



Financial Report for
Fort Monroe Authority Board of Trustees
Bay Breeze Community Center
August 18, 2016

Financial Statements

The statements presented here are for the fiscal year ended June 30, 2016. These statements are internal reports produced by the Fort Monroe Authority's (FMA) staff. The FMA 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)

As of June 30, 2016, the FMA's government fund had \$2,612,778 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The FMA restricted cash is limited to the small balance in the flexible spending account. Total cash and cash equivalents was \$2,617,957, compared to \$4,751,508 on June 30, 2015.

As of the same date, the FMA had \$9,921,313 in other current assets compared to \$5,754,998 in the prior year. A contributing factor to the large increase is the large receivable from the OEA grant. As in previous reports, the largest component of the current asset balance in the Interfund Receivable from the Enterprise Fund.

The FMA had net fixed assets of \$911,144 as of June 30, 2016 compared to \$528,359 in the prior year. The fixed asset balance reflects the project total of \$677,093 for the renovation of Building 83 for the FMA new main office. This balance will be transferred to the Commonwealth of Virginia Department of Accounts in a non-cash transaction.

The FMA had \$13,655,813 in total assets as of June 30, 2016 compared to \$11,035,978 for the prior year.

As of June 30, 2016, the FMA had a \$1,009,451 in current liabilities compared to \$296,927 in the prior year. The large increase reflects the accrual of the VDOT invoices, accrued payroll and leave liability, and deferred inflow of resources related to converting from cash to accrual reporting for year-end reporting.

Also reflected on the financial statements is the FMA's net pension obligation of \$1,620,620 as of June 30, 2015. A change in Governmental Accounting Standards now requires the reporting of net pension liabilities even if the liabilities are satisfied by the Commonwealth. As of this report, the FMA had not received the updated liability as of June 30, 2016.

The government fund net position as of June 30, 2016 was \$13,655,813 compared to \$11,035,978 as of June 30, 2015.

Statement of Activities (Page 2)

For the current fiscal year the government fund had revenues of \$6,752,100 compared to \$7,721,846 for the prior year. The principal source of government fund revenue continues to be state general fund appropriations with \$5,285,036 received in the fiscal year. As previously reported, the variance in general fund appropriations results from the reduction in the FMA's appropriation from \$6.4M in FY15 to \$5.1M in FY16. The FMA will receive \$1,056,555 in reimbursements from the Office of Economic Adjustment (OEA) and \$387,313 in pass-through VDOT road maintenance funds from the City of Hampton.

Government fund expenses for the fiscal year were \$4,613,053 compared to \$4,219,071 in the prior fiscal year. The increase in payroll related expenses stems from the 2% pay raise and an increase in the VRS contribution percentage. Architectural & Engineering Consulting results from the biennial bridge inspections and the design fees for the bridge repairs identified in the inspections. Management Consulting has increased due to the commencement of the Signage Standards project. Site Operating Costs and Security Costs are down against the prior year due to the reimbursements from the National Park Service for their portion of the Veolia and Hampton Police EDO expenses.

The excess of revenues over expenditures for fiscal year was \$2,139,046 compared to an excess of \$3,502,775 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 fiscal year. The revenue and expenses reflected here are included in the Government Fund financial statement.

For the fiscal year the Casemate Museum collected \$6,754 in revenue from tour groups compared to \$5,906 in the prior year. Expenses for the fiscal year were \$735,559 compared to \$459,710 for the prior fiscal year. The increase in cost is related to the costs of the historic structure report for the Casemate Museum. This is a non-recurring expense. These costs will be reimbursed by the OEA grant.

The net cost to operate the Museum for the fiscal year was \$728,805 compared to \$453,804 in the prior year.

Enterprise Fund (Accrual Basis)

Balance Sheet (Page 1)

As of June 30, 2016, the FMA enterprise fund had \$502,371 in cash on deposit as well as \$283,924 in restricted security deposits in public fund accounts at OPNB and \$500 in petty cash. Total cash and cash equivalents was \$786,794 compared to \$500,119 in the prior year.

Other current assets (pre-paid expenses and accounts receivable) for the current year totaled \$1,120,045 compared to \$260,355 as of June 30, 2015. Current assets increased due to an increase in commercial rent and CAM receivables and the receivables for internal utility invoices.

The Enterprise Fund had \$717,777 in net fixed assets on June 30, 2016 compared to \$406,230 for the prior year. The increase over the prior year stems from the construction-in-progress account for the renovation of Building 80 into ten apartment units and the landlord's code compliance improvements for the Oozlefinch Craft Brewery in Building 12. The final project costs for both projects will be transferred to the Commonwealth financial statements.

The FMA had \$2,624,617 in total assets as of June 30, 2016 compared to \$1,166,704 for the prior year.

As of June 30, 2016 the Enterprise Fund had \$10,088,606 in current liabilities compared to \$6,708,145 on June 30, 2015. 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.

As with the Government Fund, reflected on the financial statements is the Enterprise Fund net pension obligation of \$221,380 as of June 30, 2015.

The enterprise fund net equity position as of June 30, 2016 is a deficit of \$7,685,370 compared to a deficit of \$5,541,441 for the prior year.

Income Statement (Page 2)

Business activity revenue for fiscal year was \$4,802,397 compared to \$3,753,846 for the prior fiscal year. The increase was primarily related to a change in accounting procedure for electric utility revenue. This revenue increase is offset by the increase in cost of goods sold.

Business-related expenses for the fiscal year were \$6,780,918 compared to \$6,185,983 for the prior fiscal year. The increase in electric utility cost of sales skews the prior year comparison.

The net operating deficit for the fiscal year was \$1,977,981 compared to a net deficit of \$2,405,137 in the prior year.

Balance Sheet by Sub-Fund (Page 3)

This report presents the balance sheet as of June 30, 2016 for the four sub-funds of the Enterprise Fund – residential leasing, commercial leasing, special events, and utility billing. Residential leasing has generated \$1,622,293 in net earnings since the FMA started leasing residential properties in January 2011. In comparison, over the same time period, commercial leasing has operated at a \$8,273,903 deficit due to the high vacancy rates in the commercial portfolio combined with the cost to condition, insure and maintain vacant historic buildings. Special Events has a positive cumulative net income of \$59,708. The Utility Fund has operated at a deficit of \$1,093,468 since its inception in October 2013 following the transfer of 312.75 acres of land to the Commonwealth along with all the utility systems.

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 \$494,597 in net income while special events generated \$23,716 in net income. Commercial leasing operated at a deficit of \$2,216,430 for the fiscal year due to the large number of vacant commercial buildings. The utility fund operated at a deficit of \$279,864 through June 30, 2016.

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 was \$2,665,507 compared to \$2,619,452 in the prior year. During the same period commercial net revenue was \$774,196 compared to \$668,327 in the previous fiscal year.

For the fiscal year, expenses for residential leasing were \$1,944,068 compared to \$1,900,593 for the same period in the prior fiscal year. Commercial expenses for the same period were \$2,990,626 compared to \$3,404,540 in the prior fiscal year.

For the fiscal year, residential leasing generated \$494,597 in net income compared to \$718,859 in the prior year. The accounting for the net pension liability adversely effected the residential net income in the current fiscal year. Commercial leasing operated at a deficit of \$2,216,430 for the ten months compared to \$2,736,213 for the prior fiscal year. The improvement in the commercial leasing deficit is partially due to the reimbursement funds from the Cooperative Management Agreement with the National Park Service.

Statement of Activities for Special Events (Page 6)

This statement reflects the results of the various special events permitted or produced by the FMA. For the fiscal year ended June 30, 2016 the FMA generated \$61,727 in facility rental and ticket sales. A large contributor to the increasing special event revenue is the rental income from the Post Theater. For the fiscal year the theater rental revenue was \$21,015, the largest individual revenue category for the year. Expenses for the fiscal year were \$38,012. As a result, Special Events at Fort Monroe generated net income for fiscal year of \$23,715. Special Event net revenue has dropped compared to earlier in the year due to the start-up expenses for converting the Commanding General's Residence into an event facility.

Cash on Deposit

As of the close of business on August 4, 2016, the Fort Monroe FMA had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,226,275
Government Fund Restricted Accounts	0
Flexible Spending Employee Account Balances	4,082
Enterprise Fund Residential Operating Account	261,784
Enterprise Fund Residential Security Deposit Account	260,788
Enterprise Fund Utility Operating Account	335,447
Enterprise Fund Special Events Account	75,009

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.

OEA Grant Status

There is no change in the FY16 OEA awarded a grant in the amount of \$1,102,294. Procurement Manager Yvonne Cash working with Jay Sweat, OEA Project Manager, has secured for the FMA FY17 grant funding of \$1,021,508. This is higher than the \$550,551 reflected in the approved FY17 budget. The Finance Department will be working to prepare a revised budget to reflect the new projects funded by the grant. The net impact to operating costs will be minimal.