



Finance Report for the  
Fort Monroe Authority Board of Trustees Meeting  
Bay Breeze Conference Center  
August 21, 2014

Financial Statements / Cash on Deposit

The accounting and finance departments are diligently working on the working papers for the FY14 audit. The external auditors (Cherry Bekaert) will begin their field work on August 19th and it is expected to continue for at least a week. As a result, the July financial statements will be delayed until the audit work is complete. The draft financial results presented here are for the fiscal year ended June 30, 2014 and June 30, 2013. Unlike prior reports, these financial statements are both presented on an accrual basis. These statements conform to government accounting standards for the presentation of government-wide and fund-based activity.

Government Fund (Accrual Basis)

As of June 30, 2014 the Authority government fund had \$2,348,584 in cash on deposit together with \$796,334 in restricted cash on deposit in public fund accounts at Old Point National Bank. The increase in restricted funds from the prior period is related to the action the Board took at the last meeting to designate a portion of the fiscal year surplus for unpaid invoices for VDOT-related work, the renovation of Building 83 as the Authority's new headquarters and the two OEA-funded contracts. One item of note on the balance sheet is the \$59,705 donation of museum artifacts. This is the appraised value of the artifacts donated by the Army to the Authority for use in the Casemate Museum.

For the fiscal year, the government fund had revenues of \$7,393,272 compared to \$6,227,814 for the prior year. The principal sources of government fund revenue were \$5,766,770 in state appropriations and \$1,151,485 in grant reimbursements from OEA. The Authority also received \$362,559 in VDOT road maintenance funds transferred from the City of Hampton, the aforementioned donation of historic artifacts valued at \$59,705 and \$38,660 in grant reimbursements from the Fort Monroe Foundation. The increase against the prior year is a result of the increase in state appropriations received for FY14.

Government fund expenses for the fiscal year were \$4,635,361 compared to \$4,483,674 for the prior fiscal year. The 3.4% increase results principally from increases in Architectural & Engineering Consulting (related to two building condition assessment projects) and Security (related to the HPD extra-duty officer patrol) offset by a reduction in Management Consulting fees (related to the completion of the Master Plan design process late last year) and Public Information costs (related to the completion of the Fort Monroe branding last year).

The excess of revenues over expenditures for the fiscal year was \$2,757,911 compared to \$1,744,140 for the prior fiscal year. The large surplus resulted from the supplemental appropriation of \$701,620 received in April, the delay of \$1.36 million in capital projects deferred until the VBPA bond program is established and the \$720,000 savings in facility charges resulting from the delay in the transfer of the Dominion Virginia Power facility contract from the Army.

The government fund net position as of June 30, 2014 was \$7,207,656 compared to \$4,449,745 in the prior fiscal year.

#### Enterprise Fund (Accrual Basis)

As of June 30, 2014 the Authority enterprise fund had \$549,555 in cash on deposit together with \$223,272 in restricted security deposits in public fund accounts at Old Point National Bank.

Business revenue for the fiscal year was \$3,239,298 compared to \$2,167,874 for the prior fiscal year. Residential rental revenue continues to grow with an increase of \$455,071 over the prior year. Commercial revenue increased over the prior year by \$282,187. The new Utility Fund accounted for \$320,771 in revenue for the fiscal year.

Enterprise fund expenses for the fiscal year were \$5,179,204 compared to \$2,706,010 for the prior fiscal year. The large increase in expenses stems from the transfer of 312 acres to Commonwealth ownership in June 2013. The land transfer resulted in increased costs for utility charges associated with the Authority's operation of the non-electric utility systems; increased repair and maintenance costs for the additional commercial buildings; an increase in the PILOT fee as a result of the additional buildings owned by the Commonwealth; and the costs associated with creating an operations and maintenance program to address lead-based paint, asbestos and mold management of the buildings at Fort Monroe.

The net operating deficit for the fiscal year was \$1,939,906 compared to a net deficit of \$538,136 (before extraordinary expenses) in the prior year. The increased deficit mostly results from the \$1,737,450 increase in operating expenses together with the \$752,559 in utility bills offset by the \$1,071,424 increase in residential, commercial and utility revenue achieved by the Authority. 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.

The enterprise fund net position as of June 30, 2014 is a deficit of \$3,136,354 compared to a deficit of \$1,189,748 for the prior year. The deficit has been offset by interfund transfers from the government fund.

#### Cash on Deposit

As of the close of business on August 11, 2014, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,249,158
Government Fund Restricted Account	
Earned by unpaid VDOT invoices	190,000
Reserve for Building 83 renovations	350,000
Building Condition Assessment (OEA)	87,000
Historic Structure Report for Museum (OEA)	63,000
Enterprise Fund Operating Account	819,641
Enterprise Fund Security Deposit Account	237,063

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.

#### Revised FY14/New FY15/16 Budget Request

The budget introduced by Governor McDonnell on December 16, 2013 includes a supplemental appropriation for FY14 of \$701,620. The FMA had requested \$2,845,804 for critical projects such as roof repair/replacements to cure water intrusion in buildings with active residential tenants or commercial prospects, gutter cleaning and repairs, replacement of damaged fascia/soffit boards resulting from poorly maintained paint and gutters, commencement of an exterior painting program to address untreated wood, repair of inoperable elevators in commercial buildings, repair/replacement of HVAC units including boilers and chillers in commercial buildings to maintain temperature and moisture control. The Department of Planning and Budget (DPB) indicated the supplemental appropriation was reduced from the requested amount to provide for only the increase in operating expenses since any capital projects would be covered in the bond program proposed by Governor McDonnell.

The Governor's budget contains operational funding for the FMA of \$6,718,155 for FY15 and \$5,489,033 for FY16. The amounts match the amounts requested by the FMA.

The Governor's budget includes a proposed bond issuance of \$22.5 million dollars for capital improvements at Fort Monroe. This bond proposal is intended to cover the capital improvement program costs for the next 5-6 years and would allow the FMA to move aggressively to address a series of projects to deal with building conditions and infrastructure repairs to facilitate the implementation of the master plan. This program exceeds the \$10,991,410 requested by the FMA for capital projects in FY15 and FY16.

The Authority continues to work with DPB, the House Appropriation Committee and Senate Finance Committee staffs to maintain the current amounts proposed in the Commonwealth's FY15/FY16 biennial budget.