	59,797
June	51,116
July	45,168
August	25,908
September	37,582
Total	1,028,953

Headquarters Hotel

In 2007 the team representing the city, the Washington Convention Center Authority and the development group headed by Marriott International, Inc. executed a Memorandum of Agreement outlining the terms upon which a new headquarters hotel will be built. Groundbreaking is expected in 2009 with a 3 year construction period thereafter.

Retail

Last year a total of six of the eleven retailers located around the perimeter of the Walter E. Washington Convention Center were open. WCCA launched an extensive local marketing and public relations program during this year to support the businesses. This program also included promotions for the businesses within a two block radius of the Convention Center. WCCA remains committed to supporting these business owners in new ways so they operate successfully in the Shaw neighborhood for many years to come.

Environmental Sustainability

Upgraded computerized lighting system and reprogrammed lighting patterns for exhibit halls to reduce energy consumption in halls by 12%.

Installed new chiller for retail spaces that reduces dependence on facility's primary chiller during non-show times.

Implementation of an aggressive waste reduction program to involve our clients' and attendees in the recycling process. Over 300 containers are positioned in offices, meeting rooms, and public areas for separation at the source. We also provide over 300 "recycling stations" in our exhibit halls.

Collaborated with key events, such as American Public Health Association, Green Festival, and Ecobuild, to improve diversion rates and enhance recycling effort. Encouraged a first for "Green Festival" by providing the customer an energy report of their event.

Installed new "green seal" infrared soap dispensers reducing soap consumption by 70% and reducing soap container waste by 99%. The hand soap is a "Green Seal" certified product.

Created Green Committee comprised of key departments and staff to monitor environmental efforts and increase ability to reduce the building's impact on the environment.

Completed facility waste audit with the help of the DC Department of Public Works to better identify sources of waste and the best method of reducing waste or recycling items.

Completed recycling training program for all employees and partners.

Public Safety

Installed 66 cameras to improve crowd management and surveillance.

Implemented a Command Post, Public Safety Checklist and pre-meeting with service contractors for all major meetings to streamline communications and enhance operational efficiencies.

Trained more than 50 employees on newly created crowd management program.

Conducted DC Fire Department familiarization tour to review building's robust fire suppression system and layout of facility.

Conducted DC Fire Marshall familiarization tour that led to several building safety enhancements.

Former DC Police Chief Charles Ramsey conducted comprehensive review of organizational and facility public safety features and made recommendations that WCCA is implementing.

FINANCIAL STATEMENTS

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, 2007 and 2006

Contents

Independent Auditor's 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, DC

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 year ended September 30, 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 audit. The basic financial statements of the Authority as of and for the year ended September 30, 2006 were audited by other auditors whose report dated January 11, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2007, and the changes in its financial position and its cash flows for the year 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 March 7, 2008 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 22 through 26 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 net assets by fund on pages 39 through 40 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
March 7, 2008

This section of the annual financial report of the Washington Convention Center Authority (the Authority) presents Management's Discussion and Analysis (MD&A) of the financial condition and the results of operations for the years ended September 30, 2007 and 2006. The annual financial report is comprised of four components: management's discussion and analysis, the basic financial statements, the notes to the basic financial statements, and supplemental schedules.

(1) OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statement disclosures and discussion and analysis are the responsibility of management.

- 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 statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The statement of revenues, expenses and changes in net assets presents information showing how the Authority's net assets changed during the fiscal year.
- The statement of cash flows explains the sources and uses of cash during the fiscal year.

(2) BASIC FINANCIAL STATEMENTS

The Authority's audited Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows are presented on pages 27 through 29.

(a) **Assets** — The Authority's total assets at September 30, 2007 and 2006 consisted of the following (in thousands):

Assets	2007	% of total	2006	% of total	% Increase (Decrease)	2005	% of total
Current Assets	$ 66,344	8%	$ 59,372	7%	12%	$ 28,562	4%
Capital Assets	719,034	85%	741,798	85%	(3%)	735,148	88%
Other Non-current Assets	62,533	7%	70,653	8%	(11%)	70,493	8%
Total Assets	**$847,911**	**100%**	**$871,823**	**100%**	**(2%)**	**$834,204**	**100%**

As of September 30, 2007, the Authority had total assets of approximately $848 million; approximately $24 million lower than the September 30, 2006 fiscal year-end figure of $872 million.

Of the total assets as of September 30, 2007, $66 million or 8% were current, $719 million or 85% were capital assets; and $63 million or 7% were other non-current assets. The 12% variance in current assets is due to the collection of $88 million in dedicated taxes and interest income in 2007 versus $84 million collected in FY2006. The 11% decrease in other non-current assets was due to the bond refunding deferral and amended required minimums in reserve accounts in accordance with the 2007A Bond agreement. In FY2006, funds set aside to pay principal payments in the amount of $12 million were included in other assets.

(b) **Capital Assets —** As of September 30, 2007 and 2006, the Authority has capital assets of $719 million and $742 million, respectively, net of accumulated depreciation.

The decrease in capital assets relates to a $28 million increase in accumulated depreciation offset by a $5 million increase in capital assets attributed to expenditures related to the build out of retail space and building improvements.

(c) **Liabilities** — The Authority's total liabilities at September 30, 2007 and 2006 consisted of the following (in thousands):

Management's Discussion and Analysis
Year Ended September 30, 2007

Liabilities	2007	% of total	2006	% of total	% Increase (Decrease)	2005	% of total
Current Liabilities	$ 41,463	8%	$ 65,716	12%	(36%)	$ 32,684	6%
Noncurrent Liabilities	491,127	92%	502,146	88%	2%	507,631	94%
Total Liabilities	**$532,590**	**100%**	**$567,862**	**100%**	**(6%)**	**$540,315**	**100 %**

Of the $533 million total liabilities of the Authority as of September 30, 2007, current liabilities amounted to $41 million or 8% and long-term liabilities amounted to $491 million or 92%. The current liabilities include the remaining notes payable balance of $13.0 million. The Authority executed a promissory note in the amount of $30.5 million in August 2006 with a financial institution to finance the acquisition of two lots, lots 22 and 24, in Square 370 also known 901 Massachusetts Avenue, N.W. Washington, DC for the planned construction of the Convention Center Headquarters Hotel (Headquarters Hotel). During 2007, $21 million was paid out of the refunding bonds proceeds and the remaining balance at September 30, 2007 was $9 million. In addition, $4 million is the remaining balance on the loan obtained from Wachovia to demolish the Old Convention Center and construct a parking lot.

The Authority's long term liabilities include bonds payable and financing arrangement payable. On February 1, 2007, WCCA issued $492 million of refunding bond Series 2007A, with a net premium of $16 million to effect a refunding for Series 1998 Bonds. These refunding bonds were dated February 1, 2007, with maturities ranging from October 2008 to October 2036, at a variable interest rate ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to (1) pay or refund all of the Series 1998 Bonds in the aggregate principal amount of $481 million; (2) refinance a portion of the land acquisition 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 were considered to be defeased and liabilities for those bonds have been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $10 million (NPV).

In fiscal year 2003, the Authority signed a financing arrangement with a company to finance the construction of the Central Plant for the Authority. The Central Plant provides hot and cold water to the new convention center. The company financed $14 million of the total construction costs of $16 million. The remaining $2 million was paid with bond proceeds. The Authority agreed to pay the company $0.7 million annually for twenty years. As of September 30, 2007 and 2006, the Authority has a financing arrangement liability of approximately $11 million and $12 million, respectively.

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 at 900 9th Street, N.W. Washington, DC. The term of the lease is from July 1, 2004 through July 1, 2014. The District of Columbia reserved the right to terminate the lease for any reason upon 90 days written notice.

The Authority agreed to use the leased premises solely for razing and demolition of the existing improvements in order to operate a public parking lot providing vehicular parking service to the general public and related administrative and recreational uses. To secure the funding for the demolition and construction of the parking lots, the Authority signed a promissory note for $17 million for a non-revolving construction line of credit with a financial institution. If the District terminates the lease prior to the Authority repaying the loan, the District is responsible for repaying any outstanding loan balance and all obligations related to the demolition and parking redevelopment project. In fiscal year 2006, the District transferred $10 million to the Authority to pay down the note. The Authority made this payment on the note in fiscal year 2007 plus two payments totaling $2 million from the parking revenues. As of September 30, 2007 and 2006, the Authority owes $4 million and $16 million under the line of credit, respectively.

(d) Net Assets — The Authority's net assets at September 30, 2007 and 2006 consisted of the following (in thousands):

Net Assets	2007	% of total	2006	% of total	% Increase (Decrease)	2005	% of total
Invested in capital assets, net of related debt	$213,319	68%	$212,542	70%	(5%)	$224,717	76%
Restricted Net Assets:							
Debt Service	13,768	4%	23,946	8%	(43%)	23,682	8%
Capital Renewal	17,000	5%	17,000	6%	—	15,824	5%
Operating and Marketing Fund	23,000	7%	20,000	7%	15%	20,000	7%
Marketing Fund	2,153	1%	1,872	—	15%	2,059	1%
Senior Proceeds Fund	2	—	2	—	—	739	—
Bond Issuance	47	—	—	—	—	—	—
Unrestricted Net Assets	46,032	16%	28,599	9%	97%	6,868	3%
Total Net Assets	**$315,321**	**100%**	**$303,961**	**100%**	**4%**	**$293,889**	**100%**

As of September 30, 2007, the Authority had total net assets amounting to approximately $315 million with $213 million invested in capital assets (net of related debt), $56 million in restricted net assets and $46 million in unrestricted net assets.

There was an increase of $11.4 million over the previous year in the Authority-wide total net assets. This increase is attributable to an increase in tax transfers and a deferral of principal repayments as a result of issuing refunding bond Series 2007A during the year. Principal payment is not required until October 1, 2008.

(e) Operating Revenues — For the fiscal years ended September 30, 2007 and 2006, the Authority's operating revenues were $17 million and $16 million, respectively.

The breakdown of operating revenues by source for the fiscal years ended September 30, 2007 and 2006 are presented below (in thousands):

Revenue Source	2007	% of total	2006	% of total	% Increase (Decrease)	2005	% of total
Building Rental	$ 8,143	49%	$ 7,971	49%	2%	$ 8,668	53%
Food services	4,309	26%	4,071	25%	6%	4,105	25%
Electrical	2,245	13%	2,093	13%	7%	1,859	11%
Telecommunications	1,150	7%	1,126	7%	2%	1,011	6%
Audio-visual	305	2%	357	3%	(15%)	316	3%
Miscellaneous	516	3%	495	3%	4%	390	2%
Total Operating Revenues	**$16,668**	**100%**	**$16,113**	**100%**	**3%**	**$16,349**	**100%**

Management's Discussion and Analysis
Year Ended September 30, 2007

The Authority hosted 49 more events in 2007 versus 2006 resulting in a 2% increase in building rental revenue. This contributed to the increase in food service revenue and electrical services charges. Miscellaneous income sources include trash hauling charges, special meeting room set up charges, equipment rental, and fees earned from ATMs installed inside the Convention Center.

(f) Operating Expenses — For fiscal years 2007 and 2006, the Authority's total operating expenses totaled $62 million and $59 million, respectively. The details of the total operating expenses for the years ended September 30, 2007 and 2006 are as follows (in thousands):

Expenditures	2007	% of total	2006	% of total	% Increase (Decrease)	2005	% of total
Personal Services	$14,279	23%	$11,959	20%	19%	$12,315	21%
Contractual Services	12,460	20%	12,053	21%	3%	10,912	19%
Depreciation and amortization	28,088	45%	27,999	48%	—	27,795	48%
Occupancy	6,052	10%	5,406	9%	12%	5,721	10%
Supplies	530	1%	552	1%	(4%)	514	1%
Miscellaneous	580	1%	627	1%	(7%)	773	1%
Total Operating Expenses	**$61,989**	**100%**	**$58,596**	**100%**	**6%**	**$58,030**	**100%**

Personal services which are comprised of salaries, wages, and other personnel related expenses (fringe benefits) accounted for $14 million or 23% of fiscal year 2007 operating expenses. This increase is primary due to hiring new employees to fill vacant positions. Approximately, 13 positions that had been vacant in 2006 were filled in 2007. Contractual services such as housekeeping and security contracts accounted for $12 million or 20%. This increase was primarily due to the hiring of temporary services to help support the additional events in 2007. Occupancy expense which includes all utility bills such as electricity, telecommunication, water, sewer, and gas expense accounted for $6 million or 10% this increase was due to high cost of utilities in 2007 versus 2006 and the additional events held during the year. Depreciation and amortization expense, primarily for the building, amounted to $28 million or 45% in fiscal year 2007.

In terms of "absolute dollars", the Authority's fiscal year 2007 total operating expenses reflected a 6% increase over fiscal year 2006.

(g) Operating Loss — The fiscal year 2007 operating loss (total operating revenues of $17 million less total operating expenses after depreciation of $62 million) for the Authority amounted to $45 million representing a 7% increase from fiscal year 2006's net operating loss of $42 million. The fiscal year 2007 operating loss, excluding depreciation expense of $28 million was $17 million, representing a 19% increase compared to fiscal year 2006's net operating loss excluding depreciation expense of $14 million.

(h) Non-operating Revenues and Expenses — The composition of the Authority's nonoperating revenues and expenses for the years ended September 30, 2007 and 2006 are presented below (in thousands):

Non-operating Revenues/Expenses	2007	2006	% Increase (Decrease)	2005
Dedicated Taxes	$ 83,312	$ 79,707	5%	$ 77,490
Interest Income	4,999	3,519	42%	1,843
Parking Lot Revenue (Old Center site)	2,236	1,416	58%	—
District Demolition & Parking Lot Reimbursement	—	10,000	(100%)	—
Bond Interest and Amortization Issue Costs	(25,532)	(26,095)	(3%)	(26,205)
Marketing Agencies payments	(9,120)	(9,476)	(4%)	(8,705)
Parking Lot Expenses	(1,200)	(6,516)	(82%)	(8,888)
Prior Year Cost Recovery	629	—	—	—
Loss on Sale of Fixed Assets	—	—	—	(16)
Rental income recognized-Plumbers Building	1,357	—	—	—
Total Non-operating Revenues and Expenses	**$ 56,681**	**$ 52,555**	**8%**	**$ 35,519**

Statements of Net Assets (in thousands)

Non-operating Revenues

During 2007, the Authority collected $83.3 million and $2.2 million in dedicated taxes and parking lot revenue, respectively, and earned $5 million in interest income from investments. The District's Office of the Chief Financial Officer (OCFO) certified in March 2005 that the Authority would expect to collect $78 million in dedicated taxes for fiscal year 2007. As of January 31, 2007, the OCFO revised the forecast upwards to $83 million. The Authority's fiscal year 2007 dedicated tax collections from the District of Columbia (DC) Office of Tax and Revenue (OTR) amounted to $83 million and was .01% over OCFO's revised forecast, due to greater than anticipated tax revenues resulting from an exemplary financial year in the District's hospitality industry.

Non-operating revenues continue to grow as the dedicated taxes and interest revenues outpaced original projections as the hotel and restaurant taxes specially increased based on the solid year of the hospitality industry. Favorable interest rates and additional income on investments received as part of the refunding transaction of the convention center 1998 bonds contributed to the increased interest revenues. In addition, the Authority recognized $1.4 million in rental income from the Plumbers building.

Interest earned on the Authority's cash reserves in fiscal years 2007 and 2006 amounted to approximately $5 million and $3.5 million, respectively.

Non-operating Expenses

The Authority's non-operating expenses consisted of $23 million in bond interest expense, $2 million in interest expense paid for the Central Plant and Plumbers Building, $0.2 million in bond issuance/amortization costs, $1 million in parking lot expenses and $9 million in marketing agencies' expenses. The decrease was the board's approval in FY2006 of a $500,000 request from Washington D.C. Convention and Tourism Corporation to conduct a marketing advertising program to run from Memorial Day through Labor Day. The extra money came from the cumulative cash balance in the Marketing Fund.

The 58% increase in Parking Lot revenues in fiscal year 2007 as compared to 2006 was due to the full year operation of the parking lot. The 82% decrease in Parking Lot expenses were attributed to parking lot construction costs incurred in fiscal year 2006. Construction was completed in March 2006.

(3) FACTORS IMPACTING FUTURE PERIODS

On June 6, 2006, the Council passed the Hotel Act D.C. Law 16-163 Official Code § 10-1222.01, 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 jobs training program associated with the Headquarter Hotel, together with related reserves, capitalized interest and costs of issuance (collectively, the "Headquarters Hotel Bonds").

An Exchange Agreement between the Office of the Deputy Mayor for Planning and Economic Development and Square 370 LLC (Gould LLC) was executed on October 31, 2007, to swap certain land owned by Gould LLC next to 901 Massachusetts Avenue, N.W. (i.e. Lots 18, 21, 801-806, 830-836, 838, 839, 843, and 845 in Square 370, collectively, the Gould Property) for other property owned by the District. The exchange was authorized by the Council of the District of Columbia on April 4, 2006, through "The Convention Center Hotel Parcel Exchange Approval Resolution of 2006", R16-0595.

(4) REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Henry W. Mosley, Chief Financial Officer, Walter E. Washington Convention Center Authority, 801 Mount Vernon Place, NW, Washington, D.C. 20001.

	2007	2006
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 2,819	$ 14,849
Investments	55,304	36,406
Due from District of Columbia	7,184	6,832
Accounts Receivable, Net of Allowance for Uncollectible Accounts	1,028	937
Prepaid Expenses and Other Assets	9	12
Accrued Interest Receivable	—	336
Total current assets	66,344	59,372
Noncurrent Assets		
Non-Depreciable Capital Assets	42,717	39,244
Depreciable Capital Assets, Net of Accumulated Depreciation	676,317	702,554
Unamortized Bond Issue Costs	6,563	7,833
Restricted Investments	55,970	62,820
Total Noncurrent Assets	781,567	812,451
Total Assets	$847,911	$871,823
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 2,863	$7,039
Compensation Liabilities	309	326
Compensated Absences	794	514
Deferred Revenue	4,684	2,672
Accrued Interest Payable	11,614	12,226
Other Financing Arrangement Payable, current portion	719	719
Bond Issuance Cost Payable	44	—
Notes Payable, Current Portion	8,746	30,500
Bonds Payable, Current Portion	11,690	11,720
Total Current Liabilities	41,463	65,716
Noncurrent Liabilities		
Long-term Notes Payable	3,999	15,829
Long-term Bonds Payable including Premium	477,038	475,508
Long-term Other Financing Arrangement Payable	10,090	10,809
Total Noncurrent Liabilities	491,127	502,146
Total Liabilities	532,590	567,862
NET ASSETS		
Restricted Net Assets		
Invested in Capital Assets, Net of Related Debt	213,319	212,542
Debt Services and Capitalized Interest	13,768	23,946
Capital Renewal	17,000	17,000
Operating Fund	23,000	20,000
Marketing Fund	2,153	1,872
Senior Proceeds Account	2	2
Bond Issuance	47	—
Unrestricted Net Assets	46,032	28,599
Total Net Assets	$315,321	$303,961

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

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

Years ended September 30, 2007 and 2006

	2007	2006
Operating Revenue and Expenses		
Operating Revenues:		
Building Rental	$ 8,143	$ 7,971
Food Services	4,309	4,071
Electrical	2,245	2,093
Telecommunications	1,150	1,126
Audio-Visual	305	357
Miscellaneous	516	495
Total Operating Revenues	16,668	16,113
Operating Expenses		
Personal Services	14,279	11,959
Contractual Services	12,460	12,053
Depreciation and Amortization	28,088	27,999
Occupancy	6,052	5,406
Supplies	530	552
Miscellaneous	580	627
Total Operating Expenses	61,989	58,596
Operating Loss	(45,321)	(42,483)
Nonoperating Revenues and (Expenses)		
Interest Income	4,999	3,519
Dedicated Taxes	83,312	79,707
Parking Lot Revenue	2,236	1,416
District Demolition & Parking Lot Reimbursement	—	10,000
Interest Expense	(25,383)	(25,739)
Bond Issuance Costs	(149)	(356)
Transfer to Tourism Responsibility Centers	(9,120)	(9,476)
Parking Lot Expenses	(1,200)	(6,516)
Prior Year Cost Recovery	629	—
Rental Income — Plumbers Building	1,357	—
Total Nonoperating Revenues and (Expenses)	56,681	52,555
Increase in Net Assets	11,360	10,072
Net Assets, Beginning of Year	303,961	293,889
Net Assets, End of Year	$315,321	$303,961

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

Statements of Cash Flows (in thousands)

Years ended September 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from customers	$ 16,938	$ 16,750
Payments to suppliers	(22,826)	(16,304)
Payments to employees	(14,016)	(12,197)
Net cash used in operating activities	(19,904)	(11,751)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,415)	(34,649)
(Payments) proceeds from notes payable	(33,584)	37,777
Other financing arrangement payment	(719)	(719)
Bond proceeds	492,525	—
Bond premium	15,278	—
Bonds payable payment	(498,471)	(11,190)
Interest payments	(25,995)	(25,772)
Bond issuance costs	(6,668)	—
Net cash used in capital and related financing activities	(60,049)	(34,553)
Cash flows from noncapital financing activities:		
Dedicated tax receipts	82,961	79,410
Transfers to tourism responsibility centers	(9,473)	(9,690)
Parking lot receipts	2,222	1,412
Parking lot expenses	(1,296)	(6,458)
WCTC reimbursement	224	—
District demolition reimbursement	—	10,000
Net cash provided by noncapital financing activities	74,638	74,674
Cash flows from investing activities:		
Sales of investments	138,423	92,677
Purchases of investments	(150,473)	(112,743)
Receipts of interest and dividends	5,335	3,575
Net cash used in investing activities	(6,715)	(16,491)
Net (decrease) increase in cash and cash equivalents	(12,030)	11,879
Cash and cash equivalents, beginning of year	14,849	2,970
Cash and cash equivalents, end of year	$ 2,819	$ 14,849
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	$ (45,321)	$ (42,483)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	28,088	27,999
Bad debt expense	112	—
Increase in receivables	(190)	(43)
Decrease in prepaid expenses and other assets	3	905
(Decrease) Increase in accounts payable	(3,320)	1,430
Increase (Decrease) in compensation liabilities	263	(238)
Increase in deferred revenue	461	679
Net Cash Used in Operating Activities	$ (19,904)	$ (11,751)
Non-cash investing, capital and financing activities		
Additions to capital assets as a result of deferred rent	$ 2,908	$ —
Deferral, bond refunding	$ 19,074	$ —
Discount on defeased bond	$ 5,131	$ —

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

NOTE 1: ORGANIZATION

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: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Fund Accounting

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.

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.

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

a. Operating Fund — The operating fund accounts for the transactions related to the operation of the new convention center.

b. Building Fund — The building fund accounts for the transactions related to the new hotel and expansion projects.

c. Marketing Fund — The marketing fund accounts for the transactions related to the marketing agencies.

d. Capital Fund — The capital fund accounts for the transactions related to the improvement of the new convention center.

e. Demolition Fund — The demolition fund accounts for the transactions related to the demolition of the old convention center, 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.

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, 2007 and 2006, accounts receivable were shown net of allowance for doubtful accounts of $112 thousand and $103 thousand, 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).

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 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 2006 financial statements were reclassified to conform to the fiscal year 2007 presentation.

NOTE 3: INVESTMENTS

In accordance with the Authority's investment policy adopted in 1999, the Authority may invest in bonds, notes, certificate of indebtedness, treasury bills, or other securities guaranteed by the U.S Government, its agencies, and instrumentalities, domestic interest bearing savings accounts, certificate of deposits, time deposits or any other investments that are direct obligations of any bank, short-term obligations of U.S Corporations, shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC, money market mutual funds registered under amended Investment Act of 1940, repurchase 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, 2007 and 2006, the Authority had the following investments:

	Maturity Dates	2007
Money Market Funds	—	$111,274

	Maturity Dates	2006
Treasury Obligations	One month	$ 46,478
Commercial Paper	One month	35,000
Repurchase Agreement	6 months	17,748
		$ 99,226

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, 2007 and 2006, 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, 2007, all funds are invested in triple A rated money market funds there by limiting the Authority's exposure to interest rate risk.

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 or Standard and Poor. As of September 30, 2007, the Authority's investments were in short term money market funds that invested in obligations of the United States government or it agencies.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2007, 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 reserve requirements in various investment accounts. At September 30, 2007 and 2006, those restricted investments totaled approximately $56 million and $63 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, 2007 and 2006, respectively.

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	—
Project Account	34	—	34
Total	$111,274	$55,970	$55,304

Reserve Account	Investment Balance as of September 30, 2006	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	$ 2	$ 2	$ —
Revenue Account	173	—	173
Revenue Stabilization Account	3	—	3
Debt Service Account	28,247	23,946	4,301
Capital Renewal & Replacement Account	20,881	17,000	3,881
Operating Account	685	—	685
Marketing Account	2,029	1,872	157
Operating & Marketing Reserve Account	47,206	20,000	27,206
Total	$99,226	$62,820	$36,406

NOTE 4: CAPITAL ASSETS

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

	Balance @ 9/30/2006	Additions	Disposals	Adjustments	Balance @ 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

Notes to Financial Statements
September 30, 2007 and 2006

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

	Balance @ 9/30/2005	Additions	Disposals	Adjustments	Balance @ 9/30/2006
Non-Depreciable					
Land	$ 4,785	$ —	$ —	$ —	$ 4,785
Construction in Progress	683	534	—	—	1,217
Plumber's Building	—	30,517	—	—	30,517
Artwork	2,725	—	—	—	2,725
Total Non-Depreciable Capital Assets	$ 8,193	$ 31,051	$ —	$ —	$ 39,244
Depreciable					
Building	769,452	—	—	—	769,452
Building Improvements	771	3,476	—	—	4,247
Central Plant	16,172	—	—	—	16,172
Financial Systems	1,411	—	—	—	1,411
Furniture and Fixtures	9,148	—	—	—	9,148
Machinery and Equipment	5,677	122	—	—	5,799
Total Depreciable Capital Assets	802,631	3,598	—	—	806,229
Less Accumulated Depreciation	75,676	27,999	—	—	103,675
Total Net Depreciable Capital Assets	$726,955	$(24,401)	$ —	$ —	$702,544

Construction in Progress

The construction in progress represents predevelopment costs related to construction of the new hotel next to the new convention center. Construction has not yet begun on the project.

Building and Building Improvements

The new convention center was substantially completed in 2003 and became operational in March 2003. In Fiscal Year 2005, the Authority started construction of leased retail space outlets. There are twelve retail lease locations at the Convention Center. In fiscal year 2007, three retail spaces were completed and two leased.

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, the Authority agreed to pay the vendor $719 thousand 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):

2008	$ 1,243
2009	1,207
2010	1,171
2011	1,135
2012	1,099
2013–2017	4,956
2018–2022	4,082
Total	14,893
Less Interest	(4,084)
Total Financing Arrangement Payable	10,809
Less Current Portion	(719)
Long Term Portion	$10,090

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, 2007 and 2006 are 6.6% and 6.3%, 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, 2007, the Authority had drawn $15.8 million on the line of credit. In FY2007, principal payments in the amount of $12 million had been repaid leaving an outstanding balance of approximately $4.0 million at September 30, 2007.

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. Interest rate at September 30, 2007 and 2006 was 6.6% and 6.3%, respectively. The initial maturity of the principal note was due on June 30, 2007 and was renegotiated to March 31, 2008. Repayments totaling $22 million were made during fiscal year 2007 and the remaining amount owed on the note at September 30, 2007 is approximately $8.7 million.

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 2036, 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 District 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, 2007, the Authority has $480.6 million, of bounds 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 a surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2007 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, 2007, 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
2008	$ 11,690	$ 23,228	$ 34,918
2009	12,160	22,761	34,921
2010	12,700	22,222	34,922
2011	13,265	21,655	34,920
2012	13,865	21,055	34,920
2013–2017	79,985	94,621	174,606
2018–2022	101,750	72,852	174,602
2023–2027	128,850	45,755	174,605
2028–2032	100,590	14,026	114,616
2033–2036	17,670	2,032	19,702
Total	$492,525	$340,207	$832,732

At September 30, 2007, the unamortized bond premium and bond issuance costs were $15.3 million and $6.6 million, respectively. At September 30, 2006 the unamortized bond discount and bond issuance cost were $5.1 million and $7.8 million, respectively.

NOTE 8: CHANGE IN LONG TERM LIABILITIES

	Balance @ 9/30/2006	Additions	Reductions	Balance @ 9/30/2007	Amount Due Within One Year
Bonds Payable	$492,360	$492,525	$(492,360)	$492,525	$11,690
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**	**$21,199**

Notes to Financial Statements

September 30, 2007 and 2006

	Balance @ 9/30/2005	Additions	Reductions	Balance @ 9/30/2006	Amount Due Within One Year
Bonds Payable	$503,550	$ —	$(11,190)	$492,360	$11,720
Bond Discount Payable	(5,365)	—	233	(5,132)	—
Notes Payable	8,551	37,778	—	46,329	30,500
Financing Arrangement Payable	12,247	—	(719)	11,528	719
Total Long Term Liabilities	$518,983	$37,778	$(11,676)	$545,085	$42,939

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 2007 and 2006 was $776 thousand and $653 thousand, 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 2007 and 2006, the Authority recognized revenue from dedicated tax receipts of $83.3 million and $79.7 million, respectively. As of September 30, 2007 and 2006, the dedicated taxes due from the District government recorded as a receivable were $7.2 million and $6.8 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 fund a marketing account in an amount equal to the greater of 17.4% of the hotel sales tax received, or the amount necessary to provide payment from the marketing account to pay the marketing services contracts.

During fiscal year 2007, the dedicated taxes allocable to the marketing account were $10 million.

The Authority incurred the following marketing services expenses in fiscal years 2007 and 2006 (in thousands):

	2007	2006
Washington D.C. Convention and Tourism Corporation	**$8,395**	$8,751
D.C. Chamber of Commerce	**525**	525
Greater Washington IBERO American Chamber of Commerce	**200**	200
Total	**$9,120**	$9,476

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2007, the Authority had one claim that in the opinion of legal counsel could result in an unfavorable outcome. As a result, the Authority has recorded a liability in its financial statements totaling $50 thousand, representing its insurance deductible, for the claim for the year ended September 30, 2007. For the year ended September 30, 2006, the Authority recorded a liability in its financial statement totaling $175 thousand based on an estimate of the payments that will be made upon judgment or resolution of the claim.

Schedule of Net Assets by Fund (in thousands)

September 30, 2007

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,499	$ 171	$ 347	$ 528	$ 274	$ 2,819
Investments	54,799	505	—	—	—	55,304
Due from District of Columbia	6,352	832	—	—	—	7,184
Accounts receivable, net of allowance for uncollectible accounts	1,010	—	—	—	18	1,028
Prepaid expenses and other assets	9	—	—	—	—	9
Interfund receivable (payable)	26,055	477	(3,506)	(23,062)	37	—
Total current assets	89,723	1,985	(3,159)	(22,534)	329	66,344
Noncurrent Assets						
Capital assets, net of accumulated depreciation	679,240	—	4,604	35,190	—	719,034
Unamortized bond issue costs	6,563	—	—	—	—	6,563
Restricted investments	55,970	—	—	—	—	55,970
Total Noncurrent Assets	741,773	—	4,604	35,190	—	781,567
Total Assets	$831,496	$1,985	$ 1,445	$ 12,656	$ 329	$847,911
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	$ 1,434	$ 599	$ 668	$ 126	$ 36	$ 2,863
Compensation liabilities	309	—	—	—	—	309
Compensated absences	794	—	—	—	—	794
Deferred revenue	3,133	—	—	1,551	—	4,684
Accrued interest payable	11,614	—	—	—	—	11,614
Other financing arrangement payable	719	—	—	—	—	719
Notes payable, current portion	—	—	—	8,746	—	8,746
Bonds payable, current portion	11,734	—	—	—	—	11,734
Total Current Liabilities	$ 29,737	$ 599	$ 668	$ 10,423	$ 36	$ 41,463
Noncurrent Liabilities						
Notes payable	—	—	—	—	3,999	3,999
Bonds payable including premium	477,038	—	—	—	—	477,038
Other financing arrangement payable	10,090	—	—	—	—	10,090
Total Noncurrent Liabilities	487,128	—	—	—	3,999	491,127
Total Liabilities	516,865	599	668	10,423	4,035	532,590
NET ASSETS						
Restricted Net Assets						
Invested in capital assets, net of related debt	186,269	—	4,604	26,445	(3,999)	213,319
Debt services and capitalized interest	13,768	—	—	—	—	13,768
Capital renewal	17,000	—	—	—	—	17,000
Operating fund	23,000	—	—	—	—	23,000
Marketing fund	—	2,153	—	—	—	2,153
Senior proceeds account	2	—	—	—	—	2
Bond issuance	47	—	—	—	—	47
Unrestricted Net Assets	74,545	(767)	(3,827)	(24,212)	293	46,032
Total Net Assets	$314,631	$1,386	$ 777	$ 2,233	$(3,706)	$315,321

See independent auditors' report.

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund (in thousands)

Year ended September 30, 2007

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
Operating Revenues:						
Building rental	$ 8,143	$ —	$ —	$ —	$ —	$ 8,143
Food services	4,309	—	—	—	—	4,309
Electrical	2,245	—	—	—	—	2,245
Telecommunications	1,150	—	—	—	—	1,150
Audio-visual	305	—	—	—	—	305
Miscellaneous	516	—	—	—	—	516
Total Operating Revenues	16,668	—	—	—	—	16,668
Operating Expenses						
Personal services	14,279	—	—	—	—	14,279
Contractual services	11,951	435	74	—	—	12,460
Depreciation and amortization	28,088	—	—	—	—	28,088
Occupancy	6,052	—	—	—	—	6,052
Supplies	530	—	—	—	—	530
Miscellaneous	515	3	62	—	—	580
Total Operating Expenses	61,415	438	136	—	—	61,989
Operating Loss	(44,747)	(438)	(136)	—	—	(45,321)
Nonoperating Revenues and (Expenses)						
Interest Income	4,852	100	—	—	47	4,999
Dedicated taxes	73,511	9,801	—	—	—	83,312
Parking lot revenue	—	—	—	—	2,236	2,236
District demolition & parking lot reimbursement	—	—	—	—	—	—
Interest expense	(24,293)	—	—	(1,090)	—	(25,383)
Bond issuance costs	(149)	—	—	—	—	(149)
Transfer to tourism responsibility centers	—	(9,120)	—	—	—	(9,120)
Parking lot expenses	—	—	—	—	(1,200)	(1,200)
Loss on sale of fixed asset	—	—	—	—	—	—
Prior year cost recovery	188	224	3	—	214	629
Rental income — Plumbers Building	—	—	—	1,357	—	1,357
Intercompany transfers to/(from)	2,233	(1,107)	(1,126)	—	—	—
Total Nonoperating Revenues and (Expenses)	56,342	(102)	(1,123)	267	1,297	56,681
Increase (Decrease) in Net Assets	11,595	(540)	(1,259)	267	1,297	11,360
Net assets, Beginning of Year	303,036	1,926	2,036	1,966	(5,003)	303,961
Net assets, End of Year	$314,631	$ 1,387	$ 777	$ 2,233	$(3,707)	$315,321

See independent auditors' report.

Annual report photography by Randy Santos

CEO and Board portrait photography by Peter Garfield, except as noted below

Naming ceremony photography and Mark Michael and Jay Haddock Ortiz portrait photography by Patrick King

Design by Kristin Searing Design

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