



**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, 2018  
( WITH INDEPENDENT AUDITORS' REPORT THEREON )**

## **Report of Independent Auditor**

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

We have audited the accompanying Ballston Public Parking Garage (the "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, 2018, and the related notes to the schedules.

### ***Management's Responsibility for the Financial Information***

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 Schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 auditor's 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 presents fairly, in all material respects, the net cash flow, MCI Area's net cash flow, and MCI Lease Area's net cash flow of the Parking Garage for the year ended June 30, 2018, 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 date 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.

**Report on Audited Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Ballston Public Parking Garage as of and for the year ended June 30, 2018, and our report thereon dated October 30, 2018, expressed as an unmodified opinion on those financial statements.

*Cherry Bekart LLP*

Tysons Corner, Virginia  
October 30, 2018

**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, 2018

Parking garage revenues	\$3,290,127
Operating expenses	<u>(5,808,916)</u>
Operating loss	(2,518,789)
Non-operating expenses, net	<u>(2,044,793)</u>
Net loss	<u>(4,563,582)</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:	
Bond and mortgage interest payable	2,051,249
Accounts payable	(773,061)
Other accrued liabilities	2,879,992
Bond principal payment	(4,600,000)
Fixed asset purchases	(4,987,840)
Net adjustments	<u>(4,768,989)</u>
Net cash flow, as defined in mortgage note agreement	(9,332,571)
Adjustments as required by the ground lease agreement	
Parking lease and time sharing agreement:	
Deferred ground lease rental	(2,879,992)
Net cash flow, as defined in the ground lease, MCI	
Parking lease and time sharing agreements	<u>(12,212,563)</u>
Adjusted net cash flow	<u><u>(\$12,212,563)</u></u>

The notes to the financial statements are an integral part of this statement.

**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, 2018

Sales of monthly parking permits for MCI time sharing area		\$-
Allocation of 0.9% of allowable cash flow deductions		<u>(139,524)</u>
Net cash flow(deficit), as defined In the MCI time sharing agreement		<u><u>(\$139,524)</u></u>
Operating expenses	\$5,808,916	
Non-operating expenses, net	2,044,793	
Less: Net adjustments	4,768,989	
Add: Deferred ground lease rental	2,879,992	
	<u>15,502,690</u>	
x 0.9%, as per time sharing agreement		<u><u>\$139,524</u></u>

The notes to the financial statements are an integral part of this statement.

**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, 2018

Sales of monthly parking permits for MCI lease area		\$-
Allocation of 4.1% of allowable cash flow deductions		<u>(635,610)</u>
Net cash flow(deficit), as defined in the MCI parking lease agreement		<u><u>(\$635,610)</u></u>
Operating expenses	\$5,808,916	
Non-operating expenses	2,044,793	
Less: Net adjustments	4,768,989	
Add: Deferred ground lease rental	2,879,992	
	<u>15,502,690</u>	
x 4.1%, as per Parking Lease Agreement	<u><u>\$635,610</u></u>	

The notes to the financial statements are an integral part of this statement.

**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, 2018**

**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 (BPPG), 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 BPPG 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 BPPG's 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 letter of credit expired in August 2018, with the maturity of the BPPG's revenue bond. All rights and obligations under the indenture of trust ceased upon the maturity of the bond. As part of the County's FY18 adopted budget, financial policies were added for the Garage Fund, that reduces the O&M Reserve account threshold to the BPPG's operating expenditures. A full description of the new policies is available on the County's website at <https://budget.arlingtonva.us/fy-2018-adopted-budget/>

**Report of Independent Auditor 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***

Board of Directors  
Ballston Public Parking Garage

We have audited, 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, the financial statements of the Ballston Public Parking Garage (Parking Garage), an enterprise fund of Arlington County, Virginia, as of and for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Parking 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 Parking Garage's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parking 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 Parking Garage's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 results of that testing, and not to provide an opinion on the effectiveness of the Parking 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 Parking Garage's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia  
October 30, 2018