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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

*Examination of Pennsylvania Avenue Development Corporation Financial Statements*  
B-199096  
JULY 1, 1980

Mr. William A. Barnes  
Executive Director  
Pennsylvania Avenue  
Development Corporation

Dear Mr. Barnes:

We have examined the statements of financial condition of the Pennsylvania Avenue Development Corporation as of September 30, 1979, and the related statements of income, expenses, and retained earnings and changes in financial position for the year then ended. We made our examination in accordance with the Comptroller General's standards for financial and compliance audits. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances. We previously made an examination of the financial statements for the 15-month period ended September 30, 1976.

The fiscal year 1978 balances are presented in this report for comparison purposes only. We did not examine the financial statements for the year ended September 30, 1978, and accordingly express no opinion on them.

In our opinion, the accompanying financial statements (schedules 1 through 6) present fairly the financial position of the Pennsylvania Avenue Development Corporation at September 30, 1979, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Sincerely Yours,

Acting Comptroller General  
of the United States

*CHRG*



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PENNSYLVANIA AVENUE DEVELOPMENT CORPORATIONCOMBINED COMPARATIVE BALANCE SHEET

	September 30	
	1979	1978
		<u>Unaudited</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Fund Balances		
on Deposit with U.S. Treasury	\$34,501,606	\$14,830,085
Accounts Receivable	<u>124,382</u>	<u>33,957</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$34,625,988</u></b>	<b><u>\$14,864,042</u></b>
<u>Property and Equipment:</u>		
Leasehold Improvements	\$ 29,563	\$ 29,063
Less: Amortized Cost	<u>17,091</u>	<u>12,202</u>
Net Leasehold Improvements	<u>12,472</u>	<u>16,861</u>
Office Furniture and Equipment	\$ 111,924	\$ 62,825
Less: Allowance for Depreciation	<u>15,741</u>	<u>4,827</u>
Net Office Furniture and Equipment	<u>96,183</u>	<u>57,998</u>
Land	\$36,513,148	\$17,999,860
Land Improvements	<u>616,468</u>	<u>-</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b><u>\$37,238,271</u></b>	<b><u>\$18,074,719</u></b>
<u>Other Assets:</u>		
Historical Landmarks (see Note E)	\$ 4,852,702	\$ -
Construction Work-in-Process (see Note D)	<u>7,539,092</u>	<u>1,839,605</u>
<b>TOTAL OTHER ASSETS</b>	<b><u>\$12,391,794</u></b>	<b><u>\$ 1,839,605</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$84,256,053</u></b>	<b><u>\$34,778,366</u></b>

The notes on pages 10 to 13 are an integral part of this statement.

LIABILITIES AND INVESTMENT OF U.S. GOVERNMENTCurrent Liabilities:

## Trade Accounts Payable:

Government	\$ 130,640	\$ 19,045
Non-Government	<u>876,120</u>	<u>72,668</u>
	\$ 1,006,760	\$ 91,713

Accrued Interest Payable	\$ 2,280,041	\$ 741,169
Other Liabilities and Accruals	<u>124,287</u>	<u>96,843</u>

TOTAL CURRENT LIABILITIES	\$ <u>3,411,088</u>	\$ <u>929,725</u>
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Long-Term Liabilities:

Notes Payable to the U.S. Treasury (see Note C)	\$ <u>33,938,089</u>	\$ <u>17,212,082</u>
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TOTAL LIABILITIES	\$ <u>37,349,177</u>	\$ <u>18,141,807</u>
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Investment of U.S. Government:

Congressional Appropriations (Net of amounts returned to U.S. Treasury)	\$48,324,259	\$17,659,120
Cumulative Income or (Deficit)	( <u>1,417,383</u> )	( <u>1,022,561</u> )

TOTAL INVESTMENT OF U.S. GOVERNMENT	\$ <u>46,906,875</u>	\$ <u>16,636,559</u>
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TOTAL LIABILITIES AND INVESTMENT OF U.S. GOVERNMENT	\$ <u>84,256,053</u>	\$ <u>34,778,366</u>
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The notes on pages 10 to 13 are an integral part of this statement.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION  
COMBINED COMPARATIVE STATEMENT OF INCOME AND EXPENSE  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 1979 AND 1978

	For the Year Ended September 30	
	1979	1978
		Unaudited
<u>INCOME</u>		
Rent Income	\$ 584,513	\$ 57,200
Miscellaneous Income	<u>30,000</u>	<u>19,065</u>
TOTAL INCOME	\$ <u>614,513</u>	\$ <u>76,265</u>
<u>EXPENSES</u>		
Administrative Expense	\$1,621,275	\$1,128,755
Miscellaneous Expense	<u>610,056</u>	<u>26,154</u>
TOTAL EXPENSES	\$2,231,331	\$1,154,909
NET INCOME OR LOSS ( )		
FOR THE FISCAL YEAR	(\$1,616,818)	(\$1,078,644)

The notes on pages 10 to 13 are an integral part of this statement.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATIONCOMBINED COMPARATIVE STATEMENT OF SOURCE AND APPLICATIONOF FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1979 AND 1978

	September 30,	
	1979	1978
		Unaudited
<u>SOURCE OF FUNDS</u>		
Borrowings from U.S. Treasury	\$16,726,007	\$17,212,082
Congressional Appropriations	31,914,000	13,677,000
Rent and Other Income	<u>614,513</u>	<u>76,265</u>
TOTAL SOURCE OF FUNDS	<u>\$49,254,520</u>	<u>\$30,965,347</u>
<u>APPLICATION OF FUNDS</u>		
Land Acquisitions	\$18,513,288	\$17,999,860
Public Development Projects:		
Construction Work-in-Process	5,699,487	1,793,868
Land Improvements	616,468	
Retirement of Borrowings (see Note E)	4,852,702	
Administrative and Other Expenses	2,215,528	1,074,245
Congressional Appropriations		
Returned to U.S. Treasury	24,741	99,897
Leasehold Improvements	500	15,456
Office Furniture and		
Equipment	49,099	51,915
Increase in Working Capital	<u>17,282,707</u>	<u>9,930,106</u>
TOTAL APPLICATION OF FUNDS	<u>\$49,254,520</u>	<u>\$30,965,347</u>

The notes on pages 10 to 13 are an integral part of this statement.

## PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

## COMBINED BALANCE SHEET

## ANALYSIS BY FUND

AS OF SEPTEMBER 30, 1979

	<u>COMBINED</u>	<u>SALARIES AND EXPENSES APPROPRIATED FUND</u>	<u>LAND ACQUI- TION AND DEVELOPMENT REVOLVING FUND</u>	<u>PUBLIC DEVELOPMENT APPROPRIATED FUND</u>
<u>ASSETS:</u>				
<u>Current Assets:</u>				
Cash and Fund Balance on				
Deposit with U.S. Treasury	\$34,501,606	\$243,784	\$ 71,222	\$34,186,600
Accounts Receivable	124,382	8,072	98,974	17,336
TOTAL CURRENT ASSETS	<u>\$34,625,988</u>	<u>\$251,856</u>	<u>\$ 170,196</u>	<u>\$34,203,936</u>
<u>Property and Equipment:</u>				
Leasehold Improvements	\$ 29,563	\$ 29,563	-	-
Less: Amortized Cost	17,091	17,091	-	-
Net Leasehold Improvements	12,472	12,472	-	-
Office Furniture and Equipment	\$ 111,924	\$111,924	-	-
Less: Allowance for Depreciation	15,741	15,741	-	-
Net Office Furniture and Equipment	96,183	96,183	-	-
Land	36,513,148	-	36,513,148	-
Land Improvements	616,468	-	-	616,468
TOTAL PROPERTY AND EQUIPMENT	<u>\$37,238,271</u>	<u>\$108,655</u>	<u>\$36,513,148</u>	<u>\$ 616,468</u>
<u>Other Assets:</u>				
Historical Landmark (see Note E)	\$ 4,852,702	-	-	\$ 4,852,702
Construction Work-in-Process	7,539,092	-	-	7,539,092
TOTAL OTHER ASSETS	<u>\$12,391,794</u>	<u>-</u>	<u>-</u>	<u>\$12,391,794</u>
TOTAL ASSETS	<u>\$84,256,053</u>	<u>\$360,511</u>	<u>\$36,683,344</u>	<u>\$47,212,198</u>

The notes on pages 10 to 13 are an integral part of this statement.

	<u>COMBINED</u>	<u>SALARIES AND EXPENSES APPROPRIATED FUND</u>	<u>LAND ACQUISITION AND DEVELOPMENT REVOLVING FUND</u>	<u>PUBLIC DEVELOPMENT APPROPRIATED FUND</u>
<u>LIABILITIES AND INVESTMENT OF THE U.S. GOVERNMENT</u>				
<u>Current Liabilities:</u>				
Trade Accounts Payable:				
Government	\$ 130,640	\$ 6,563	\$ 124,077	\$ -
Non-Government	876,120	88,692	71,924	715,504
	<u>1,006,760</u>	<u>95,255</u>	<u>196,001</u>	<u>715,504</u>
Accrued Interest Due to U.S. Treasury	\$ 2,280,041	\$ -	\$ 2,280,041	\$ -
Other Liabilities and Accruals	124,287	117,352	6,935	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,411,088</b>	<b>\$ 212,607</b>	<b>\$ 2,482,977</b>	<b>\$ 715,504</b>
<u>Long-Term Liabilities:</u>				
Notes Payable to the U.S. Treasury (see Note C)	\$ 33,938,089	\$ -	\$ 33,938,089	\$ -
<b>TOTAL LIABILITIES</b>	<b>\$ 37,349,177</b>	<b>\$ 212,607</b>	<b>\$ 36,421,066</b>	<b>\$ 715,504</b>
<u>Investment of U.S. Government:</u>				
Congressional Appropriations (Net of amounts returned to U.S. Treasury)	48,324,259	1,634,259	-	46,690,000
Cumulative Income or (Deficit)	( 1,417,383)	(1,486,355)	262,278	( 193,306)
<b>TOTAL INVESTMENT OF U.S. GOVERNMENT</b>	<b>\$ 46,906,876</b>	<b>\$ 147,904</b>	<b>\$ 262,278</b>	<b>\$ 46,496,694</b>
<b>TOTAL LIABILITIES AND INVESTMENT OF U.S. GOVERNMENT</b>	<b>\$ 84,256,053</b>	<b>\$ 360,511</b>	<b>\$ 36,683,344</b>	<b>\$ 47,212,198</b>

The notes on pages 10 to 13 are an integral part of this statement.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION  
COMBINED STATEMENT OF INCOME AND EXPENSE  
ANALYSIS BY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1979

<u>INCOME</u>	<u>COMBINED</u>	<u>SALARIES AND EXPENSE APPROPRIATED FUND</u>	<u>LAND ACQUISITION AND DEVELOPMENT REVOLVING FUND</u>	<u>PUBLIC DEVELOPMENT APPROPRIATED FUND</u>
Rent Income	\$ 584,513	-	\$584,513	\$ -
Miscellaneous Income	<u>30,000</u>	-	<u>30,000</u>	-
TOTAL INCOME	\$ <u>614,513</u>	<u>- 0 -</u>	<u>\$614,513</u>	<u>\$-0-</u>
 <u>EXPENSES</u>				
Administrative Expense	\$1,621,275	\$1,621,275	\$ -	\$ -
Miscellaneous Expense	<u>610,056</u>	<u>-</u>	<u>416,750</u>	<u>193,306</u>
TOTAL EXPENSES	\$2,231,331	\$1,621,275	<u>\$416,750</u>	<u>\$193,306</u>
 NET INCOME OR LOSS ( ) FOR THE FISCAL YEAR	 <u>(\$1,616,818)</u>	 <u>(\$1,621,275)</u>	 <u>\$197,763</u>	 <u>(\$193,306)</u>

The notes on pages 10 to 13 are an integral part of this statement.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION  
COMBINED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

ANALYSIS BY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1979

	<u>COMBINED</u>	<u>SALARIES AND EXPENSES APPROPRIATED FUND</u>	<u>LAND ACQUIST- TION AND DEVELOPMENT REVOLVING FUND</u>	<u>PUBLIC DEVELOPMENT APPROPRIATED FUND</u>
<u>SOURCE OF FUNDS:</u>				
Borrowings from U.S. Treasury	\$16,726,007	\$ -	\$16,726,007	\$ -
Congressional Appropriations	31,914,000	1,659,000	-	30,255,000
Income	614,513	-	614,513	-
Sale of Asset (see Note E)	- 1/	-	4,852,702 1/	-
<b>TOTAL SOURCE OF FUNDS</b>	<b><u>\$49,254,520</u></b>	<b><u>\$1,659,000</u></b>	<b><u>\$22,193,222</u></b>	<b><u>\$30,255,000</u></b>
<u>APPLICATION OF FUNDS:</u>				
Land Acquisitions	\$18,513,288	\$ -	\$18,513,288	\$ -
Retirement of Borrowings	4,852,702	-	4,852,702	-
Public Development Projects:				
Construction (Work-in-Process)	5,699,487	-	-	5,699,487
Historical Landmark (see Note E)	- 1/	-	-	4,852,702 1/
Land Improvements	616,468	-	-	616,468
Administrative and Other Expenses	2,215,528	1,605,472	416,750	193,306
Congressional Appropriations				
Returned to U.S. Treasury	24,741	24,741	-	-
Leasehold Improvements	500	500	-	-
Office Furniture and Equipment	49,099	49,099	-	-
Increase or (Decrease) in Working Capital	17,282,707	( 20,812)	( 1,589,518)	18,893,037
<b>TOTAL APPLICATION OF FUNDS</b>	<b><u>\$49,254,520</u></b>	<b><u>\$1,659,000</u></b>	<b><u>\$22,193,222</u></b>	<b><u>\$30,255,000</u></b>

1/These are interfund transactions that do not affect the combined statement which includes the consolidation of all three funds.

The notes on pages 10 to 13 are an integral part of this statement.

NOTES OF THE  
PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION  
FINANCIAL STATEMENTS

A. ORGANIZATION

The Pennsylvania Avenue Development Corporation (PADC), a wholly owned government corporation, was created by the Congress under the Pennsylvania Avenue Development Corporation Act of 1972. The act provided for the preparation and implementation of a development plan for certain areas adjacent to Pennsylvania Avenue between the Capitol and the White House.

The Pennsylvania Avenue Plan was prepared in 1974 and approved by Congress the following year. It provides for a public improvements program, new commercial development, and the preservation and rehabilitation of existing structures.

Pursuant to its enabling legislation, PADC entered into an agreement with the General Services Administration for accounting and other administrative services on a reimbursable basis. As such, the financial statements which appear in this report were prepared by the General Services Administration.

Construction and development is a joint venture between the Federal Government and private industry. The Corporation is financing a program of extensive public improvements and expanded pedestrian amenities. To facilitate private development, the Corporation buys and assembles properties in the area and leases them back to private investors for development according to the Plan. A private investor may also purchase land directly from a land owner and develop it in accordance with the Plan.

B. FUND DESCRIPTIONS

Pennsylvania Avenue Development Corporation has three separate funds for its operations.

--Salaries and Expense Fund uses an annual appropriation to pay salaries and the administrative expenses of the Corporation.

--Land Acquisition Fund is a revolving fund that provides financing for property acquisition and land preparation.

The Corporation must repay money borrowed from the Treasury with revenues from reselling or leasing acquired parcels to private developers.

--Public Development Fund uses multi-year appropriations to pay for public sector activities. These public service costs will not be recovered through the Corporation's revenues. Public development includes public improvements, historic preservation and relocation assistance.

C. LAND ACQUISITION FUND ADVANCES FROM U.S. TREASURY

The PADC Land Acquisition Fund borrows from the Treasury in order to acquire property. The agreement with Treasury provides for an initial advance period of two years. After the original two years, advances may be extended to a maximum of forty years from the original date of advance. The agreement also provides for interest charges to be compounded semi-annually from the date of advance.

At the end of fiscal year 1979, PADC had received advances from Treasury totaling \$38,629,702. During the fiscal year, PADC returned \$4,691,613 to Treasury leaving a balance of outstanding advances as of September 30, 1979, of \$33,938,089. A list of outstanding advances follows.

ADVANCES FROM U.S. TREASURY AS OF SEPTEMBER 30, 1979

<u>Date of advance</u>	<u>Amount</u>	<u>Interest rate</u> (percent)	<u>Accumulated interest from date of advance</u>
1/10/78	\$ 4,599,687	7.274	\$ 603,334
1/31/78	47,000	7.536	6,172
2/21/78	922,500	7.575	117,337
3/21/78	2,034,000	7.626	245,968
4/20/78	104,500	7.713	12,087
4/28/78	4,732	7.768	543
5/31/78	58,000	8.051	6,448
6/12/78	4,750,000	8.110	518,393
12/01/78	50,000	9.474	4,009
1/24/79	32,600	9.978	2,258
1/25/79	1,150,000	9.974	79,275
2/02/79	1,487,580	9.899	98,405
3/30/79	44,000	9.843	2,165
4/09/79	10,030,000	9.812	467,872
4/12/79	200,000	9.819	9,175
4/19/79	47,000	9.807	2,065
6/13/79	25,410	9.608	727
6/29/79	185,150	9.299	4,375
7/20/79	4,102,000	9.107	73,090
8/17/79	112,700	9.316	1,255
8/29/79	2,536,180	9.452	20,845
9/19/79	<u>1,415,000</u>	9.922	<u>4,243</u>
Total	<u>\$33,938,089</u>		<u>\$2,280,041</u>

D. SIGNIFICANT ACCOUNTING PRACTICES

- Interest charges payable on advances from the U.S. Treasury are considered a cost of acquiring land and are, therefore, capitalized under the asset classification land.
- The account Construction Work-in-Process as reported in the Public Development Fund indicates projects that are currently under construction. Once Public Development projects are completed they are reclassified as Land Improvements.

--The account Land as reported in the Land Acquisition Fund contains charges for land and demolition of buildings. PADC considers buildings acquired through land purchases to have no economic value and, therefore, the buildings are not recorded as a separate asset.

E. HISTORICAL LANDMARK--THE WILLARD HOTEL

The Land Acquisition Fund acquired the Willard Hotel during fiscal year 1977 at a purchase price of \$4,550,000.

Based on a study performed by the Oliver T. Carr Co. that concluded the hotel had no economic value, PADC asked for \$5,000,000 in their Public Development Fund appropriation request in order to purchase the hotel as Public Development and therefore, preserve the structures. The funds were appropriated and during fiscal year 1979, \$4,852,702 was paid from the Public Development Fund to the Land Acquisition Fund for the acquisition of this historical landmark. The \$4,852,702 retired an advance due to the Treasury and the interest (which had been originally capitalized). This advance had been incurred by the Land Acquisition Fund when it originally purchased the hotel.