



**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, 2017  
( 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 (the 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, 2017 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 Garage for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

The Honorable Members of the County Board  
MCI Lease

***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 31, 2017

**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, 2017

Parking garage revenues	\$3,272,841
Operating expenses	<u>(4,222,538)</u>
Operating income	(949,697)
Non-operating expenses, net	<u>(1,970,478)</u>
Net loss	<u>(2,920,175)</u>
Adjustments to reconcile net loss to net cash flow:	
Depreciation and amortization included in operating expenses	660,671
Accrual to cash conversion, per agreements -- Changes in:	
Accounts receivable	-
Bond and mortgage interest payable	1,878,849
Accounts payable	940,830
Other accrued liabilities	<u>1,279,992</u>
Net adjustments	<u>4,760,342</u>
Net cash flow, as defined in mortgage note agreement	1,840,167
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 on mortgage note	<u>-</u>
Net cash flow, as defined in the ground lease, MCI parking lease and time sharing agreements	<u>560,175</u>
Adjusted net cash flow	<u><u>\$560,175</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, 2017

Sales of monthly parking permits for MCI time sharing area	\$-
Allocation of 0.9% of allowable cash flow deductions	<u>(24,414) *</u>
Net cash flow(deficit), as defined In the MCI time sharing agreement	<u><u>(\$24,414)</u></u>

* Operating expenses	\$4,222,538
Non-operating expenses, net	1,970,478
Less: Net adjustments	(4,760,342)
Add: Deferred ground lease rental	1,279,992
Add: Deferred mortgage payment	-
	\$2,712,666
x 0.9%, as per time sharing agreement	<u>\$24,414</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, 2017

Sales of monthly parking permits for MCI lease area		\$-
Allocation of 4.1% of allowable cash flow deductions		<u>(111,219)</u>
Net cash flow(deficit), as defined in the MCI parking lease agreement		<u><u>(\$111,219)</u></u>
* Operating expenses	\$4,222,538	
Non-operating expenses	1,970,478	
Less: Net adjustments	(4,760,342)	
Add: Deferred ground lease rental	1,279,992	
Add: deferred mortgage payment	-	
	\$2,712,666	
x 4.1%, as per Parking Lease Agreement	<u>\$111,219</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, 2017**

**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, 2017 was \$2,000,297.

**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, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

**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 opinion 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.



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

**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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
October 31, 2017