



Financial Report for  
Fort Monroe Authority Board of Trustees Meeting  
Bay Breeze Conference Center  
October 15, 2015

**Financial Statements**

The statements presented here are for the two-month period ended August 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 August 31, 2015, the Authority government fund had \$3,447,344 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has \$1,085,962 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 \$6,359,238 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 \$618,674 as of August 31, 2015 compared to \$123,078 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. As a reminder, once this project is completed this asset will be transferred to the Commonwealth financial statements.

After including the small balance in other assets the Authority had \$11,512,331 in total assets as of August 31, 2015 compared to \$7,251,785 for the prior year.

As of August 31, 2015, the Authority had a \$349,205 in current liabilities compared to \$93,757 in the prior year. The majority of the current liability balance is accrued annual leave liability for the value of unused annual leave.

The government fund net position as of August 31, 2015 was \$11,163,127 compared to \$5,886,348 as of August 31, 2014.

Statement of Activities (Page 2)

For the fiscal year the government fund had revenues of \$1,061,431 compared to \$1,680,233 for the prior year. The principal source of government fund revenue was \$886,170 in state appropriations. The large variance in general fund appropriations results from 3 monthly payments received in the first 2 months of the prior fiscal year combined with a reduction in the Authority's appropriation from \$6.4M in FY15 to \$5.1M in FY16. The Authority also received \$173,032 in reimbursements from the Office of Economic Adjustment (OEA).

Government fund expenses for the first two months of the fiscal year were \$647,580 compared to \$659,961 in the prior fiscal year. Payroll expenses were lower than the prior year due to an extra payroll being paid on August 29<sup>th</sup> due to the Labor Day holiday on the normal pay date.

The excess of revenues over expenditures for fiscal year was \$413,851 compared to an excess of \$1,020,272 in the prior fiscal year. The decrease results from the aforementioned additional revenue in the prior year.

Casemate Museum Statement of Activities (Page 3)

This statement reflects the activities of the Casemate Museum for the first two 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 \$1,215 in revenue from tour groups. Expenses for the first two months of the fiscal year were \$56,971 compared to \$78,251 for the prior fiscal year. The decrease in expenses results from the extra pay period in the prior fiscal year. The net cost to operate the Museum for the two month period was \$55,756 compared to \$77,732 in the prior year.

**Enterprise Fund (Accrual Basis)**

Balance Sheet (Page 1)

As of August 31, 2015 the Authority enterprise fund had \$391,541 in cash on deposit as well as \$281,014 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 \$335,393 compared to \$151,452 as of August 31, 2014.

The Enterprise Fund had \$406,486 in net fixed assets on August 31, 2015 compared to \$48,834 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.

As with Building 83, once this project is completed, this asset will be transferred to the Commonwealth financial statements.

As of August 31, 2015 the Enterprise Fund had \$6,870,358 in current liabilities compared to \$4,466,274 on August 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 August 31, 2015 is a deficit of \$5,455,425 compared to a deficit of \$3,330,505 for the prior year.

#### Income Statement (Page 2)

Business activity revenue for the first two months of the fiscal year was \$608,699 compared to \$628,464 for the prior fiscal year.

Business-related expenses for the two-month period were \$650,248 compared to \$822,668 for the prior fiscal year. The decrease is due to the delay in processing utility bills in the utility fund as a result of the accounting staff being busy with the year-end audit.

The net operating deficit for the first two months was \$41,549 compared to a net deficit of \$194,204 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 August 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 \$1,578,408 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 \$6,345,888 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 two-month period, residential leasing generated \$215,753 in net income while special events generated \$8,460 in net income. Commercial leasing operated at a deficit of \$342,468 for the first two months due to the large number of vacant commercial buildings. The utility fund operated at a profit of \$76,707 through August 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 two-month period was \$437,478 compared to \$431,798 in the prior year. During the same period commercial net revenue was \$84,692 compared to \$120,906 in the previous fiscal year. The decrease is due to Common Area Maintenance (CAM) reconciliation refunds.

For the first two months of the fiscal year expenses for residential leasing were \$222,847 compared to \$274,121 for the same period in the prior fiscal year. The residential fund is missing an accrual entry for the pro-rated PILOT fee for the first 2 months of the year. Commercial expenses for the same period were \$427,160 compared to \$439,708 in the prior fiscal year.

For the first two months of the fiscal year, residential leasing generated \$214,631 in net income compared to \$157,677 in the prior year. Commercial leasing operated at a deficit of \$342,468 for the two months compared to \$318,802 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 August 31, 2015 the Authority generated \$9,530 in facility rental and ticket sales. The Fort Monroe Foundation continues to support many of these reprograms which resulted net expenses of only \$1,070 for the first two months of the fiscal year. As a result the Special Events at Fort Monroe generated net income for the period year of \$8,460.

**Cash on Deposit**

As of the close of business on October 8, 2015, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

|  |              |
|--|--------------|
| Government Fund Operating Account                    | \$ 3,817,038 |
| Government Fund Restricted Accounts                  | 1,075,729    |
| Flexible Spending Employee Account Balances          | 10,634       |
| Enterprise Fund Residential Operating Account        | 536,433      |
| Enterprise Fund Residential Security Deposit Account | 237,496      |
| Enterprise Fund Utility Operating Account            | 29,544       |
| Enterprise Fund Special Events Account               | 61,896       |

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**

As reported at the last Board meeting the amount of the OEA grant reflected in the approved FY16 budget is \$550,551. 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. OEA awarded a grant in the amount of \$1,102,294. A portion of the environmental engineering consultant and the BRAC legal counsel were originally requested have been withheld from the grant amount due to delays in prior year activities. The Authority can request the additional funding if awarded amounts are exceeded. Without this additional funding from the OEA some of these projects would not be completed.

### **FY15 Audit**

The Finance department is still working with Cherry Bekaert to complete the FY15 audit. The loss of institutional knowledge from the departure of the previous senior accountant has made the production of the audit workpapers more difficult. While the Finance department had expected to bring the audit report to the Finance Committee and Board at their October meetings, these presentations will be delayed until the December meeting.

### **Revised FY16 Budget**

The Finance department had hoped to present a revised FY16 budget to the Board for approval after the above-mentioned OEA grant approval and the execution of the NPS Task Agreements for cooperative operations and maintenance (O&M) services. Due to the uncertainty of the federal budget, the O&M task agreements covering the period of October 1, 2015 to June 30, 2106 have not been executed. The Finance department, after consultation with the Executive Director, elected to defer the budget revision until such time as the NPS task agreements can be finalized.