



Financial Report for
Fort Monroe Authority Board of Trustees Meeting
Fort Monroe Post Theatre
August 20, 2015

Personnel Change

At the last Board meeting we announced that our long-term contract accountant, Luann Roane, had decided to retire. We contracted for a new Senior Accountant, Sharon Howell, to replace Luann. Unfortunately, about six weeks into the contract Sharon decided she wanted a full-time job with benefits. We do not have an employee position in our budget for FY16. After Sharon's departure we contracted for the services of Richard Harrison in early July. Due to the year-end close and the upcoming audit we did not distribute the May financial statements as previously stated. Included with this report are the draft year-end financials for FY15.

Financial Statements

The statements presented here are for the twelve-month period ended June 30, 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 (Accrual Basis)

Statement of Net Assets (Page 1)

While all the interim financial reports during the fiscal year are presented on a cash basis, the year-end reporting to the Commonwealth is reported on an accrual basis.

As of June 30, 2015, the Authority government fund had \$3,666,837 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has \$1,084,671 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 \$5,754,998 in other current assets compared to \$3,259,753 in the prior year. As previously reported, the current asset balance continues to increase due to the net operating deficits for commercial real estate and utility fund operations which requires fund transfers from the Government Fund. The net balance of the fund transfers is reflected in the Interfund Receivable.

The Authority had net fixed assets of \$528,360 as of June 30, 2015 compared to \$227,713 in the prior year. The largest component of the increase is the “construction in process” account, which reflects the cost-to-date for the renovation of Building 83 as the new FMA administrative office. Once this project is completed, this asset will be transferred to the Commonwealth financial statements. The increase in computer hardware and software results from the Authority relocating its central network equipment and servers to a physically secure location in an access-controlled building as well as the installation of keyless access control systems in the Authority’s offices.

After including the small balance in other assets, the Authority had \$11,035,978 in total assets as of June 30, 2015 compared to \$7,356,419 for the prior year.

As of June 30, 2015, the Authority had a \$296,927 in current liabilities compared to \$93,757 in the prior year.

The government fund net position as of June 30, 2015 was \$10,739,052 compared to \$7,586,235 as of June 30, 2014.

Statement of Activities (Page 2)

For the fiscal year, the government fund had revenues of \$7,721,846 compared to \$7,333,567 for the prior year. The principal source of government fund revenue was \$6,476,759 in state appropriations. The Authority received \$686,553 in reimbursements from the Office of Economic Adjustment (OEA) as well as \$372,606 in pass-through VDOT funds from the City of Hampton.

Government fund expenses for the fiscal year decreased to \$4,219,071 from \$4,613,408 in the prior fiscal year. Consulting expenses decreased by \$532.1k versus the prior year as the Authority moves from planning for the reuse into the implementation phase of the redevelopment. Site Operating Costs increased by \$194.7k due to Veolia staffing up to six employees as of June 1, 2014.

The excess of revenues over expenditures for fiscal year was \$3,502,775 compared to an excess of \$2,720,159 in the prior fiscal year. As previously reported, the large surplus results principally from a delay in the transfer of the electric facility contract, the timing of VDOT-funded projects that occur in the last quarter of the year, and the delay in the commencement of the renovation projects on Buildings 83 and 80. These surplus funds will be carried into FY16 and are reflected in the budget approved by the Board on June 18th.

Casemate Museum Statement of Activities (Page 3)

This statement reflects the activities of the Casemate Museum for the first twelve 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 \$5,906 in revenue from tour groups. Expenses for the fiscal year were \$459,709 compared to \$400,289 for the prior fiscal year. The increase in expenses results from the recruitment of the remaining employees during the previous fiscal year. The net cost to operate the Museum for the fiscal year was \$453,803 compared to \$398,894 in the prior year.

Enterprise Fund (Accrual Basis)

Balance Sheet (Page 1)

As of June 30, 2015 the Authority enterprise fund had \$233,629 in cash on deposit as well as \$265,990 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 \$260,356 compared to \$79,921 as of June 30, 2014.

The Enterprise Fund had \$406,230 in net fixed assets on June 30, 2015 compared to \$51,280 for the prior year. The large increase over the prior year stems from the "construction in progress" account for the renovation of Building 80 from a historic inn into ten apartment units. As with Building 83, once this project is completed, this asset will be transferred to the Commonwealth financial statements.

As of June 30, 2015 the Enterprise Fund had \$6,708,146 in current liabilities compared to \$4,040,831 on June 30, 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 June 30, 2015 is a deficit of \$5,541,441 compared to a deficit of \$3,136,303 for the prior year.

Income Statement (Page 2)

Business activity revenue for the fiscal year was \$3,753,846 compared to \$3,239,298 for the prior fiscal year, an increase for the fiscal year of \$514,548. Residential rental revenue (net of rent incentives) increased by \$213,292 compared to the prior year. Commercial revenue increased over the prior year by \$179,406 net of rent incentives. The new Utility Fund accounted for \$97,091 of the increased revenue. Special Events facility rental revenue increased by \$24,760 compared to FY14.

Business-related expenses for the twelve-month period were \$6,158,983 compared to \$5,179,153 for the prior fiscal year. The largest components of the increase in expenses were repair and maintenance (\$759.5k), costs for utility consumption (\$84.8k), and leasing commissions for new commercial leases (\$82.5k).

The net operating deficit for the fiscal year was \$2,405,137 compared to a net deficit of \$1,939,855 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 June 30, 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 \$1,385,074 in net earnings since the Authority started leasing residential properties in August 2011. In comparison, over the same time period, commercial leasing has operated at a \$6,110,967 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 fiscal year, residential leasing generated \$716,618 in net income while special events generated \$34,109 in net income. Commercial leasing operated at a deficit of \$2,736,213 for the first twelve months due to the large number of vacant commercial buildings. The utility fund operated at a deficit of \$419,651 through June 30, 2015 which reflects the Authority expenses related to 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 fiscal year increased to \$2,619,453 in FY15 compared to \$2,406,161 in FY14. During the same period commercial net revenue increased to \$668,327 compared to \$488,921 in the previous fiscal year.

For the fiscal year, expenses for residential leasing were \$1,900,594 compared to \$1,801,763 in the prior fiscal year. Increases in repair and maintenance costs and the PILOT allocation accounted for the majority of the increase. Commercial expenses for the fiscal year were \$3,404,540 compared to \$2,615,111 in the prior fiscal year. The largest increase in expenses were in leasing commissions, utility charges and repair and maintenance costs.

For the first twelve months of the fiscal year, residential leasing generated \$718,858 in net income compared to \$604,398 in the prior year. Commercial leasing operated at a deficit of \$2,736,213 for the fiscal year compared to \$2,126,190 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. For the fiscal year the Authority generated \$48,205 in facility rental and ticket sales. Many of these activities are supported by Foundation sponsorships, which resulted in the net expenses of \$14,095 for the first twelve months of the fiscal year. As a result the Special Events at Fort Monroe generated net income for the fiscal year of \$34,109.

Cash on Deposit

As of the close of business on August 11, 2015, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 4,061,404
Government Fund Restricted Accounts	1,075,729
Flexible Spending Employee Account Balances	9,912
Enterprise Fund Residential Operating Account	471,494
Enterprise Fund Residential Security Deposit Account	239,449
Enterprise Fund Utility Operating Account	58,855
Enterprise Fund Special Events Account	24,654

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.

FY17/18 Budget

The Department of Planning and Budget has called for initial requests for the biennial FY17/18 budget by August 31st. The Authority staff will be working to provide any requested changes to the Authority's existing base budget.

OEA Grant Status

The Office of Economic Adjustment (OEA) has approved an extension to the FY14 grant for another 12 months to allow more time for the completion of the Historic Structure Report (HSR) on the Casemate Museum facility.

After discussions with the Authority's OEA Project Manager, it was determined that the Authority's FY15 grant was allowed to expire on June 30, 2015. Any unused funds not eligible for reimbursement will be de-obligated to the Federal Treasury.

The Authority has submitted its application for the FY16 OEA grant. The FY16 grant is the first year in a three-year phase out of administrative support for the Authority. The amount reflected in the previously approved FY16 budget (\$550,551) is the limit for staffing and administrative expenses reflected in the phase out agreement with OEA. In addition to the above amount, the Authority requested additional funding of \$609,740 for consultants and contractors. The requested grant totaled \$1,160,242 in federal reimbursements. On August 11th the Authority's OEA Project Manager called to report that OEA had proposed a grant amount of \$1,102,294. A portion of the environmental engineering consultant and the BRAC legal counsel were withheld from the grant amount due to delays in prior year activities. The Authority can request the additional funding if awarded amounts are exceeded. The Authority grant application must be amended to reflect the new amount. Once the grant documents are amended and submitted to OEA for review, the grant award will be officially confirmed. The new grant amount will be reflected in a revised budget to be submitted to the Board of Trustees at either the October or December meeting.