



BALLSTON PUBLIC PARKING GARAGE FUND
(An Enterprise Fund of Arlington County, Virginia)

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the County Board
Ballston Public Parking Garage Fund
Arlington County, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Ballston Public Parking Garage (an enterprise fund of Arlington County, Virginia), which consists of the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows as of and for the year ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Ballston Public Parking Garage's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ballston Public Parking Garage as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Ballston Public Parking Garage and do not purport to, and do not, present fairly the financial position of Arlington County, Virginia, as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ballston Public Parking Garage's basic financial statements. The combining supplemental schedule of cash receipts, disbursements, and changes in cash and cash equivalents – restricted funds/accounts for the year ended June 30, 2014, included in Exhibit 1 (the supplemental schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the Ballston Public Parking Garage'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 result 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* in considering the Ballston Public Parking Garage's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP". The signature is written in black ink and is positioned above the typed address and date.

Arlington, Virginia
October 31, 2014

BALLSTON PUBLIC PARKING GARAGE FUND
 (An Enterprise Fund of Arlington County, Virginia)

STATEMENTS OF NET POSITION
 June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Unrestricted -		
Cash and cash equivalents	\$9,123,713	\$7,855,827
Accounts receivable	1,170	2,130
Prepaid expenses	187,880	187,880
Restricted -		
Investments - bond indenture	3,344,994	3,344,982
Investments - O&M reserve	2,000,280	2,000,280
Total current assets	<u>14,658,037</u>	<u>13,391,099</u>
CAPITAL ASSETS:		
Building and improvements	22,315,887	22,315,887
Garage equipment	213,440	213,440
Construction in Progress	28,880	28,880
Less-Accumulated depreciation	(13,196,384)	(12,680,377)
Net capital assets	<u>9,361,823</u>	<u>9,877,830</u>
DEFERRED BOND ISSUANCE COST, net of accumulated amortization of \$194,725 and \$160,299	<u>-</u>	<u>34,427</u>
Total Assets	<u>24,019,860</u>	<u>23,303,356</u>

See accompanying notes to financial statements

BALLSTON PUBLIC PARKING GARAGE FUND

(An Enterprise Fund of Arlington County, Virginia)

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:		
Ground Lease and Mortgage interest payable	\$24,220,962	\$22,844,807
Accounts payable	372,971	409,605
Mortgage payable	3,429,679	3,429,679
Accrued rent liability	11,395,640	10,621,893
Revenue bonds payable	500,000	500,000
Total current liabilities	<u>39,919,252</u>	<u>37,805,984</u>
LONG-TERM LIABILITIES:		
Revenue bonds payable, net of current portion	8,400,000	8,900,000
Total long-term liabilities	<u>8,400,000</u>	<u>8,900,000</u>
Total Liabilities	<u>48,319,252</u>	<u>46,705,984</u>
NET POSITION:		
Investment in capital assets, net of related debt	(2,967,856)	(2,951,849)
Unrestricted deficit	(21,331,536)	(20,450,779)
Total Net Position	<u><u>(\$24,299,392)</u></u>	<u><u>(23,402,628)</u></u>

See accompanying notes to financial statements

BALLSTON PUBLIC PARKING GARAGE FUND
 (An Enterprise Fund of Arlington County, Virginia)

STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
PARKING GARAGE REVENUES	<u>\$4,411,414</u>	<u>\$4,811,697</u>
OPERATING EXPENSES:		
Contractual services	1,888,906	1,969,312
Real estate and personal property taxes	298,367	294,665
Materials and supplies	298,650	307,889
Depreciation	516,007	514,232
Amortization	34,427	5,297
Rent	<u>773,747</u>	<u>904,992</u>
Total operating expenses	<u>3,810,104</u>	<u>3,996,387</u>
Operating income	<u>601,310</u>	<u>815,310</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	7,482	12,031
Interest expense and financial charges	<u>(1,505,556)</u>	<u>(1,754,131)</u>
Total non-operating expenses	<u>(1,498,074)</u>	<u>(1,742,100)</u>
Net Loss	(896,764)	(926,790)
Net Position, beginning of year	<u>(23,402,628)</u>	<u>(22,475,838)</u>
Net Position, end of year	<u><u>(\$24,299,392)</u></u>	<u><u>(\$23,402,628)</u></u>

See accompanying notes to financial statements

BALLSTON PUBLIC PARKING GARAGE FUND
 (An Enterprise Fund of Arlington County, Virginia)

STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$4,412,374	\$4,856,413
Cash paid to suppliers and employees	<u>(2,522,557)</u>	<u>(2,424,414)</u>
Net cash provided by operating activities	<u>1,889,817</u>	<u>2,431,999</u>
Cash Flows From Investing Activities:		
Interest income received	<u>7,482</u>	<u>12,031</u>
	<u>7,482</u>	<u>12,031</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of fixed assets	-	(53,216)
Principal payment on bonds	(500,000)	(1,200,000)
Interest and other financing charges paid	(129,401)	(168,601)
Letter of credit draw downs	5,481	14,979
Letter of credit repayments	(5,481)	(14,979)
Net cash used in capital and related financing activities	<u>(629,401)</u>	<u>(1,421,817)</u>
Net increase in cash and cash equivalents	1,267,898	1,022,213
Cash and Cash Equivalents at Beginning of Year	<u>13,201,089</u>	<u>12,178,876</u>
Cash and Cash Equivalents at End of Year	<u>\$14,468,987</u>	<u>\$13,201,089</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$601,310	\$815,310
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	550,434	519,530
Effects of changes in operating assets and liabilities:		
Accounts receivable	960	44,716
Accounts payable	(36,634)	147,451
Accrued rent liability	<u>773,747</u>	<u>904,992</u>
Net Cash Flows From Operating Activities	<u>\$1,889,817</u>	<u>\$2,431,999</u>

See accompanying notes financial statements

BALLSTON PUBLIC PARKING GARAGE FUND
(An Enterprise Fund of arlington County, Virginia)

EXHIBIT 1

COMBINING SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS - RESTRICTED FUNDS/ACCOUNTS
YEAR ENDED JUNE 30, 2014

	REVENUE ACCOUNT	INTEREST ACCOUNT	PRINCIPAL ACCOUNT	RESERVE ACCOUNT	COST ACCOUNT	REIBURSEMENT ACCOUNT	MAINTENANCE ACCOUNT	2014 TOTAL
CASH RECEIPTS:								
INTEREST INCOME	\$-	\$-	\$-	\$7,482	\$-	\$-	\$-	\$7,482
LETTER OF CREDIT DRAW DOWNS	-	5,481	-	-	-	-	-	5,481
OPERATING REVENUES, NET	<u>1,889,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,889,817</u>
TOTAL CASH RECEIPTS	<u>1,889,817</u>	<u>5,481</u>	<u>-</u>	<u>7,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,902,780</u>
CASH DISBURSEMENTS:								
BONDS PRINCIPAL PYMT	-	-	500,000	-	-	-	-	500,000
REPAYMENT OF LETTER OF CREDIT DRAW DOWNS	-	5,481	-	-	-	-	-	5,481
LETTER OF CREDIT FEES	95,453	-	-	-	-	-	-	95,453
OTHER OPERATING EXPENSES	<u>33,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,948</u>
TOTAL CASH DISBURSEMENTS	<u>129,401</u>	<u>5,481</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,882</u>
NET INCR. (DECR.) BEFORE TRANSFERS	<u>1,760,416</u>	<u>-</u>	<u>(500,000)</u>	<u>7,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,267,898</u>
TRANSFER IN (OUT)								
TRANSFER OF EXCESS BALANCE	7,470	-	500,000	(7,470)	-	-	-	500,000
TRANSFER TO PRINCIPAL ACCOUNT	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
TOTAL TRANSFER IN (OUT)	<u>(492,530)</u>	<u>-</u>	<u>500,000</u>	<u>(7,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,267,886	-	-	12	-	-	-	1,267,898
CASH AND CASH EQUIVALENTS per bank statement, July 1	7,855,827	-	-	3,344,982	-	-	2,000,280	13,201,089
CASH AND CASH EQUIVALENTS per bank statement, June 30	<u>\$9,123,713</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,344,994</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,000,280</u>	<u>\$14,468,987</u>

in accordance with the bond indenture. The cash and cash equivalent balances disclosed above will not necessarily agree to the amount included on the balance sheet due to timing differences.

BALLSTON PUBLIC PARKING GARAGE FUND
(An Enterprise Fund of Arlington County, Virginia)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND BUSINESS CONDITIONS

In August 1984, Arlington County, Virginia, (the "County"), entered into various agreements to acquire an existing parking garage, to lease the adjacent land, and to construct a new garage. The Ballston Public Parking Garage Fund (the "Fund") was established to account for the acquisition, construction, and operations of the parking garage. The Fund is an Enterprise Fund of the County.

The Ballston Public Parking Garage (the "BPPG") commenced operations in 1986 and has generated sufficient positive cash flow since inception to meet its operating and revenue bond debt service requirements. However, when considering certain liabilities (deferred rent and a mortgage payable) and depreciation, the garage has a deficiency in assets of \$24,299,392 and \$23,402,628 at June 30, 2014 and 2013, respectively. The deferred rent and mortgage payable are liabilities, but are to be paid only when certain net operating income circumstances are met. The deficit has been caused by slower than anticipated commercial development of the areas adjacent to the garage and limitations on parking rates. Under the agreement with the May Company (Center Mark Properties, Inc. and successors), the County was initially precluded from increasing some key parking rates. Management of the County believes subsequent rate increases in future fiscal years, coupled with the completion of adjacent development projects, will result in the eventual achievement of profitable operations. The County's General Fund provided required capital contributions in the form of a General Fund transfer equal to the garage's real estate taxes until FY 2000. In July 2005, the May Company was acquired by Federated Departments Stores, Inc. (FDS).

2. SUMMARY OF ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The Fund's financial statements have been prepared following the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues which include interest and other investment income on invested fund are recorded at the time they are earned. Expenses are recorded when the related liability is incurred.

Capital Assets and Construction in Progress

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Capital assets are stated at cost and consist of the constructed building cost, the purchased facility mentioned in Notes 4 and 5, and equipment. Depreciation is calculated using the straight-line method over a 45-year life for buildings and a 5-year life for equipment.

Deferred Bond Issuance Costs

Bond issuance costs of \$194,725 incurred in connection with the \$22,300,000 revenue bonds are being amortized over the life of the bonds using straight line method which approximates the effective interest rate method. Annual amortization of bond issuance costs for 2013 was \$5,297.

In accordance with GASB Statement No. 65, at June 30, 2014, the remaining amount of the bond issuance cost, \$34, 427, was fully expensed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

Implementation of New GASB Pronouncement

In March 2012, The Governmental Accounting Standard Board ("GASB") issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County adopted GASB 65 during the year ended June 30, 2014.

3. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

As of June 30, 2014 and 2013, the BPPG Fund had cash and cash equivalents of \$11,123,993 and \$9,856,107 invested in US Bank institutional money market fund and the custodian's Short-Term Investment Fund (STIF). These deposits are covered by Federal depository insurance up to \$250,000. For the purposes of the Statement of Cash Flows, restricted investments are classified as cash and cash equivalents.

B. Custodial Credit Risk Investments

No specific disclosure is necessary for custodial credit risks since the BPPG Fund requires that all investments be clearly marked as to ownership and to be registered in the name of the BPPG Fund.

C. Investment Policy

In accordance with State statutes, the County's and the BPPG Fund's investment policy permit it to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper, bankers' acceptances, repurchase agreements, corporate notes, mutual funds and the Virginia Local Government Investment Pool (a 2a-like pool).

D. Credit Risk

The County's and the BPPG Fund's policy limits investment in commercial paper to those issues with "prime quality" rating by at least two of the following: by Moody's Investors Service, Inc., rating of prime 1, by Standard & Poor's, Inc., rating of A-1, by Fitch Investor's Services, Inc., rating of F-1, by Duff and Phelps, Inc., rating of D-1. Corporate notes are limited to issues that have been rated at least AA by Standard and Poor's Inc. and at least AA by Moody's Investors Services.

E. Concentrations of Credit Risk

The County's and the BPPG Fund's policy does not set a limit on the amount that may be invested in any single Federal Agency issue.

F. Interest Rate Risk

As of June 30, 2014 and 2013, the BPPG Fund had the following investments:

	<u>Investment Maturity (in years)</u>	
	<u>2015</u>	<u>2014</u>
Federal Agency Bonds/Notes	<u>\$3,344,994</u>	<u>\$3,344,982</u>
Total	<u>\$3,344,994</u>	<u>\$3,344,982</u>

U.S. Bank, as trustee for holders of bonds for the Ballston Public Parking Garage, is authorized to invest in all investment instruments for the County Treasurer. As of June 30, 2014, the Trustee Bank had \$17,676,815 in a U.S. government money market fund consisting of securities approved for direct investment.

As provided for under the various agreements, the County established an operating and maintenance reserve account ("O&M Reserve") effective June 30, 1987 to provide monies for capital improvements at the garage. As provided for under the renegotiable letter of credit agreements effective August 1, 1991, the County was required to place all revenues in excess of expenses and encumbrances into its O&M Reserve until the amount in the O&M Reserve equaled a minimum of \$2 million. In Fiscal Year 2000, the threshold of \$2,000,000 was met and continues to be met. If the County requires the use of the O&M Reserve for garage capital expenses in excess of \$500,000, it may (with notice to the Letter of Credit Bank) use the O&M Reserve as long as the O&M Reserve is replaced within three years by garage revenues or general fund transfers. The amount in the O&M Reserve at June 30, 2014 and 2013 was \$2,000,280.

4. REVENUE BONDS

Revenue Bonds of \$22,300,000 were issued by the County in 1984 to provide for the acquisition and construction of a public parking garage facility. The bonds were issued in the form of Variable Rate Revenue Bonds to mature on August 1, 2017, are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the County's discretion. The bonds are not general obligations of the County and are payable solely from gross revenues arising from the operations of the garage facilities, an irrevocable direct pay letter of credit in the initial principal amount of \$25,648,055, and other funds which may be available to the project. The County has a "moral" obligation to consider appropriating funds should a shortfall in revenues affect the payments to the bondholders.

Under the terms of an Amendment Agreement to the Letter of Credit and Reimbursement Agreement between the County and Citibank N.A., dated September 1, 1998, the County agreed to exercise its option under Section 4.01 of the Indenture to redeem the Revenue Bonds in the cumulative amount of at least \$1,000,000 by the end of fiscal year 1996, at least \$2,000,000 by the end of the fiscal year 1997, at least \$3,000,000 by the end of the fiscal year 1998, and at minimum an additional \$500,000 by the end of each of the County's fiscal years from 1999 through 2004.

Debt service payments on the bonds are further secured by a deed of trust on the garage facilities and related assets. The interest rate on the bonds is determined weekly, using a Variable Interest Index, calculated under the terms of the bond issuance agreements. The rate may be converted to a fixed interest rate at the discretion of the County during the term of the bonds. The initial interest rate was 6.9%, at no time can exceed 15%, and weekly interest averaged 0.0642% and 0.131% during the years ended June 30, 2014 and 2013, respectively. Interest is payable quarterly prior to conversion to a fixed interest rate, and on June 1 and December 1 of each year thereafter until maturity, purchase, or earlier redemption. The direct pay letter of credit is substantially collateralized by the assignment of the land lease and other agreements. On September 22, 2011, a three-year Letter of Credit (LOC) was issued by PNC Bank, N.A. This letter of credit will expire on September 6, 2014. On August 5, 2014, subsequent to the end of FY 2013, the LOC was signed to extend the expiration date to August 6, 2017.

Interest on drawings is payable at an interest rate publicly announced by the bank. When interest is due to the bondholders, the direct pay letter of credit pays the bondholders by drawing down on the letter of credit and then immediately seeking reimbursement from garage revenues. During fiscal years 2014 and 2013, the County drew from the letter of credit \$5,481 and \$14,979, respectively, to pay the interest accrued on the revenue bonds. The letter of credit draw-downs were repaid by the County from garage revenues in the fiscal year of the draw-

downs. The fee associated with the letter of credit was \$95,453 and \$105,330 for fiscal years 2014 and 2013, respectively.

5. MORTGAGE PAYABLE

The County entered into an agreement (the "Agreement") with the May Company (Center Mark Properties, Inc.), dated August 1, 1984, for the purchase of an existing parking garage facility at a total purchase price of \$3,929,679. An initial payment of \$500,000 was made on October 22, 1986 with the remaining balance of \$3,429,679 payable in installments with 8% interest per annum. Principal and interest are payable solely from revenues derived from Garage operations, at \$275,000 for the first 10 years and \$375,000 for each of the next 17 years. In any year that there is not sufficient cash flow (as defined), payments under the note are deferred; however, the note is due and payable in full 45 years from the date of the note. At June 30, 2014 and 2013, all payments have been deferred.

6. COMMITMENTS

Ground Lease

The County entered into a lease agreement, dated August 1, 1984, for approximately 4.41 acres of land to be used for construction and operation of the Garage. The term of the lease is 45 years. Lease payments were due upon the garage opening and are payable from operations of the Garage. In the event that Garage operations do not provide sufficient cash flow, the lease payment may be deferred. Scheduled annual lease payments for years ended on June 30 are as follows:

<u>Lease Years</u>	<u>Annual Base Rent</u>
1-5	129,996.00
6-10	255,000.00
11-15	279,996.00
16-20	405,000.00
21-25	654,996.00
26-27	904,992.00
28-45	1,279,992.00

As of June 30, 2014 and 2013, all lease payments have been deferred. Accordingly, liabilities of \$11,395,640 and \$10,621,893 have been accrued in the June 30, 2014 and 2013 financial statements.

Additional annual rental up to a maximum amount of \$100,000 may be added to the base rent, through the thirty-third year of the lease term, conditioned upon the completion of specified retail component of the "Glebe Retail Sub-phase." As of June 30, 2014, no increases in the annual rental amount have occurred. Beginning in the thirty-fourth year of the lease term, and continuing through expiration, a fixed portion of the available revenues from Garage operations ranging from 17.1% to 29.0% will be payable to the lessor as additional annual rent. Such additional amounts would be payable solely from revenues of Garage operations.

7. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2014 and 2013:

	Beginning Balance, 07/01/2013	Increases	Decreases	Ending Balance, 06/30/2014
Capital assets, being depreciated				
Parking Garage	\$22,315,887	\$-	\$-	\$22,315,887
Garage Equipment	213,440	-	-	213,440
Capital assets, not being depreciated				
Construction in Progress	28,880	-	-	28,880
Total capital assets	22,558,207	\$-	\$-	22,558,207
Less accumulated depreciation for:				
Parking Garage	12,632,211	495,909	-	13,128,120
Garage Equipment	48,166	20,098	-	68,264
Total accumulated depreciation	12,680,377	516,007	-	13,196,384
Capital assets, net	\$9,877,830	(516,007)	\$-	\$9,361,823

	Beginning Balance, 07/01/2012	Increases	Decreases	Ending Balance, 06/30/2013
Capital assets, being depreciated				
Parking Garage	\$22,315,887	\$-	\$-	\$22,315,887
Garage Equipment	160,224	53,216	-	213,440
Capital assets, not being depreciated				
Construction in Progress	28,880	-	-	28,880
Total capital assets	22,504,991	53,216	-	22,558,207
Less accumulated depreciation for:				
Parking Garage	12,136,303	495,908	-	12,632,211
Garage Equipment	29,842	18,324	-	48,166
Total accumulated depreciation	12,166,145	514,232	-	12,680,377
Capital assets, net	\$10,338,846	514,232	\$-	\$9,877,830

8. Subsequent Events

On September 22, 2011, a three-year Letter of Credit (LOC) was issued by PNC Bank, N.A. This letter of credit will expire on September 6, 2014. On August 5, 2014, subsequent to the end of FY 2014, the LOC was signed to extend the expiration date to August 6, 2017.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the County Board
Ballston Public Parking Garage Fund
Arlington County, Virginia

We have audited, in accordance with the 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, and *Specifications of Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Ballston Public Parking Garage (the Garage) (an enterprise fund of Arlington County, Virginia) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Garage's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garage's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garage's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Garage's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Garage's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Garage's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
October 31, 2014