



Financial Report for
Fort Monroe Authority Board of Trustees Meeting
Bay Breeze Conference Center
December 18, 2014

Financial Statements

The statements presented here are for the five-month period ended November 30, 2014. These statements conform to government accounting standards for the presentation of government-wide and fund-based activity.

Government Fund (Cash Basis)

Statement of Net Assets (Page 1)

As of November 30, 2014, the Authority government fund had \$3,568,183 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has \$619,254 in restricted cash on deposit at the same bank.

As of the same date, the Authority had \$4,033,027 in other current assets compared to \$1,824,665 in the prior year. The large increase in current assets results from the increase in the receivable from the enterprise fund resulting from government fund transfers to cover the net operating deficit for real estate operations.

The Authority had net fixed assets of \$299,997 as of November 30, 2014 compared to \$119,914 in the prior year. The increase in computers and data/network systems is related to the Authority relocating its central network equipment and servers to a physically secured and separated area as recommended by the Authority's external auditor and to connect the satellite offices to the central servers using the existing fiber-optic connections.

As of November 30, 2014, the Authority had \$75,549 in current liabilities compared to \$34,119 in the prior year.

The government fund net position as of November 30, 2014 was \$8,446,542 compared to \$5,079,066 as of November 30, 2013.

Statement of Activities (Page 2)

For the first five months of the fiscal year the government fund had revenues of \$2,916,595 compared to \$2,554,538 for the prior year. The principal source of government fund revenue was \$2,809,301 in state appropriations. The Authority also received \$93,151 in pass-through VDOT funds from the City of Hampton.

Government fund expenses for the five-month period were \$1,764,395 compared to \$2,341,550 for the prior fiscal year. Consulting expenses have decreased compared to prior year by \$345,415, largely resulting from the completion of the Building Condition Assessment for commercial properties (\$266.4k) and the Master Land Plan (\$68k) in FY14. Site Operating Costs have increased by \$103.8k as a result of Veolia increasing full-time staffing to six employees effective June 1, 2014. As previously reported, the decrease in VDOT-related expenses results from FY13 expenses (\$316.3k) paid in FY14.

The excess of revenues over expenditures for the five-month period was \$1,152,200 compared to an excess of \$212,988 for the prior year. The large surplus resulted from a delay in the transfer of the electric facility contract combined with the delay in the commencement of the renovation project on Building 83.

Casemate Museum Statement of Activities (Page 3)

This statement reflects the activities of the Casemate Museum. The revenue and expenses reflected here are included in the Government Fund statement on the previous page.

For the first five months of the fiscal year the Casemate Museum collected \$3,215 in revenue from tour groups. Expenses for the first five months were \$197,061 compared to \$162,340 for the prior fiscal year. The increase in expenses results from the recruitment of the remaining employees (to a total of five) during the previous fiscal year. The net cost to operate the Museum for the first five months of the fiscal year was \$193,846 compared to \$162,340 in the prior year.

Enterprise Fund (Accrual Basis)

Balance Sheet (Page 1)

As of November 30, 2014 the Authority enterprise fund had \$703,065 in cash on deposit as well as \$264,471 in restricted security deposits in public fund accounts at OPNB and \$500 in petty cash.

Other current assets totaled \$114,522 in pre-paid expenses and accounts receivable for the current year compared to \$149,424 as of November 30, 2013.

The Authority had \$45,163 in net fixed assets on November 30, 2014 compared to \$44,378 for the prior year.

As of November 30, 2014 the Enterprise Fund had \$4,910,478 in current liabilities compared to \$2,556,010 on November 30, 2013. The increase in current liabilities results largely from the increase in the interfund payable to the Government Fund for operational deficit funding transfers for the commercial real estate portfolio.

The enterprise fund net equity position as of November 30, 2014 is a deficit of \$3,782,757 compared to a deficit of \$1,687,729 for the prior year.

Income Statement (Page 2)

Business activity revenue for the five-month period was \$1,555,415 compared to \$1,199,140 for the prior fiscal year. Residential rental revenue continues to grow with an increase of \$114,097 compared to the prior year. Commercial revenue increased over the prior year by \$109,625, net of rent incentives. The new Utility Fund accounted for \$108,624 of the increased revenue.

Business-related expenses for the five-month period were \$2,201,871 compared to \$1,690,421 for the prior fiscal year. The increase in expenses stems from the increased costs for utility consumption associated with the Authority's operation of the non-electric utility systems (\$156.6k), leasing commissions for new commercial leases (\$78.8k), an increase in the PILOT fee allocated to the Enterprise Fund (\$154.1K) and increased repair and maintenance costs related to the completion of maintenance activity on property transferred to Commonwealth ownership in June 2013 (\$254k). Expenses for the lead abatement program decreased by \$140,732 versus the prior year.

The net operating deficit for the five-month period year was \$646,456 compared to a net deficit of \$491,281 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 November 30, 2014 for the four sub-funds of the Enterprise Fund – residential leasing, commercial leasing, special events and utility.

Income Statement by Sub-Fund (Page 4)

This report presents the income statement for each of the four sub-funds listed above. For the first five months of the fiscal year, residential leasing generated \$324,739 in net income while special events generated \$13,669 in net income. Commercial leasing operated at a deficit of \$884,533 for the first five months due to the large number of vacant commercial buildings that must be conditioned and maintained. The utility fund also operated at a deficit of \$100,331 through November 30, 2014 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 leasing sub-funds.

Residential net revenue for the first five months of the fiscal year increased from \$969,667 in FY14 to \$1,083,764 in FY14. During the same time frame commercial net revenue increased from \$158,270 to \$267,895.

Expenses for residential leasing decreased from \$841,847 in the prior year to \$759,025 in the current fiscal year. Increases in repair and maintenance costs were offset by a reduction in the PILOT allocation and lead abatement expenses. Commercial expenses for the first five months were \$1,152,428 in the current year compared to \$717,251 in the prior fiscal year. The largest increase in expenses were in leasing commissions, PILOT fees allocated to commercial properties and repair and maintenance costs.

For the first five months of the fiscal year, residential leasing generated \$324,739 in net income compared to \$127,820 in the prior year. Commercial leasing operated at a deficit of \$884,533 for the first five months compared to \$558,981 for the prior year.

Statement of Activities for Public Events (Page 6)

This statement reflects the results of the various special events permitted or produced by the Authority. For the first five months of the fiscal year the Authority generated \$17,342 in facility rental and ticket sales. Since many of these activities are supported by Foundation sponsorships the expenses were only \$3,673 for the same period. As a result the special events sub-fund reported a net income of \$13,669 for the first five months of the fiscal year.

Cash on Deposit

As of the close of business on December 8, 2014, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 4,292,783
Government Fund Restricted Accounts	
VDOT pass-through funds from Hampton	72,154
Reserve for Building 83 renovations	350,000
Historic Structure Report for Museum (OEA)	187,000
Building Condition Assessment (OEA)	0
Flexible Spending Employee Account Balances	10,655
Enterprise Fund Residential Operating Account	803,976
Enterprise Fund Residential Security Deposit Account	232,054
Enterprise Fund Special Events Account	22,578

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.

FY15/16 Budget Savings Strategies

As discussed at the October meeting, the Governor's Office directed all state-funded entities to develop budget savings strategies for the biennial budget period. The Authority was successful in identifying the required \$286,710 in savings for FY15 and \$315,355 in savings for FY16. The savings strategies were approved by Secretary of Commerce and Trade Maurice Jones and accepted by the Governor. These budget reductions were provided to the Board at the October meeting and are reflected in the revised FY15/16 budgets.

OEA Grant Status

As discussed at the October meeting, FY15 was supposed to be the Authority's first year of a two-year phase-out of federal grant support from the Office of Economic Adjustment (OEA). The amount of the OEA grant for FY15 in the approved budget is \$550,551 under the terms of the phase-out agreement. After receiving word that the OEA would accept a full grant package, the Authority submitted and received approval for a grant for \$1,191,592. The new grant provides 20% additional funding for 8 government fund employees salary and benefits, planning and redevelopment related contract expenses, and administrative expenses. This grant funding provides \$641,041 in funding support towards expenses that were to be funded with general fund appropriations. This increase in funding is reflected in the revised FY15/16 budgets.