



Finance Report for
Fort Monroe Authority Finance Committee
Building 83
June 9, 2016

Financial Statements

The statements presented here are for the ten-month period ended April 30, 2016. 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)

As of April 30, 2016, the Authority's government fund had \$3,446,240 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has \$243,823 in restricted cash on deposit to cover outstanding VDOT invoices. Total cash and cash equivalents was \$3,690,062 compared to \$4,455,959 in the prior year.

As of the same date the Authority had \$8,517,969 in other current assets compared to \$5,203,700 in the prior year. As in previous reports, the largest component of the current asset balance in the Interfund Receivable from the Enterprise Fund.

The Authority had net fixed assets of \$519,812 as of April 30, 2016 compared to \$503,671 in the prior year.

After including the small balance in other assets the Authority had \$12,729,135 in total assets as of April 30, 2016 compared to \$10,164,529 for the prior year.

As of April 30, 2016, the Authority had a \$339,083 in current liabilities compared to \$719 in the prior year.

The government fund net position as of April 30, 2016 was \$12,390,052 compared to \$10,163,810 as of April 30, 2015.

Statement of Activities (Page 2)

For the current fiscal year the government fund had revenues of \$5,455,528 compared to \$6,309,653 for the prior year. The principal source of government fund revenue was \$4,843,912 in state general fund appropriations. As previously reported, 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 \$290,485 in pass-through VDOT road maintenance funds from the City of Hampton.

Government fund expenses for the first ten months of the fiscal year were \$3,814,651 compared to \$3,440,185 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. Legal Fees are higher due to legal representation through the zoning process with the City.

The excess of revenues over expenditures for fiscal year was \$1,640,876 compared to an excess of \$2,869,468 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 ten 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 \$5,700 in revenue from tour groups compared to \$4,485 in the prior year. Expenses for the first ten months of the fiscal year were \$523,670 compared to \$379,578 for the prior fiscal year. The increase in cost is related to the engineering consultants on the historic structure report for the Casemate Museum. These costs will be reimbursed by the OEA grant.

The net cost to operate the Museum for the ten-month period was \$517,970 compared to \$375,094 in the prior year.

Enterprise Fund (Accrual Basis)

Balance Sheet (Page 1)

As of April 30, 2016 the Authority enterprise fund had \$463,409 in cash on deposit as well as \$288,768 in restricted security deposits in public fund accounts at OPNB and \$500 in petty cash. Total cash and cash equivalents was \$752,678 compared to \$619,994 in the prior year.

Other current assets (pre-paid expenses and accounts receivable) for the current year totaled \$827,118 compared to \$75,096 as of April 30, 2015.

The Enterprise Fund had \$936,307 in net fixed assets on April 30, 2016 compared to \$186,937 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. Some of the costs for the renovation of Building 83 as the FMA's main office are also shown in the Enterprise Fund. These funds will be transferred to the Government Fund once the project accounting is complete. Once these projects are completed, these asset balances will be transferred to the Commonwealth financial statements.

The Authority had \$2,516,103 in total assets as of April 30, 2016 compared to \$882,027 for the prior year.

As of April 30, 2016 the Enterprise Fund had \$9,333,741 in current liabilities compared to 5,789,123 on April 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.

The enterprise fund net equity position as of April 30, 2016 is a deficit of \$6,817,638 compared to a deficit of \$4,907,096 for the prior year.

Income Statement (Page 2)

Business activity revenue for the first ten months of the fiscal year was \$3,898,666 compared to \$3,080,871 for the prior fiscal year. While residential, commercial and special event revenue continues to show increases over prior year, the largest portion of the increase was 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 ten-month period were \$5,302,429 compared to \$5,061,414 for the prior fiscal year. The increase in electric utility cost of sales skews the prior year comparison. Without the change in accounting procedure, expenses would have decreased by \$276,903.

The net operating deficit for the first ten months was \$1,403,763 compared to a net deficit of \$1,980,543 in the prior year. As previously reported, 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 April 30, 2016 for the four sub-funds of the Enterprise Fund – residential leasing, commercial leasing, special events and utility billing. This reports reflects that residential leasing has generated \$1,969,905 in net earnings since the Authority started leasing residential properties in January 2011. In comparison, over the same time period, commercial leasing has operated at a \$7,863,562 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 \$50,906. The Utility Fund has operated at a deficit of \$974,888 since its inception in October 2013 following the transfer of 312.75 acres of land to the Commonwealth along with all the utility systems. The deficit is expected to continue as a result of the cost of maintaining the infrastructure including street lights and conditioning the air in public use 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 ten-month period, residential leasing generated \$607,250 in net income while special events generated \$10,414 in net income. Commercial leasing operated at a deficit of \$1,860,143 for the first ten months due to the large number of vacant commercial buildings. The utility fund operated at a deficit of \$161,283 through April 30, 2016. 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 ten-month period was \$2,208,922 compared to \$2,176,403 in the prior year. During the same period commercial net revenue was \$615,207 compared to \$495,059 in the previous fiscal year.

For the first ten months of the fiscal year expenses for residential leasing were \$1,601,672 compared to \$1,603,601 for the same period in the prior fiscal year. Commercial expenses for the same period were \$2,475,350 compared to \$2,702,889 in the prior fiscal year.

For the first ten months of the fiscal year, residential leasing generated \$607,250 in net income compared to \$572,802 in the prior year. Commercial leasing operated at a deficit of \$1,860,143 for the ten months compared to \$2,207,830 for the prior fiscal year. The improvement in the commercial leasing deficit is directly related 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 Authority. Through April 30, 2016 the Authority generated \$37,012 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 first ten months the theater rental revenue was \$11,750, the largest individual revenue category for the year. This revenue was previously reported as Commercial Rental Revenue. Expenses for the first ten months of the fiscal year were \$26,598. As a result the Special Events at Fort Monroe generated net income for the ten-month period of \$10,414. Special Event net revenue has dropped compared to earlier in the year due to the start-up expenses for converting the Commanding General's House into an event facility.

Cash on Deposit

As of the close of business on June 2, 2016, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,530,099
Government Fund Restricted Accounts	238,777
Flexible Spending Employee Account Balances	5,517
Enterprise Fund Residential Operating Account	363,031
Enterprise Fund Residential Security Deposit Account	249,963
Enterprise Fund Utility Operating Account	221,321
Enterprise Fund Special Events Account	59,054

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

There is no change in the FY16 OEA awarded a grant in the amount of \$1,102,294. The Authority staff met with Jay Sweat, OEA Project Manager, on April 27th to talk about the FMA grant request for FY17. The Authority is currently working on its grant application. The FY17 budget reflects the minimum staffing and administrative support from OEA of \$550,151. The OEA grant will request additional funding for consulting and project funding. Once the final grant is approved a revised budget will be presented to the Finance Committee and Board of Trustees for approval.

FY16 Budget

The year-end forecast will be presented in a separate briefing document.

FY17/18 Budget

The approved biennial State budget includes general fund appropriations for the Fort Monroe Authority of \$5,298,368 for FY17 and \$5,298,372 for FY18. Details on the FY17 budget will be presented in a separate briefing document.