



**BALLSTON PUBLIC PARKING GARAGE FUND**

*(An Enterprise Fund of Arlington County, Virginia)*

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE**

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

STATEMENTS OF NET POSITION  
 Years Ended June 30, 2020 and 2019

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Unrestricted -		
Cash and cash equivalents	\$1,820,594	\$2,531,190
Total current assets	<u>1,820,594</u>	<u>2,531,190</u>
<b>CAPITAL ASSETS</b>		
Building and improvements	28,555,205	28,555,205
Furniture, fixture & equipment	1,652,860	1,652,860
Construction in progress	4,127,785	3,904,873
Less-accumulated depreciation	(17,259,241)	(16,443,983)
Net capital assets	<u>17,076,609</u>	<u>17,668,955</u>
Total assets	<u><u>\$18,897,203</u></u>	<u><u>\$20,200,145</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)

STATEMENTS OF NET POSITION  
Years Ended June 30, 2020 and 2019

**LIABILITIES AND NET POSITION**

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES:</b>		
Interest payable - ground lease and mortgage	\$37,469,256	\$35,085,209
Accounts payable	355,839	1,835,597
Mortgage payable	3,429,679	3,429,679
Ground lease liability	20,675,591	19,395,599
Total liabilities	<u>61,930,365</u>	<u>59,746,084</u>
<b>NET POSITION:</b>		
Net investment in capital assets	13,646,930	14,239,276
Unrestricted (deficit)	(56,680,092)	(53,785,215)
Total net position	<u><u>(\$43,033,162)</u></u>	<u><u>(\$39,545,939)</u></u>

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

STATEMENTS OF REVENUES, EXPENSES AND  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES:</b>		
Parking garage	<u>\$3,185,177</u>	<u>\$4,233,111</u>
<b>OPERATING EXPENSES:</b>		
Contractual services	1,662,312	1,735,192
Property taxes	377,695	366,317
Materials and supplies	153,095	181,136
Depreciation	815,259	867,337
Rent	<u>1,279,992</u>	<u>1,279,992</u>
Total operating expenses	<u>4,288,353</u>	<u>4,429,974</u>
Net operating loss	<u>(1,103,176)</u>	<u>(196,863)</u>
<b>NON-OPERATING EXPENSES:</b>		
Interest expense and financial charges	<u>(2,384,047)</u>	<u>(3,387,648)</u>
Total non-operating expenses, net	<u>(2,384,047)</u>	<u>(3,387,648)</u>
Change in net position	(3,487,223)	(3,584,511)
Net position, beginning of year	<u>(\$39,545,939)</u>	<u>(\$35,961,428)</u>
Net position, end of year	<u><u>(\$43,033,162)</u></u>	<u><u>(\$39,545,939)</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)

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$3,185,177	\$4,233,111
Cash paid to suppliers	(3,672,860)	(821,129)
Net cash provided by (used in) operating activities	<u>(487,683)</u>	<u>3,411,982</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(222,912)	(4,119,387)
Net cash used in capital and related financing activities	<u>(222,912)</u>	<u>(4,119,387)</u>
Net decrease in cash and cash equivalents	(710,596)	(707,405)
Cash and cash equivalents at beginning of year	<u>2,531,190</u>	<u>3,238,595</u>
Cash and cash equivalents at end of year	<u><u>1,820,594</u></u>	<u><u>\$2,531,190</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	(\$1,103,176)	(\$196,863)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	815,259	867,337
Accrued rent liability	1,279,992	1,279,992
Effects of changes in operating liabilities:		
Accounts payable	<u>(1,479,758)</u>	<u>1,461,516</u>
Net cash provided by (used in) operating activities	<u><u>(\$487,683)</u></u>	<u><u>\$3,411,982</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 FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**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), the garage has a deficiency in net position of \$43,033,162 and \$39,545,939 at June 30, 2020 and 2019, 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 fiscal year 2000. In July 2005, the May Company was acquired by Federated Department Stores, Inc. (FDS). BPPG's revenue significantly decreased in FY20 due to COVID-19

**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 and 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 an average 10-year life for equipment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### **3. CASH AND INVESTMENTS**

#### **A. Cash and Cash Equivalents**

As of June 30, 2020, and 2019, the Fund had cash and cash equivalents of \$1,820,594 and \$2,531,190.

#### **B. Custodial Credit Risk Investments**

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

#### **C. Investment Policy**

In accordance with State statutes, the County's and the 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 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. 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 Fund's policy does not set a limit on the amount that may be invested in any single Federal Agency issue.

### **4. 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 BPPG 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 and Interests 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, 2020 and 2019, all payments and interests have been deferred.

### **5. 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 BPPG. The term of the lease is 45 years. Lease payments were due upon the garage opening and are payable from operations of the BPPG. If BPPG operations do not provide sufficient cash flow, the lease payment may be deferred. Additional annual rental up to a maximum amount of \$100,000 may be added to the base rent, upon the completion of a specified percentage of "Point Phase" and "Glebe Phase" projects. The specified phases of these projects were completed between fiscal years 2000 and 2005. Based on this agreement, in fiscal year 2018 an additional base rent of \$1,600,000 was calculated and accrued. These additional amounts would be payable solely from available sources of the BPPG operations and not to be applied for any fiscal year commencing after the earlier of the thirty third year or the fiscal year when the bonds are fully paid which is fiscal year 2018. Beginning in the thirty-fourth year of the lease term, and continuing through expiration, a fixed portion of the available revenues from the BPPG operations ranging from 17.1% to

29.0% will be payable to the lessor as additional annual rent. These additional annual rent amounts would be payable solely from available sources of the BPPG operations.

The schedule of future minimum lease payments for each of the following years ending June is as follows.

<b>Fiscal years</b>	<b>Annual base rent</b>
2021	\$1,279,992
2022	1,279,992
2023	1,279,992
2024	1,279,992
2025	1,279,992
2026-2029	5,119,968
<b>Total</b>	<b>\$11,519,928</b>

As of June 30, 2020, and 2019, all lease payments including the additional rent have been deferred. Accordingly, liabilities of \$20,675,591 and \$19,395,599 have been accrued in the June 30, 2020 and 2019 financial statements. In addition, the total interest accrued on the deferred mortgage and lease payments as of June 30, 2020 is \$37,469,256.

## 6. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019:

	Beginning Balance July 1, 2019	Increases	Decreases	Ending Balance June 30, 2020
Capital assets, being depreciated				
Parking garage	\$28,555,205	\$-	\$-	\$28,555,205
Garage equipment	1,652,860	-	-	1,652,860
Construction in progress	3,904,873	222,912	-	4,127,785
Total capital assets	<u>34,112,938</u>	<u>222,912</u>	<u>-</u>	<u>34,335,850</u>
Less accumulated depreciation for:				
Parking garage	15,820,104	651,892	-	16,471,996
Garage equipment	623,878	163,367	-	787,245
Total accumulated depreciation	<u>16,443,982</u>	<u>815,259</u>	<u>-</u>	<u>17,259,241</u>
Capital assets, net	<u>\$17,668,955</u>	<u>(\$592,346)</u>	<u>\$-</u>	<u>\$17,076,609</u>

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Capital assets, being depreciated				
Parking garage	\$22,344,767	\$6,210,438	\$-	\$28,555,205
Garage equipment	1,652,860	-	-	1,652,860
Construction in progress	5,995,924	-	(2,091,051)	3,904,873
Total capital assets	<u>29,993,551</u>	<u>6,210,438</u>	<u>-</u>	<u>34,112,938</u>
Less accumulated depreciation for:				
Parking garage	15,116,807	703,297	-	15,820,104
Garage equipment	459,838	164,040	-	623,878
Total accumulated depreciation	<u>15,576,645</u>	<u>867,337</u>	<u>-</u>	<u>16,443,983</u>
Capital assets, net	<u>\$14,416,906</u>	<u>\$5,343,101</u>	<u>\$-</u>	<u>\$17,668,955</u>

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, 2020

	Suntrust + Wells Fargo ACCOUNT
Cash receipts:	
Operating revenues, net	<u>(\$487,683)</u>
Total cash receipts	<u>(487,683)</u>
Cash disbursements:	
Other operating expenses	<u>222,912</u>
Total cash disbursements	<u>222,912</u>
Net change in cash and cash equivalents	(710,596)
Cash and cash equivalents per bank, July 1	2,531,190
Cash and cash equivalents per bank, June 30	<u><u>\$1,820,594</u></u>