



Finance Report for
Fort Monroe Authority Board of Trustees
Bay Breeze Community Center
December 18, 2015

Financial Statements

The statements presented here are for the four-month period ended October 31, 2015. These statements are internal reports produced by the Authority's staff. The Authority follows government accounting standards for the presentation of government-wide and fund-based activity but these financial statements have not been audited by an independent third-party auditor.

Government Fund (Cash Basis)

Statement of Net Assets (Page 1)

This is an interim financial statements and in accordance with generally accepted practice. The results are presented on a cash basis.

As of October 31, 2015, the Authority government fund had \$3,954,855 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has \$990,549 in restricted cash on deposit at the same bank to cover outstanding FY15 VDOT invoices, the remaining renovations to Building 83, the Historic Structure Report for the Casemate Museum and the renovation of Building 80 into ten apartment units.

As of the same date the Authority had \$6,531,987 in other current assets compared to \$3,923,938 in the prior year. The largest component of the balance in the Interfund Receivable from the Enterprise Fund.

The Authority had net fixed assets of \$619,093 as of October 31, 2015 compared to \$297,411 in the prior year. The largest component of the net capital is the construction in process account for the renovation of the new FMA administrative office. Once this project is complete, this asset balance will be transferred to the Commonwealth financial statements.

After including the small balance in other assets, the Authority had \$12,097,597 in total assets as of October 31, 2015 compared to \$8,974,308 for the prior year.

As of October 31, 2015, the Authority had a \$407,510 in current liabilities compared to \$25,057 in the prior year.

The government fund net position as of October 31, 2015 was \$11,690,087 compared to \$8,949,251 as of October 31, 2014.

Statement of Activities (Page 2)

For the fiscal year, the government fund had revenues of \$2,604,345 compared to \$2,915,248 for the prior year. The principal source of government fund revenue was \$2,197,169 in state appropriations. The variance in general fund appropriations results from the reduction in the Authority's appropriation from \$6.4M in FY15 to \$5.1M in FY16. The Authority also received \$301,499 in reimbursements from the Office of Economic Adjustment (OEA) and \$96,828 in pass-through VDOT funds from the City of Hampton.

Government fund expenses for the first four months of the fiscal year were \$1,663,433 compared to \$1,260,339 in the prior fiscal year. A large portion of the increase was related to the payment of FY15 VDOT invoices.

The excess of revenues over expenditures for fiscal year was \$940,911 compared to an excess of \$1,654,909 in the prior fiscal year. The decrease results from the decrease in appropriations combined with higher expenses than in the prior year.

Casemate Museum Statement of Activities (Page 3)

This statement reflects the activities of the Casemate Museum for the first four months of the year. The revenue and expenses reflected here are included in the Government Fund statement on the previous page.

For the fiscal year, the Casemate Museum collected \$3,297 in revenue from tour groups compared to \$2,596 in the prior year. Expenses for the first four months of the fiscal year were \$152,501 compared to \$170,655 for the prior fiscal year. The net cost to operate the Museum for the four-month period was \$149,204 compared to \$168,059 in the prior year.

Enterprise Fund (Accrual Basis)

Balance Sheet (Page 1)

As of October 31, 2015, the Authority enterprise fund had \$425,228 in cash on deposit as well as \$275,308 in restricted security deposits in public fund accounts at OPNB and \$500 in petty cash.

Other current assets (pre-paid expenses and accounts receivable) for the current year totaled \$555,473 compared to \$129,164 as of October 31, 2014.

The Enterprise Fund had \$536,668 in net fixed assets on October 31, 2015 compared to \$46,386 for the prior year. The large increase over the prior year stems from the construction in progress account for the renovation of Building 80 into ten apartment units. Once this project is completed, this asset will be transferred to the Commonwealth financial statements.

As of October 31, 2015 the Enterprise Fund had \$7,142,794 in current liabilities compared to \$4,738,813 on October 31, 2014. The increase in current liabilities results from the increase in the interfund payable to the Government Fund for operational deficit funding for the commercial real estate and utility funds.

The enterprise fund net equity position as of October 31, 2015 is a deficit of \$5,349,617 compared to a deficit of \$3,612,400 for the prior year.

Income Statement (Page 2)

Business activity revenue for the first four months of the fiscal year was \$1,470,389 compared to \$1,282,064 for the prior fiscal year.

Business-related expenses for the four-month period were \$1,406,131 compared to \$1,758,163 for the prior fiscal year.

The net operating income for the first four months was \$64,258 compared to a net deficit of \$476,099 in the prior year. The net deficit is expected to continue as a result of the portfolio of vacant commercial buildings that must be maintained by the Authority until the buildings are leased or sold.

Balance Sheet by Sub-Fund (Page 3)

This report presents the balance sheet as of October 31, 2015 for the four sub-funds of the Enterprise Fund – residential leasing, commercial leasing, special events, and utility. This reports reflects that residential leasing has generated \$1,740,841 in net earnings since the Authority started leasing residential properties in October 2011. In comparison, over the same time period, commercial leasing has operated at a \$6,572,005 deficit due to the high vacancy rates in the commercial portfolio combined with the cost to condition, insure, and maintain vacant historic buildings.

Income Statement by Sub-Fund (Page 4)

This report presents the income statement for each of the four sub-funds listed above. For the four-month period, residential leasing generated \$378,185 in net income while special events generated \$17,555 in net income. Commercial leasing operated at a deficit of \$568,586 for the first four months due to the large number of vacant commercial buildings. The utility fund operated at a profit of \$237,104 through October 31, 2015. The Utility Fund will normally operate at a net loss due to the unbillable utility consumption for street lights, parking lots, and infrastructure buildings.

Comparable Income Statement for Leasing Activities (Page 5)

This report details the year-to-year comparison for the two property leasing sub-funds.

Residential net revenue for the four-month period was \$880,635 compared to \$865,190 in the prior year. During the same period commercial net revenue was \$275,541 compared to \$225,423 in the previous fiscal year.

For the first four months of the fiscal year, expenses for residential leasing were \$502,450 compared to \$592,684 for the same period in the prior fiscal year. Commercial expenses for the same period were \$844,127 compared to \$912,480 in the prior fiscal year.

For the first four months of the fiscal year, residential leasing generated \$378,185 in net income compared to \$269,506 in the prior year. Commercial leasing operated at a deficit of \$568,586 for the four months compared to \$687,057 for the prior fiscal year.

Statement of Activities for Special Events (Page 6)

This statement reflects the results of the various special events permitted or produced by the Authority. Through October 31, 2015 the Authority generated \$20,465 in facility rental and ticket sales. The Fort Monroe Foundation continues to support many of these programs which resulted in net expenses of only \$2,911 for the first four months of the fiscal year. As a result, special events at Fort Monroe generated net income for the period year of \$17,555.

Cash on Deposit

As of the close of business on December 7, 2015, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,618,946
Government Fund Restricted Accounts	978,900
Flexible Spending Employee Account Balances	11,691
Enterprise Fund Residential Operating Account	144,840
Enterprise Fund Residential Security Deposit Account	238,733
Enterprise Fund Utility Operating Account	163,372
Enterprise Fund Special Events Account	68,523

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 Fort Monroe Authority.

OEA Grant Status

OEA awarded a grant in the amount of \$1,102,294. The grant includes funding for an economic impact study and a site signage study. Additional funding for environmental engineering and the BRAC legal counsel is available if awarded amounts are exceeded. The revised OEA grant balance is reflected in the submitted budget revision

FY15 Audit

The Finance department has completed the audit work with Cherry Bekaert for the FY15 audit. The audit report will be presented to the Finance Committee at its meeting on December 10, 2015.

Revised FY16 Budget

Submitted with this Financial Report are the revised FY16 budgets for both the Government and Enterprise Funds for review and action by the Board.

The changes reflected here result from five specific actions:

1. Personnel changes relating to the departure of the Director of Real Estate and Asset Manager and the change of status for the Senior Accountant from contractor to part-time employee,
2. The delay in the transfer of the Dominion Virginia Power facility agreement,
3. The increase in grant funding from the Office of Economic Adjustment,
4. The expected reimbursement funding from the National Park Service for the public works operation utility systems on NPS-owned property together with reimbursement for grounds maintenance, building maintenance and utility costs for NPS owned property, and
5. The award of a task agreement for \$250,000 in funding from the National Park Service.

In lieu of detailing each individual line item the budget descriptions will be provided in groupings below.

Government Fund

Lines 36-43 – The Director of Real Estate submitted his resignation effective September 8th. In December, the Senior Accountant that was hired from a staffing agency will become a part-time employee of the Authority. This results in the number of full-time employees dropping from 20 to 19 while the part-time employee count increased from 1 to 2. The savings reflected result from the reduction of benefit costs for the full-time employee.

Line 55 (orange) – The line reflects the savings realized from switching the contract employee to part-time status. The savings reduction is offset by an increase in wage cost. The Authority expects to save approximately \$8,000 per year as a result of this change.

Line 72 (red) – As previously discussed, once the facility contract is transferred to the Authority, the monthly facility charge will be approximately \$60,000. Since the facility contract has not transferred as of December, the Authority will be reallocating these funds to pay for projects in the Enterprise Fund.

Lines 52, 89, 94, 97, 99-100, 109-113, 117-119, 124-125, 129-130, 132, 134, 141-142 and 144-146 (green) – These line items reflect the increased reimbursement funding for the OEA grant. There is no increase in costs related to this funding with the exception of the economic impact study (line 99) and the signage study (line 100).

Line 101 (blue) – The Authority received a Task Agreement from the NPS allocating \$250,000 in funding over a 5-year period. The scope of work has not been completed yet. This increased cost is offset by a funding item in the revenue section.

Line 256 (green) – The line items reflects the increase in grant funding provided by the Office of Economic Adjustment.

Line 257 (blue) – This reflects the revenue offset for the Task Agreement project on line 101.

Line 258 (blue) – This reflects the expected reimbursement from the NPS for the portion of the public works contract for utility and infrastructure operation and maintenance on NPS-owned property. Only the portion of funding from August 25th to September 30th has been awarded by an executed Task Agreement. Due to the temporary federal spending authorization, the task agreement for October 1st to December 11th is being developed. Once a federal budget is passed or another temporary spending authorization is passed, the balance of the funding to June 30th will be pursued through additional task agreements.

Enterprise Fund

Lines 13-20 – With the departure of the Asset Manager, the Authority has determined that the leasing and maintenance operation would be better suited to an Assistant Property Manager position. There will be a moderate savings due to the difference in salary levels for the two positions.

Lines 50, 60-70, 74-115 and 123-128 (orange) – These lines reflected the anticipated increase in costs associated with the pending transfer of the two Army parcels (Marina and North Gate). The expected increase is being funded as a result of the NPS reimbursement of a portion of the operating costs for the NPS-owned land.

Line 146 (red) – This line reflects the expected cost to install a new forced air HVAC system in Building 19 and associated repairs to bring another unit into leasable condition.

Line 147 (red) – This line reflects the expected costs to complete the central bathroom installation in Building 100 to make the building suitable for a multi-tenant office space.

Line 181 (blue) – This line item reflects the expected reimbursement from the NPS for the portion of grounds maintenance, building maintenance, and utility costs for the NPS-owned building and grounds. Due to the temporary federal spending authorization, the task agreement for October 1st to December 11th is being developed. Once a federal budget is passed or another temporary spending authorization is passed, the balance of the funding to June 30th will be pursued through additional task agreements.