



Financial Report for  
Fort Monroe Authority Board of Trustees  
Bay Breeze Community Center  
December 15, 2016

## **Financial Statements**

Presented with this report are new formats for the FMA's Financial Statements. At the request of the Finance Committee, the FMA developed a consolidated Statement of Net Position (also known as the balance sheet) and Statement of Activities (also known as the income statement) format for presentation. The Finance Report will focus on the presentation of the consolidated report. Information on the individual sub-funds can be found on the supporting statements included with the consolidated report.

In order to facilitate the consolidated reporting, the government fund has been converted from cash basis to accrual basis reporting. As a result, some account activity not normally presented on the government fund interim statements are now presented on the Statement of Net Position. The most notable of these accounts are the Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflow of Resources. In addition, in an effort to more accurately reflect the net financial position of the FMA, the Due From Intercompany receivables and Due To Intercompany payables accounts have been adjusted on the consolidated Statement of Net Position.

### Statement of Net Position

The Statement of Net Position reflects the FMA's financial position as of September 30, 2016. As of that date, the FMA had \$4,231,027 in operating and petty cash funds. In addition, the FMA had \$306,828 in restricted cash which consists primarily of resident and tenant security deposits. The large reduction in restricted cash from the prior year is a result of the completion of the FMA office renovation of Building 83 and the apartment conversion of Building 80. Funds had been committed at the end of FY15 to restrict the use of funds for the two capital projects.

In the Fixed Assets section, the Construction in Progress balance has decreased by \$574,700. During FY16, the FMA was completing the two capital projects listed above. Since the land and buildings at Fort Monroe are reported on the Commonwealth's financial report, all capital projects are transferred to the Commonwealth's financial records once completed. At the end of FY16, the FMA transferred \$628,660 for the completed apartment conversion of Building 80 and \$677,093 for the completed renovation of Building 83. The amount reflected in the current year Construction in Progress are the landlord improvements for the Oozlefinch Craft Brewery. Once the final accounting is completed, the costs related to the Oozlefinch project will be transferred to the Commonwealth.

In the Other Assets section, the Deferred Outflow of Resources reflects the FMA's pro-rata share of the deferred outflows for the state employee defined benefit pension plan.

The reduction in Total Assets compared to the prior year is largely due to the transfer of the completed construction projects mentioned above.

In the Other Liabilities section, the Deferred Inflow of Resources reflects the FMA's pro-rata share of the deferred inflows for the state employee pension plans. The Net Pension Liability reflects the FMA's proportionate share of the difference between the net present value of projected pension benefit payments to eligible FMA employees, less the amount of the VRS pension plan net position.

Retained earnings dropped versus the prior year due to the recording of the pension related entries and the transfer of the construction projects to the Commonwealth financial reports.

### Statement of Activities

The Statement of Activities reflects the revenue and costs for the first three months of the year. The new format maintains the current year versus prior year comparison but also adds a comparison against the pro-rata portion of the annual budget.

Consolidated revenue for the three month period was \$3,053,688 compared to \$2,728,688 for the first three months of the last fiscal year and \$3,502,703 in budgeted revenue. General Fund appropriations reflect four months of revenue since the October monthly transfer was received on September 30. OEA grant reimbursements are below last year due to the delay in submitting reimbursements reports while the Senior Accounting position was vacant. The FMA had not received the quarterly VDOT transfer from Hampton as of September 30. Residential Revenue was ahead of budget and prior year due to the continued high rate of residential occupancy. Commercial revenue is below prior year levels due to a large CAM reconciliation billing in FY16 and the delay in executing some leases for new commercial tenants. Utility revenue is higher than the prior year due to a change in accounting practice implemented last year.

Payroll and fringe expenses are higher than last year but below budget for the first three months. Other operating expenses were higher than the same period last year due primarily to the change in accounting practices for the utility fund. Expenses for the first three months of the year are \$823,160 better than budgeted levels.

The surplus of revenue over costs for the first three months of the fiscal year was \$374,144 compared to \$523,810 from the prior year.

### **Staffing**

The FMA has retained the services of Letrell Washington to serve as the FMA's Senior Accountant. Since her arrival on November 8, Letrell has been working with Deputy Director of Finance Crystal DeAngelis to attack the backlog of work. The financial statements through September 30<sup>th</sup> presented with this report are available due to the considerable hard work of Crystal and Letrell.

### **Capital Improvement Project Recap**

The Finance Committee requested a summary of the three capital improvement projects undertaken by the FMA. The summary report presented to the Finance Committee has been included with the Financial Report for information. The report reflects that the renovation of Building 80 into apartment units incurred costs of \$69.87 per square foot. The landlord improvements to bring Building 12 into code compliance for the Oozlefinch Craft Brewery were \$70.56 pre square foot. The costs of the renovation for Building 83 as the FMA's main office were \$108.51 per square foot. The Building 83 project costs were elevated by the modifications for the installation of the ADA access lift and the installation of the site-wide wireless and keyless access controller. The keyless access controller was been extended to provide keyless entry to several buildings on the property including the employee entrances to the Casemate Museum and the Leasing Office. The wireless controller will be extended to provide wireless internet access in the Casemate Museum in a future project.

### **Capital Improvement Plan**

The annual update to the Capital Improvement Plan (CIP) is included as part of the Finance Report. The annual update reflects some changes in the project lists to prioritize building repairs to utilize the balance of the Maintenance Reserve funds allocated to the FMA. Project summary sheets for each project are included in the plan update. The CIP plan was submitted to the Finance Committee at its meeting on December 8 and recommended to the Board for approval. A copy of the CIP update for FY2017-2022 is included for your information and review.

### **Annual Audit of the Authority's Financial Statements**

In accordance with the requirements in the Fort Monroe Authority Act, the Auditor for Public Accounts, working through a contract with Cherry Bekaert, performed the audit of the FY16 financial statements for the FMA and its component unit, the Fort Monroe Foundation. The auditors' letter to the Board of Trustees includes the audit opinion included below:

*In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.*

The audited financial statements were presented to the Finance Committee at its meeting on December 8<sup>th</sup>. The Finance Committee recommended them to the Board for acceptance. A copy of the audited financial statements for the fiscal year ended June 30, 2016 has been included for your information and review.

## Cash on Deposit

As of the close of business on December 8, 2016, the FMA had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,472,797
Government Fund Restricted Accounts	0
Flexible Spending Employee Account Balances	9,628
Enterprise Fund Residential Operating Account	494,887
Enterprise Fund Residential Security Deposit Account	277,131
Enterprise Fund Utility Operating Account	38,730
Enterprise Fund Special Events Account	98,412

The finance department believes that the current cash balance, together with the remaining general fund transfers and business revenue, will provide enough funding to meet the near-term operating requirements of the FMA.

## FY18 Budget Savings Directive

On October 25<sup>th</sup>, the FMA received direction from the Department of Planning and Budget that required the FMA to identify and submit savings strategies equal to 7.5% of the FMA's FY18 state appropriation. As with the previous budget savings strategy, the target was reduced for the maximum annual PILOT fee. The resulting savings strategy target was \$323,581. The FMA extended the FY17 saving strategies and identified new strategies to meet the required amount. The strategies were submitted to Deputy Secretary of Commerce and Trade Hayes Framme on November 1. Secretary Todd Haymore approved the strategies on November 3<sup>rd</sup> and the strategies were entered into the Performance Budget System by the deadline on November 7<sup>th</sup>.