



**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, 2015  
( 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, 2015 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 for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of 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*

**CliftonLarsonAllen LLP**

Arlington, Virginia

October 30, 2015

**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, 2015

|                                                                                                 |                         |
|-------------------------------------------------------------------------------------------------|-------------------------|
| Parking Garage Revenues                                                                         | \$4,337,754             |
| Operating expenses                                                                              | <u>(4,454,279)</u>      |
| Operating Income                                                                                | (116,525)               |
| Non-operating expenses, net                                                                     | <u>(1,845,325)</u>      |
| Net loss                                                                                        | <u>(1,961,850)</u>      |
| Adjustments to reconcile net loss to net cash flow:                                             |                         |
| Depreciation and amortization included in operating expenses                                    | 516,007                 |
| Accrual to cash conversion, per agreements -- Changes in:                                       |                         |
| Accounts receivable                                                                             | (76,621)                |
| Bond and mortgage interest payable                                                              | 1,722,051               |
| Accounts payable                                                                                | 684,601                 |
| Other accrued liabilities                                                                       | <u>1,279,992</u>        |
| Net Adjustments                                                                                 | <u>4,126,030</u>        |
| Net Cash Flow, As Defined in Mortgage Note Agreement                                            | 2,164,180               |
| Adjustments As Required By the Ground Lease Agreement                                           |                         |
| Parking Lease and Time Sharing Agreement: Deferred                                              |                         |
| Ground Lease Rental                                                                             | (1,279,992)             |
| Current and Deferred Principal and Interest repayments<br>on Mortgage Note                      | <u>-</u>                |
| Net Cash Flow, As Defined in The Ground Lease, MCI<br>Parking Lease And Time Sharing Agreements | <u>884,188</u>          |
| Adjusted Net Cash Flow                                                                          | <u><u>\$884,188</u></u> |

See accompanying notes to schedules

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

SCHEDULE OF MCI AREA'S NET CASH FLOW, AS DEFINED IN THE  
TIME SHARING AGREEMENT  
YEAR ENDED JUNE 30, 2015

|                                                                      |                          |
|----------------------------------------------------------------------|--------------------------|
| Sales of Monthly Parking Permits For MCI Time Sharing Area           | \$-                      |
| Allocation of 0.9% of Allowable Cash Flow Deductions                 | <u>(31,082) *</u>        |
| Net Cash Flow(Deficit), As Defined In The MCI Time Sharing Agreement | <u><u>(\$31,082)</u></u> |

|                                       |                        |
|---------------------------------------|------------------------|
| * Operating expenses                  | \$4,454,279            |
| Non-operating expenses, net           | 1,845,325              |
| Less: Net adjustments                 | (4,126,030)            |
| Add: Deferred Ground Lease Rental     | 1,279,992              |
| Add: Deferred Mortgage Payment        | <u>-</u>               |
|                                       | <u>3,453,566</u>       |
| x 0.9%, as per Time Sharing Agreement | <u><u>\$31,082</u></u> |

See accompanying notes to schedules

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

SCHEDULE OF MCI AREA'S NET CASH FLOW, AS DEFINED IN THE  
MCI PARKING LEASE AGREEMENT  
YEAR ENDED JUNE 30, 2015

|                                                                       |                  |                           |
|-----------------------------------------------------------------------|------------------|---------------------------|
| Sales of Monthly Parking Permits For MCI Lease Area                   |                  | \$-                       |
| Allocation of 4.1% of Allowable Cash Flow Deductions                  |                  | <u>(141,596)</u>          |
| Net Cash Flow(Deficit), As Defined In The MCI Parking Lease Agreement |                  | <u><u>(\$141,596)</u></u> |
| <br>                                                                  |                  |                           |
| * Operating expenses                                                  | \$4,454,279      |                           |
| Non-operating expenses                                                | 1,845,325        |                           |
| Less: Net adjustments                                                 | (4,126,030)      |                           |
| Add: Deferred Ground Lease Rental                                     | 1,279,992        |                           |
| Add: Deferred Mortgage Payment                                        | -                |                           |
|                                                                       | <u>3,453,566</u> |                           |
| <br>                                                                  |                  |                           |
| x 4.1%, as per Parking Lease Agreement                                |                  | <u><u>\$141,596</u></u>   |

See accompanying notes to schedules

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

**NOTES TO SCHEDULES OF NET CASH FLOW, MCI AREA'S NET  
CASH FLOW AND MCI LEASE AREA'S NET CASH FLOW**  
**June 30, 2015**

**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, 2015 was \$2,000,280.