



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

**SCHEDULES OF NET CASH FLOW AND MCI AREA'S NET
CASH FLOW AS DEFINED BY TIME SHARING AND LEASE AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the County Board
MCI Lease
Arlington County, Virginia

Report on the Financial Statements

We have audited the accompanying Ballston Public Parking Garage special purpose schedules (the schedules) of net cash flow, MCI Area's net cash flow, and MCI Lease Area's net cash flow for the year ending June 30, 2014 and the related notes to the schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the schedules in accordance with the basis of accounting described in Note 1; this includes determining that the basis of accounting is an acceptable basis for the preparation of the schedules in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedules, 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 schedules 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 schedules.

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 schedules referred to above present fairly, in all material respects, the net cash flow, the MCI Area's net cash flow, and MCI Lease Area's net cash flow for the Ballston Public Parking Garage as of June 30, 2014, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the schedules, which describes the basis of accounting. The schedules are prepared in accordance with various agreements dated August 1, 1984, including the Mortgage Note and Ground Lease Agreements between the County and the May Department Store Company, a New York corporation, and the Parking Lease and Time Sharing Agreement between the County and May Centers Inc., which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the County Board and management and is not intended to be, and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2014

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

SCHEDULE OF NET CASH FLOW, AS DEFINED IN
 THE MORTGAGE NOTE AGREEMENT, GROUND LEASE,
 MCI PARKING LEASE AND TIME SHARING AGREEMENTS
 YEAR ENDED JUNE 30, 2014

Parking Garage Revenues	\$4,411,414
Operating expenses	<u>(3,810,104)</u>
Operating Income	601,310
Non-operating expenses, net	<u>(1,498,074)</u>
Net loss	<u>(896,764)</u>
Adjustments to reconcile net loss to net cash flow:	
Depreciation and amortization included in operating expenses	550,434
Accrual to cash conversion, per agreements -- Changes in:	
Accounts receivable	960
Bond and mortgage interest payable	1,376,155
Accounts payable	(36,634)
Other accrued liabilities	<u>773,747</u>
Net Adjustments	<u>2,664,662</u>
Net Cash Flow, As Defined in Mortgage Note Agreement	1,767,898
Adjustments As Required By the Ground Lease Agreement	
Parking Lease and Time Sharing Agreement: Deferred	
Ground Lease Rental	(773,747)
Current and Deferred Principal and Interest repayments on Mortgage Note	<u>-</u>
Net Cash Flow, As Defined in The Ground Lease, MCI Parking Lease And Time Sharing Agreements	<u>994,151</u>
Adjusted Net Cash Flow	<u><u>\$994,151</u></u>

See accompanying notes to schedules

BALLSTON PUBLIC PARKING GARAGE FUND
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SCHEDULE OF MCI AREA'S NET CASH FLOW, AS DEFINED IN THE
TIME SHARING AGREEMENT
YEAR ENDED JUNE 30, 2014

Sales of Monthly Parking Permits For MCI Time Sharing Area	\$-
Allocation of 0.9% of Allowable Cash Flow Deductions	<u>(30,755) *</u>
Net Cash Flow(Deficit), As Defined In The MCI Time Sharing Agreement	<u><u>(\$30,755)</u></u>

* Operating expenses	\$3,810,104
Non-operating expenses, net	1,498,074
Less: Net adjustments	(2,664,662)
Add: Deferred Ground Lease Rental	773,747
Add: Deferred Mortgage Payment	<u>-</u>
	<u>3,417,263</u>
x 0.9%, as per Time Sharing Agreement	<u><u>\$30,755</u></u>

See accompanying notes to schedules

BALLSTON PUBLIC PARKING GARAGE FUND
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SCHEDULE OF MCI AREA'S NET CASH FLOW, AS DEFINED IN THE
MCI PARKING LEASE AGREEMENT
YEAR ENDED JUNE 30, 2014

Sales of Monthly Parking Permits For MCI Lease Area		\$-
Allocation of 4.1% of Allowable Cash Flow Deductions		<u>(140,108)</u>
Net Cash Flow(Deficit), As Defined In The MCI Parking Lease Agreement		<u><u>(\$140,108)</u></u>
* Operating expenses	\$3,810,104	
Non-operating expenses	1,498,074	
Less: Net adjustments	(2,664,662)	
Add: Deferred Ground Lease Rental	773,747	
Add: Deferred Mortgage Payment	-	
	<u>3,417,263</u>	
x 4.1%, as per Parking Lease Agreement		<u><u>\$140,108</u></u>

See accompanying notes to schedules

BALLSTON PUBLIC PARKING GARAGE FUND
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**NOTES TO SCHEDULES OF NET CASH FLOW, MCI AREA'S NET
CASH FLOW AND MCI LEASE AREA'S NET CASH FLOW**
June 30, 2014

1. ORGANIZATION AND BASIS OF ACCOUNTING

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

The Garage Fund is an enterprise fund of the County. The Garage opened for business and began operations on September 29, 1986.

The schedules of net cash flow, MCI area's net cash flow, as defined in the Time Sharing Agreement and MCI area's net cash flow, as defined in the MCI Parking Lease Agreement, have been prepared in accordance with various agreements dated August 1, 1984, including the Mortgage Note and Ground Lease Agreements between the County and the May Department Store Company, a New York corporation, and the Parking Lease and Time Sharing Agreement between the County and May Centers Inc. (now Center Mark Properties, Inc.), a Missouri corporation. In July 2005, May Department Stores was acquired by Federated Department Stores, Inc.

2. RESERVE ACCOUNT

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. The \$2 million threshold was met in fiscal year 2000. 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 3 years by garage revenues or general fund transfers.

The amount in the O&M Reserve at June 30, 2014 was \$2,000,280.