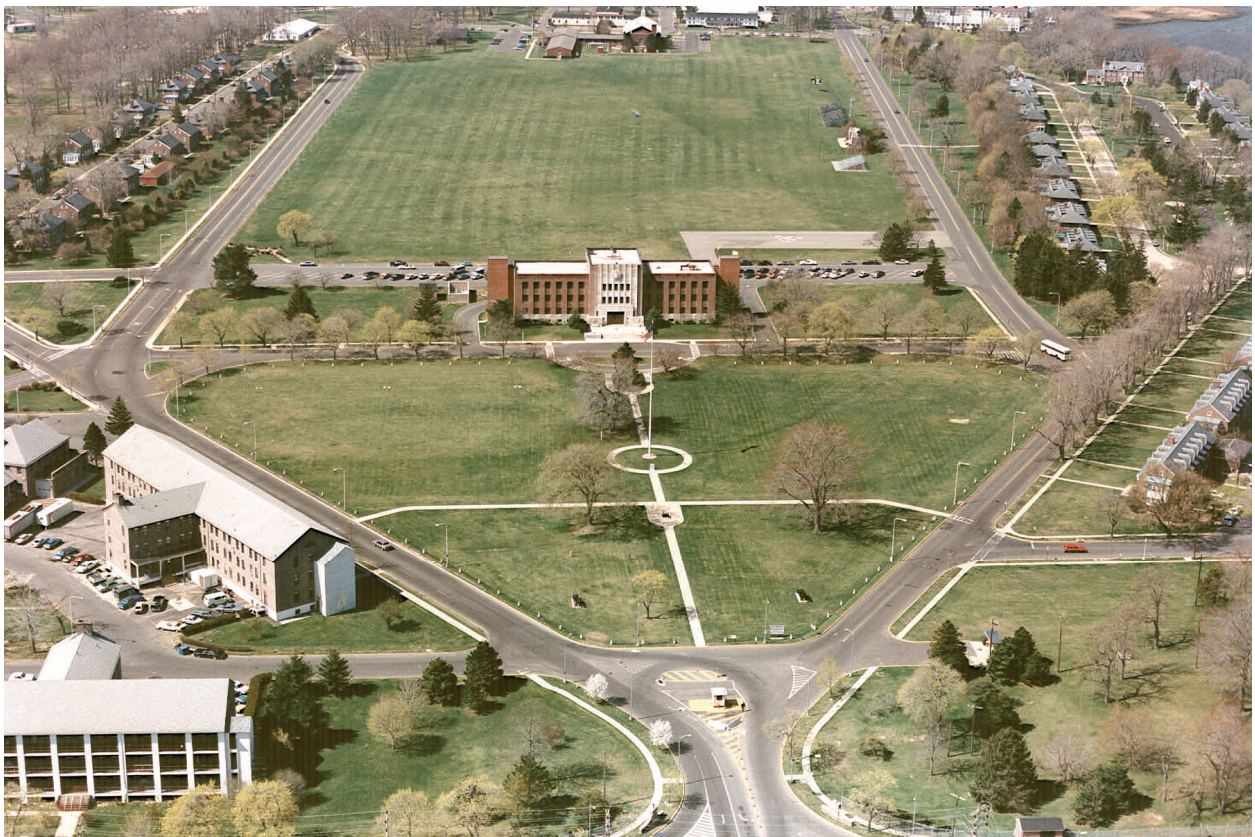




2011 Annual Report

Fort Monmouth Economic Revitalization Authority (FMERA)



Fort Monmouth Economic Revitalization Authority

2-12 Corbett Way

Eatontown, NJ 07724

732.935.5966

www.nj.gov/fmera/



2011 Annual Report

A Message from FMERA Board Chairman James V. Gorman

As a longtime resident and corporate citizen of Monmouth County, I have a personal understanding of the significant impact the closing of Fort Monmouth has had on our community. As Chairman of FMERA, I have used this insight to help advance a process that is transparent and inclusive. With the full support and commitment of FMERA and EDA, the FMERA Board has the needs of our community at the forefront of every decision it makes.

In 2011, we took noteworthy steps to advance the redevelopment of Fort Monmouth. The actions we have taken can be compared to putting in place a solid foundation upon which you would build a house. And together, we have focused on three main priorities—jobs, jobs and jobs.

Among other items, last September, I was pleased to announce the reopening of the Suneagles Golf Course, which had been temporarily closed for play while a lease was executed between the U.S. Army and FMERA. Located on Tinton Avenue at Hope Road in Eatontown, the golf course has served the military community for decades, and was opened to the public in 2010. Suneagles remains open to the public today, and continues to entertain the needs of local and charitable tournaments, area residents and our veterans, and will serve as an attraction for future development.

As we take the next steps to finalize the transfer of property from the U.S. Army, the Board remains committed to carrying out FMERA's mission to create an atmosphere in which employers will employ and investors will invest, to maximize the jobs created and the value of the property.

We are enthusiastic about the potential that 2012 holds, and we look forward to advancing the many opportunities that are growing out of the work we have done thus far.

James V. Gorman
Chairman, FMERA



2011 Annual Report

A Message from EDA Chief Executive Officer Caren Franzini and FMERA Executive Director Bruce Steadman

In August 2010, Governor Chris Christie signed the "Fort Monmouth Economic Revitalization Authority Act," creating the Fort Monmouth Economic Revitalization Authority (FMERA). The law charged FMERA with overseeing and managing the redevelopment of Fort Monmouth following the federal government's decision to close the base in 2005.

2011 marked an eventful and noteworthy year for FMERA as our staff and Board began activities, the official closing of Fort Monmouth commenced, and key principles to accelerate redevelopment were determined. This includes continuing interactive and transparent communications with stakeholders and the public, identifying and targeting industries to match facilities and investors/employers, utilizing New Jersey incentives to attract the best and brightest employers and employees, emphasizing the Fort's outstanding location, ensuring professional, fast and accurate responses from the FMERA and EDA teams, and, upholding our commitment to excellence in all aspects.

These principles represent the foundation of our efforts to attract investors, developers and employers to the 1,126-acre property in order to spur private investment and create a diverse range of jobs.

With a committed and engaged Board of Directors, staff and group of stakeholders, and the enthusiastic support of the State and the New Jersey Economic Development Authority (EDA), FMERA has achieved significant milestones over the last year. This includes submitting drafts of both the Economic Development Conveyance application and Memorandum of Agreement (MOA) to the U.S. Army, both of which are required to advance the transfer of the property from the U.S. Army to FMERA; and, Governor Christie's announcement that New Jersey Turnpike Authority capital funds would be utilized to reconfigure and improve roadways that will provide a significant boost to our redevelopment efforts.

The report which follows describes the actions and accomplishments of FMERA in 2011. As we move ahead with the redevelopment process in 2012, the FMERA team remains committed to success, with the highest level of integrity, transparency and accountability. We look forward to building on the milestones we achieved in 2011, and continuing to work closely with the host communities and all stakeholders to achieve our mission:

***"To create an atmosphere in which employers will employ and investors will invest,
to maximize the jobs created and the value of the property."***

Caren Franzini
Chief Executive Officer, EDA

Bruce Steadman
Executive Director, FMERA



2011 Annual Report

Background

On August 17, 2010, Governor Chris Christie signed into law Senate Bill 917, the "Fort Monmouth Economic Revitalization Authority Act," which was sponsored by Senators Jennifer Beck and Raymond Lesniak and Assembly members Declan O'Scanlon, Joseph Cryan, Albert Coutinho, Angel Fuentes, and Annette Quijano. The law created the Fort Monmouth Economic Revitalization Authority (FMERA) to provide investment, continuity and economic growth to the communities impacted by the federal government's decision to close Fort Monmouth. FMERA replaced the Fort Monmouth Economic Revitalization Planning Authority (FMERPA) and is charged with advancing that entity's plan for reuse and redevelopment of the 1,126 acres of real estate that span parts of Eatontown, Oceanport and Tinton Falls.

Fort Monmouth has been a key economic driver in Monmouth County and New Jersey since it was established in 1917 as Camp Little Silver. According to a 2008 report completed by the New Jersey Department of Labor and Workforce Development, the closing of Fort Monmouth represented the loss of 5,638 direct jobs and approximately 16,000 indirect jobs in the region. The report also found that more than one-third of the Fort's employees were engineers and scientists.

As such, the Fort Monmouth Reuse and Redevelopment Plan (Reuse Plan), created by FMERPA, places a high priority on creating a mixed-use development with a particular focus on jobs in research and development, high-tech industries and incubator businesses. The array of proposed uses was determined through an extensive interactive process with municipal leaders and residents, and is a highly collaborative blueprint for action to:

- Promote, develop, encourage and maintain employment, commerce, economic development, and the public welfare;
- Conserve natural resources; and,
- Advance the general prosperity and economic welfare of the people in the affected communities of Eatontown, Oceanport and Tinton Falls, and throughout Monmouth County and New Jersey.

Pursuant to its enabling statute, FMERA is empowered to enter into a designated developer agreement with the New Jersey Economic Development Authority (EDA) if and as needed, and additional redevelopment agreements with other public or private redevelopers; adopt land use, development and design guidelines in coordination with the impacted communities; provide and maintain utilities, streets, roads and other infrastructure; undertake redevelopment activities, and implement revenue raising measures for the benefit of redevelopment.

The EDA staffs FMERA, which currently has eight employees working out of an office in Eatontown. In November 2011, Bruce Steadman was selected to serve as FMERA's Executive Director. Steadman previously served as the President and CEO of the Plattsburgh Air Base Redevelopment Corporation, where he led and managed the redevelopment of the former Plattsburgh Air Force Base in New York.



2011 Annual Report

Background



Governor Christie signs legislation creating the Fort Monmouth Economic Revitalization Authority in Eatontown on August 17, 2010. Joining the Governor were (L-R): Senator Jennifer Beck, Assemblyman David Rible, Assemblyman Declan O'Scanlon, Jr., Monmouth County Freeholder Lillian Burry, Monmouth County Freeholder John Curley and Oceanport Mayor Michael Mahon.

FMERA's 13-member board, nine of which are voting members, consists of four members appointed by the Governor, three of whom are public, voting members and one voting, ex officio member of the Executive Branch; the mayors of Eatontown, Tinton Falls, and Oceanport; one member of the Monmouth County Board of Chosen Freeholders, and the Chair of the EDA. Non-voting members include the commissioners of the New Jersey Departments of Labor and Workforce Development, Environmental Protection, Community Affairs, and Transportation.

Local input on the Board makeup resulted in a broad representation of town, county and State interests, and the FMERA law required that five of the nine voting members be residents of Monmouth County. The general public and relevant New Jersey departments and agencies round out the collaborative effort, ensuring a process that balances the needs and interests of all affected stakeholders.



2011 Annual Report

The Plan

The 20-year plan for Fort Monmouth emphasizes the expeditious creation of jobs and encourages economic growth in the region. The plan strives to balance development with the protection and enrichment of natural resources and seeks to establish Fort Monmouth as a model for sustainable redevelopment, while also honoring the rich history of the Fort.

The mix of land uses proposed in the plan is deliberately broad to help accelerate redevelopment and provide for the creation of a diverse range of jobs and housing types in order to meet the needs of the demographically diverse population, in a competitive and changing marketplace. The inclusion of office, research and development, business services, light manufacturing, retail, residential housing, homeless accommodations, and civic space reflects the overarching commitment to provide for short-, medium-, and long-term regional implementation and economic opportunity.

In June 2011, the U.S. Department of Housing and Urban Development (HUD) approved the Fort Reuse Plan, which was completed and approved under the auspices of FMERPA and submitted to HUD in September 2008.





2011 Annual Report

2011 Activities & Accomplishments

January 1, 2011 — December 31, 2011

Beginning in January and throughout the year, FMERA staff met with various employers, developers and investors interested in the Fort Monmouth property. The diverse group of entities represented a host of industries, including technology, defense, healthcare, financial, and educational services. Over the summer and following HUD's favorable determination letter, FMERA staff also conducted briefings, as well as informational and outreach programs, to update stakeholders on the status of the redevelopment effort.

In April 2011, Governor Christie announced plans to invest New Jersey Turnpike Authority capital funds in a project that will provide an important boost to the redevelopment of the Fort. The Turnpike Authority plans to reconfigure the Garden State Parkway in Tinton Falls, adding new ramps from the southbound Parkway to Wayside Avenue and signage in both directions at Exit 105 for Fort Monmouth visitors. The project also includes improving the intersection of Hope Road and Route 36, an area plagued by congestion and traffic delays. The project will improve traffic flow in the vicinity and provide better access to the western portion of the Fort. These improvements will serve to add value to the property and further demonstrate a commitment to the redevelopment by the State. In late July, the Turnpike Authority Board awarded the design contract to RBA Group of Parsippany. Construction on the new exit and Hope Road improvements is anticipated to start in 2013.

In May 2011, FMERA approved the selection of a professional planning consultant, Phillips Preiss Grygiel LLC, another significant step that will result in the preparation of design guidelines, zoning maps and land use regulations. In addition, the FMERA Board also set forth procedures for real property sales and leasing space at the Fort in accordance with the appropriate land transfer from the Army. These rules provide a transparent process for FMERA to proceed with the reuse and economic revitalization of Fort Monmouth and were advanced to encourage the use of existing buildings at the post, optimize revenue opportunities to support redevelopment, and prioritize job creation and economic activity.

In an effort to gain early revenues from the property before land is conveyed, the Army allowed FMERA to select a small number of early lease opportunities. This included the 16-acre Clinic Parcel, located in Oceanport. A Request for Proposals (RFP) for the lease was issued in August 2011, and one proposal was received from AcuteCare. This proposal met all of the requirements set forth in the RFP, and negotiations are currently underway with the company.

Per the RFP, if AcuteCare is awarded the parcel, they would be obligated to purchase the property when the Army conveys the Clinic Parcel to FMERA. AcuteCare expects to create 200 new jobs and invest an estimated \$15 million to renovate the facility. Additionally, the new facility would offer improved medical services to the community, including the elderly, veterans and other patients in need. In February 2012, the Board approved FMERA's continuing negotiations with AcuteCare, which will ulti-



2011 Annual Report

2011 Activities & Accomplishments

January 1, 2011 — December 31, 2011



mately lead to the final lease/purchase agreement, and is required to come back to the Board for final review and approval.

On September 15, 2011, Fort Monmouth performed its final daily retreat ceremony in Cowan Park. At the ceremony, the American flag was taken down from its flagpole for the final time during the post's existence as an active military installation. FMERA worked closely with the Garrison and the Caretaker Site Manager to ensure a smooth transition. This included the creation of a plan to protect and maintain the facility and property. Activities that were undertaken during this period include:

- Agreement on a Facility Action Plan dictating the appropriate level of mothballing for specific facilities on a building-by-building basis. This included compliance with the Section 106 Programmatic Agreement on historic assets.
- Review of the proposed Statement of Work for the Caretaker Workforce.
- Obtaining a Retrocession Agreement to obtain jurisdiction for the New Jersey State Police.
- Arranging for fire response from the three local municipalities due to the deactivation of the Fort Monmouth Fire Department. This included:
 - Exchange of pre-plans and inspection records;
 - Exchange of maps and building information;
 - Hazardous material information;
 - Access arrangements including Knox Boxes;
 - Training exercises and drive-through familiarization; and,
 - Alarm monitoring and dispatch arrangements.



2011 Annual Report

2011 Activities & Accomplishments

January 1, 2011 — December 31, 2011



- Arranging for Emergency Medical Response to the Fort.
- Arranging for the transition of the Monmouth County Homeless Shelter under the Caretaker.
- Development of an access plan for ongoing access to the Fort by FMERA Staff, consultants, contractors, potential tenants, and visitors.

Following the post's closure, the Army retained a small caretaker workforce including contractors who handle building and grounds maintenance and other upkeep activities. Ensuring that the property remained safe and secure was of the utmost importance to FMERA and its stakeholders. As such, FMERA staff worked closely with the New Jersey State Police and the New Jersey Office of Homeland Security and Preparedness on a policing plan for the post. Today, the property continues to have a highly trained and professional police force on site, which is critical to attracting world-class investors, developers, and employers.



2011 Annual Report

2011 Activities & Accomplishments

January 1, 2011 — December 31, 2011

At the end of September, FMERA Board Chair James V. Gorman announced the reopening of the Suneagles Golf Course, which had been temporarily closed for play while a lease was executed between the U.S. Army and FMERA. Located on Tinton Avenue at Hope Road in Eatontown, the Golf Course was designed by the world famous golf course architect A.W. Tillinghast. Its classic design had served the military community for decades, but was opened to the public in 2010. Today, Suneagles remains open to the public, and continues to entertain the needs of local and charitable tournaments. Atlantic Golf Management Inc. operates the Golf Course, which is open seven days a week and all year round, weather permitting.

To advance the conveyance process, FMERA issued its first Request for Offers to Purchase (RFOTP) in October 2011 for Parcel E, a 55 acre tract located in Tinton Falls. In November, FMERA received four proposals. Three evaluators scored the proposals independently, based on criteria outlined in the RFOTP and FMERA's Sales Rules. The highest weight was given to job creation. After a thorough review of the proposals and a meeting with the two highest scoring bidders – CommVault and HovWest – staff recommended, and the Board subsequently approved, FMERA to enter into exclusive negotiations with the highest scoring bidder - CommVault, a company that has presented a transformative project that





2011 Annual Report

2011 Activities & Accomplishments

January 1, 2011 — December 31, 2011



will provide immense benefits to the entire area. If the company is successful in acquiring the property, completing design work, and gaining all required approvals, permits and incentives, the company's new 650,000-square-foot headquarters would house an estimated 2,500 employees once it is fully built out, and up to 500 would be hired within the first three years after occupancy. As FMERA moves forward with the process, the Board will be asked to provide final approval of the terms and conditions of the sale of Parcel E.

Following initial discussions in January and ensuing deliberation throughout the year, the FMERA Board capped off 2011 with the approval of the Memorandum of Agreement (MOA) with the U.S. Army and Economic Development Conveyance (EDC) application at its December 2011 meeting. Drafts of both documents were subsequently submitted to the U.S. Army. The transfer of the property from the U.S. Army to FMERA takes place through the EDC, and the MOA is the overarching agreement that lays out the deal points for the future EDC transfers. FMERA expects that the agreements will be in place by this spring, with action on transferring the land parcels identified for Phase 1 of the redevelopment beginning soon after.

As FMERA continues its work to advance the Reuse Plan, its mission remains:

"To create an atmosphere in which employers will employ and investors will invest, to maximize the jobs created and the value of the property."



2011 Annual Report

Board Members

James V. Gorman, Chairman
Public Member

Dr. Robert Lucky
Public Member

Al Koeppe
Chairman
New Jersey Economic Development Authority

Regina Egea
Office of the Governor, Authorities Unit

Lillian Burry
Freeholder, County of Monmouth

Gerald Tarantolo
Mayor, Eatontown

Michael Mahon
Mayor, Oceanport

Michael Skudera
Mayor, Tinton Falls

Richard E. Constable III
Acting Commissioner
New Jersey Department of Community Affairs

Bob Martin
Commissioner
New Jersey Department of Environmental Protection

Harold Wirths
Commissioner
New Jersey Department of Labor & Workforce Development

James Simpson
Commissioner
New Jersey Department of Transportation

Board Committees

Audit Committee

Mayor Michael Mahon, *Acting Chairman*
James V. Gorman
Al Koeppe

Real Estate Committee

James V. Gorman, *Acting Chairman*
Freeholder Lillian Burry
Dr. Robert Lucky
Mayor Michael Mahon

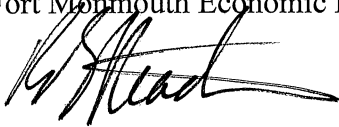
Certifications Pursuant to Executive Order 37

May 16, 2012

In accordance with Executive Order No. 37, the Fort Monmouth Economic Revitalization Authority's 2011 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant actions of the Authority for the year.

The report of independent auditors, Schneider & Company, dated May 8, 2012, is attached and completes FMERA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, Bruce Steadman, certify that the financial information provided to the Independent Auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge fairly represents the financial condition and operational results of the Fort Monmouth Economic Revitalization Authority for the year ended December 31, 2011.



Bruce Steadman
Executive Director

I, Beverlee Akerblom, certify that the financial information provided to the Independent Auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge fairly represents the financial condition and operational results of the Fort Monmouth Economic Revitalization Authority for the year ended December 31, 2011.



Beverlee Akerblom, CPA
Director – Finance & Administration

**Fort Monmouth Economic Revitalization Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2011 and
the period September 29, 2010 to December 31, 2010**

This section of the Fort Monmouth Economic Revitalization Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance for the year ended December 31, 2011, and September 29, 2010 to December 31, 2010. Please read it in conjunction with the Authority's financial statements, accompanying notes, and supplementary information. Please note when comparing 2011 results to 2010's, that 2011 is for a twelve month period year, while 2010 covered the period from the Authority's inception, September 29, 2010 to December 31, 2010.

2011 Financial Highlights

- The Authority's total assets amount to \$2,252,121
- Total liabilities are \$2,425,369 of which \$2,107,713 are current
- The Authority's net assets decreased by \$312,989
- Signed professional management and maintenance agreement for operation of Suneagles Golf Course and Facilities, Authority received \$15,000 in Operation Fees in 2011
- Major funding sources: Federal grants and appropriations from the State of New Jersey

2010 Financial Highlights

- The Authority's total assets amount to \$1,039,114
- Total liabilities are \$899,373, of which \$836,404 are current
- The Authority's net assets increased by \$139,741
- Major funding sources: Federal grants and net assets received from its predecessor authority, the Fort Monmouth Economic Revitalization Planning Authority (FMERPA)

Overview of Annual Financial Report

This annual financial report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The Authority's principle sources of funds were Federal grants and appropriations from the State of New Jersey. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, and all activities are accounted for within a single fund proprietary (enterprise) fund. The financial statements report information about the Authority using full accrual accounting method as utilized by businesses engaged in comparable business activities in the private sector.

Financial Analysis of the Authority

Nets Assets (Deficit): The following table summarizes the changes in Net Assets (Deficit) for the twelve months ended December 30, 2011 and for the period September 29, 2010 (Inception) to December 31, 2010:

	December 31, <u>2011</u> <u>2010</u>		<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Total Assets (all Current)	\$ <u>2,252,121</u>	\$ <u>1,039,114</u>	\$ <u>1,213,007</u>	117%
Current Liabilities	2,107,713	836,404	1,271,309	152%
Noncurrent Liabilities	<u>317,656</u>	<u>62,969</u>	<u>254,687</u>	404%
Total Liabilities	<u>2,425,369</u>	<u>899,373</u>	<u>1,525,996</u>	170%
Net Assets (Deficit) (Unrestricted)	\$ <u>(173,248)</u>	\$ <u>139,741</u>	\$ <u>(312,989)</u>	(224)%

The current assets increased to \$2,252,121 and account for 100% of total assets. The increase is due to increases in cash and cash equivalents of \$1,001,033 and grant receivable of \$212,948. The cash increase is due to receipt of deposit funds from responders to the Authority's Request for Offers to Purchase Land, and Request for Proposals for the Lease of Real and Personal Property issued in 2011. The increase in grant receivable was a result of the increase in activity and spending due to the acceleration in the pace of the implementation effort with the closure of the Fort on September 15, 2011.

Total liabilities increased to \$2,425,369 due to the receipt of deposit funds from responders to the Authority's Request for Offers to Purchase Land, and Request for Proposals for the Lease of Real and Personal Property issued in 2011, and the increase in accounts payable and accrued expenses for consultant costs with the concurrent engagements of Planning, Engineering, Architectural and Environmental, Business and Operations Planning Consultant, Legal, and Planning and Zoning consultants in 2011; Direct Office Support Costs payable; and, the deferral of payment of Office Support Costs of \$250,000 and accrued interest of \$4,687 as compared to 2010 Office Support Costs of \$62,500 and accrued interest of \$469.

The Authority's net assets decreased to a (\$173,248) deficit at year end, as certain expenses such as, compensated absences and office support services, are not reimbursable through the federal grant process at this time. Anticipated Economic Development Conveyance (EDC) revenue prior to December 31, 2012 will provide funds which will allow for full funding of operating expenses, and return the Net Asset (Deficit) to a positive amount.

Operating Activities

The Authority was created to help provide investment, continuity and economic growth to the communities impacted by the federal government's decision to close Fort Monmouth. FMERA replaced the Fort Monmouth Economic Revitalization Planning Authority and will advance that entity's Reuse and Redevelopment Plan (the "Plan") for economic development, growth and planning, with a focus on technology-based industries, for the 1,126 acres of real estate at Fort Monmouth, following the base closure in September 2011. The Fort is located within the jurisdictions of Eatontown, Oceanport and Tinton Falls, all within Monmouth County, New Jersey.

The Plan forwarded by the dissolved planning authority is a highly collaborative blueprint for action to:

- Promote, develop, encourage and maintain employment, commerce, economic development, and the public welfare;
- Conserve natural resources; and
- Advance the general prosperity and economic welfare of the people in the affected communities and throughout the state.

FMERA is committed to and fully engaged with the implementation process and its mission to: *create an atmosphere in which employers will employ and investors will invest, to maximize the jobs created and the value of the property.* The Authority has been granted many tools through its forming legislation, in order to revitalize and redevelop the Fort Monmouth property, and implement the Plan. Among these are the ability to undertake redevelopment projects, adopt development and design guidelines, and land use regulations, in connection with the maintenance or provision of utilities, streets, roads or other infrastructure required for the Plan. The Plan and the "Homeless Assistance Submission" (HAS) were submitted to the United States Departments of Defense (DOD) and Department of Housing and Urban Development (HUD) on September 4, 2008 for their review and approval. The DOD and HUD issued its favorable determination letter on June 16, 2011 enabling the Authority to move forward with implementing the Plan.

As a recognized implementation Local Redevelopment Authority (LRA) the Authority is eligible for financial assistance through the Defense Economic Adjustment Program and the President's Economic Adjustment Committee. The Office of Economic Adjustment (OEA) is the Department of Defense's primary source for assisting communities that are adversely impacted by Defense program changes such as base closures. Grant assistance is available in organizing and planning economic recovery, and the implementation of the Plan in response to the closure of military installations. This program has no statutory formula. Generally, not less than 10 percent of the project's total proposed funding is to be comprised of non-federal sources.

The following table summarizes operating and non-operating activities for the year ended December 30, 2011 and for the period September 29, 2010 (Inception) to December 31, 2010:

	Year Ended December 31, 2011	For the Period September 29, 2010 (Inception) to December 31, 2010	Dollar Change	Percentage Change
Operating Revenue	\$ 2,251,967	\$ 592,744	\$ 1,659,223	280%
Operating Expenses	<u>2,828,586</u>	<u>744,458</u>	<u>2,084,128</u>	280%
Operating Loss	(576,619)	(151,714)	(424,905)	280%
Non-operating Revenue	<u>263,630</u>	<u>277</u>	<u>263,353</u>	n/a
Change in Net Assets	(312,989)	(151,437)	(161,552)	(107%)
Beginning Net Assets	139,741	-	139,741	
Net Assets transferred at close-out of FMERPA	<u>-</u>	<u>291,178</u>	<u>(291,178)</u>	
Ending Net Assets	\$ <u>(173,248)</u>	\$ <u>139,741</u>	\$ <u>(312,989)</u>	

Operating Revenue and Expenses

For the twelve months ended December 30, 2011, and for the period September 29, 2010 (Inception) to December 31, 2010 Federal grant revenue was \$2,236,967 and \$592,744, respectively. The local match required under the terms of the Federal grant was met by appropriations from the State of New Jersey in 2011, and the net assets transferred at the close-out of the FMERPA in 2010 to the Authority.

In 2011 Operating Expenses increased by \$2,084,128, compared to 2010. The results for 2010 represent a short fiscal year, approximately 3 months, from the date of the inception, September 29, 2010 to December 31, 2010. 2011 Program Costs when compared to the annualized 2010 amount is higher due to additional contracts awarded during the year, such as the Planning Consultant. Direct Office Support, and General and Administrative are higher than 2010's annualized costs due to the planned increase in staffing levels and their associated costs such as, rent and supplies.

With Federal grant funding in place for 2012, the Authority is positioned to successfully continue its existing contractual engagements. The Business and Operations Consultant services contract which began in January 2011 is concluding. The business and operations plans developed by the consultant are required by the Department of Army as supporting documents to an Economic Development Conveyance Application (EDC). The EDC Application has been submitted to the U.S. Army for review. The Memorandum of Agreement (MOA) between the United States Army and the Authority will control the process by which the property is conveyed and redeveloped. The MOA is the binding document that contains the terms of the EDC transfer of property from the U.S. Army to FMERA.

With agreement on the terms of the MOA and the submission of the EDC Application, FMERA is poised to begin the process of property transfer from the U.S. Army in 2012.

Contacting the Authority's Management

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If there are questions about the Authority's report or if additional information is needed, please contact the Executive Director of the Fort Monmouth Economic Revitalization Authority, at 2-12 Corbett Way, Eatontown, New Jersey 07724.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
DECEMBER 31, 2011

AND

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
DECEMBER 31, 2011

SCHNEIDER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

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SCHNEIDER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

9 Sylvan Way, Suite 280
Parsippany, New Jersey 07054
Phone: (973) 683-1100
Fax: (973) 683-0090

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Fort Monmouth Economic Revitalization Authority

We have audited the accompanying balance sheets of the Fort Monmouth Economic Revitalization Authority, a component unit of the State of New Jersey, as of December 31, 2011 and December 31, 2010, and the related statements of revenues, expenses and changes in net assets (deficit) and cash flows for the year ended December 31, 2011 and the period September 29, 2010 (inception) to December 31, 2010. These financial statements are the responsibility of Fort Monmouth Economic Revitalization Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether these financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Monmouth Economic Revitalization Authority as of December 31, 2011 and December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2011 and the period September 29, 2010 (inception) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, May 8, 2012 on our consideration of Fort Monmouth Economic Revitalization Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming our opinion on the financial statements that collectively comprise Fort Monmouth Economic Revitalization Authority's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Additionally, the information contained in the Schedules of General and Administrative Expenses is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedules of General and Administrative Expenses and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schneider & Company

Schneider & Company
Certified Public Accountants, P.C.

Parsippany, New Jersey
May 8, 2012

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

BALANCE SHEETS

	December 31,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,383,172	\$ 382,139
Grant Receivable	860,271	647,323
Prepaid Insurance	8,678	9,652
Total Current Assets	<u>2,252,121</u>	<u>1,039,114</u>
 TOTAL ASSETS	 <u><u>\$ 2,252,121</u></u>	 <u><u>\$ 1,039,114</u></u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable	\$ 246,694	\$ 249,569
Accrued Liabilities	243,060	197,658
Deposits - Property Sales and Leases	1,357,984	-
Due to State of New Jersey	-	258,625
Due to New Jersey Economic Development Authority	259,975	130,552
Total Current Liabilities	<u>2,107,713</u>	<u>836,404</u>
 NONCURRENT LIABILITIES		
Loan Payable - New Jersey Economic Development Authority	317,656	62,969
Total Noncurrent Liabilities	<u>317,656</u>	<u>62,969</u>
 TOTAL LIABILITIES	 2,425,369	 899,373
 NET ASSETS (DEFICIT) (Unrestricted)	 <u>(173,248)</u>	 <u>139,741</u>
 TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	 <u><u>\$ 2,252,121</u></u>	 <u><u>\$ 1,039,114</u></u>

The accompanying notes are an integral part of these statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

	Year Ended December 31, 2011	For the Period September 29, 2010 (Inception) to December 31, 2010
OPERATING REVENUES		
Federal Grant Revenue	\$ 2,236,967	\$ 592,744
Operating Fee	15,000	-
Total Operating Revenue	<u>2,251,967</u>	<u>592,744</u>
OPERATING EXPENSES		
Direct Office Support	1,017,192	233,553
General and Administrative - See Schedule	513,435	112,883
Interest	4,687	469
Program Costs	1,293,272	397,553
Total Operating Expenses	<u>2,828,586</u>	<u>744,458</u>
OPERATING LOSS	(576,619)	(151,714)
NON-OPERATING REVENUE		
State Appropriation	263,000	-
Interest Income	630	277
Total Non-Operating Revenue	<u>263,630</u>	<u>277</u>
CHANGE IN NET ASSETS	(312,989)	(151,437)
Net Assets - Beginning of Period	139,741	-
Net Assets Transferred From		
Fort Monmouth Economic Revitalization Planning Authority	<u>-</u>	<u>291,178</u>
Net Assets (Deficit) - End of Period	<u><u>\$ (173,248)</u></u>	<u><u>\$ 139,741</u></u>

The accompanying notes are an integral part of these statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2011	For the Period September 29, 2010 (Inception) to December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal Grants	\$ 2,024,019	\$ 112,125
Operating Fee	15,000	-
Deposits Received - Property Sales and Leases	1,357,984	-
Direct Office Support Expenses	(1,120,109)	-
General and Administrative Expenses	(263,689)	(40,299)
Program Costs	(1,275,802)	(14,862)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	737,403	56,964
CASH FLOWS FROM FINANCING ACTIVITIES		
State Appropriations	263,000	-
Cash Transferred from Former Authority	-	324,898
	<hr/>	<hr/>
Net Cash Provided (Used) by Financing Activities	263,000	324,898
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from Investments	630	277
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	630	277
Net Increase (Decrease) in Cash and Cash Equivalents	1,001,033	382,139
Cash at Beginning of Period	382,139	-
	<hr/>	<hr/>
Cash at End of Period	<u>\$ 1,383,172</u>	<u>\$ 382,139</u>

The accompanying notes are an integral part of these statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended December 31, 2011	For the Period September 29, 2010 (Inception) to December 31, 2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating Loss	\$ (576,619)	\$ (151,714)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided in Operating Activities:		
Change in Assets and Liabilities		
Grants Receivable	(212,948)	(647,323)
Prepaid Insurance	974	(9,652)
Accounts Payable	(2,875)	249,569
Accrued Liabilities	45,402	197,658
Deposits - Property Sales and Leases	1,357,984	-
Due to State of New Jersey	(258,625)	258,625
Due to New Jersey Economic Development Authority	129,423	130,552
Loan Payable - New Jersey Economic Development Authority	254,687	62,969
Prepaid Assets Transferred at Close-out of		
Fort Monmouth Economic Revitalization Planning Authority	-	13,520
Grant Receivable Transferred at Close-out of		
Fort Monmouth Economic Revitalization Planning Authority	-	166,703
Liabilities Transferred at Close-out of		
Fort Monmouth Economic Revitalization Planning Authority	-	(213,943)
Net Cash Provided (Used) by Operating Activities	<u>\$ 737,403</u>	<u>\$ 56,964</u>

The accompanying notes are an integral part of these statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011 AND THE
PERIOD SEPTEMBER 29, 2010 (INCEPTION) TO DECEMBER 31, 2010

1. NATURE OF THE AUTHORITY

The Fort Monmouth Economic Revitalization Authority ("Authority"), a body corporate and politic and an instrumentality and component unit of the State of New Jersey ("State"), was created by the enactment and approval of P.L.2010, c.51 ("Act") on August 17, 2010, by the State Legislature and the Governor, respectively, to succeed the Fort Monmouth Economic Revitalization Planning Authority ("Predecessor Authority"). The purpose of the Authority is to implement the comprehensive Fort Monmouth Reuse and Redevelopment Plan ("Plan") for redevelopment and revitalization of the 1,126 acres comprising Fort Monmouth. The Plan and the "Homeless Assistance Submission" were submitted to the United States Department of Defense and Housing and Urban Development on September 4, 2008 for their review and approval. The United States Department of Housing and Urban Development issued their favorable determination letter on June 16, 2011 enabling the Authority to move forward with implementing the Fort Monmouth Reuse and Redevelopment Plan.

Upon the Authority's first meeting, September 28, 2010, 7pm, all of the Predecessor Authority's assets, liabilities and operations were transferred to the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA

a. Basis of Accounting and Presentation

The Authority has the objective to implement the Fort Monmouth Reuse and Redevelopment Plan. One fund has been created to account for all revenues and expenses. The Authority follows proprietary fund type accounting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The financial statement presentation has been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA -
continued

b. Revenue Recognition

The Authority recognizes grant revenue to the extent that expenses have been incurred for the purpose specified by the grantor during the period. The grant agreements allow for payment of actual costs plus an advance of expected future costs. As of December 31, 2011 and 2010 actual grant expenditures exceeded grant receipts and the grant receivables amounted to \$ 860,271 and \$ 647,323 respectively.

The Authority has an agreement under which it receives operating fee revenue from a third party for that party's operation of the golf course facilities. Under the terms of the Authority's professional management and maintenance agreement for the golf course and facilities, which expires September 21, 2012, the Authority receives monthly fee from the operator who is also obligated to absorb all the operational and maintenance costs of the golf course and facilities. Operating fee revenue is recognized when earned pursuant to the terms of the facilities' management and maintenance agreement. The operating fee revenue recorded under this agreement for the year ended December 31, 2011 totaled \$ 15,000. The Authority may extend the agreement on a month by month basis at the Authority's sole discretion.

Future minimum operating fee revenue under the agreement is as follows:

Year ending - December 31, 2012	\$ 85,000
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c. Cash and Cash Equivalents

The Authority maintains a checking account and a money market account with a financial institution in amounts which at times exceed the Federal Deposit Insurance Corporation (FDIC) insurance limitation of \$ 250,000. Cash deposits in these accounts totaled \$ 20,630 and \$334,992 at December 31, 2011 and 2010 respectively.

The Authority also maintains public funds money market accounts with a financial institution. Public funds balances on deposit, in excess of FDIC coverage are continuously collateralized by triple A rated mortgage backed securities. Cash deposits in these accounts totaled \$ 1,361,384 and \$ 0 at December 31, 2011 and 2010 respectively. These deposits represent the funds received by the Authority by the responders to the Authority's Request for Offers to Purchase Land and Request Proposals for the Lease of Real and Personal Property in 2011.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA -
continued

Additionally, the Authority has an account with the State of New Jersey Cash Management Fund (NJCMF). Cash deposits in this account totaled \$ 1,158 and \$ 47,147 at December 31, 2011 and 2010 respectively.

Cash equivalents are stated at fair value.

d. Non-Operating Revenue

Non-operating revenues include appropriations from the State of New Jersey and income earned on the investment of funds.

e. Income Taxes

The Authority is exempt from both Federal and State income taxes.

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

g. Capitalization Policy

It is the Authority's policy to expense all expenditures of an administrative nature, unless they are material. Administrative expenditures include expenses directly incurred to support office operations, such as information technology hardware and software, office furniture and equipment.

h. Interest Income

Interest earned on Authority deposits is separated into Federal and State amounts based on each entity's actual funding and share of the Authority's expenditures. State of New Jersey earned interest is used to offset the State's share of expenditures.

3. GRANTS RECEIVABLE

The Federal grant receivable balance was \$ 860,271 and \$ 647,323 at December 31, 2011 and 2010 respectively.

4. LOAN PAYABLE

Loan Payable arises from charges for Indirect Office Support Services provided to the Authority by the New Jersey Economic Development Authority (NJEDA) during the period plus accrued interest. The Memorandum Of Understanding (MOU) between the Authority and the NJEDA, approved by each organization's Board of Directors, allows for the deferral of payment of support costs with interest accruing at 3% per annum, until the Authority derives income and or funding from sources allowing for its payment. The Board of each organization approved the deferral of the payment plus interest in accordance with the terms of the MOU.

	December 31,	
	<u>2011</u>	<u>2010</u>
Long-term debt	\$ 312,500	\$ 62,500
Accrued Interest	<u>5,156</u>	<u>469</u>
Subtotal	317,656	62,969
Less: current portion	<u>-0-</u>	<u>-0-</u>
Long term portion	\$ <u>317,656</u>	\$ <u>62,969</u>

5. RELATED PARTY TRANSACTIONS

a. Direct Office Support

The Authority is staffed by personnel employed by the New Jersey Economic Development Authority (NJEDA) in accordance with the Authority's enacting legislation. According to the terms of the Memorandum of Understanding between the Authority and NJEDA the direct office support expenses of payroll and fringe benefits incurred by NJEDA are payable to NJEDA on a quarterly basis no later than the last day of the month following the quarter, after which interest will accrue on the unpaid balance at an annual rate of 3%. Direct office support expense for the Fort Monmouth office support provided by NJEDA totaled \$ 1,017,192 for the year ended December 31, 2011 of which, \$ 259,975 is classified as a current liability, and \$ 48,063, the value of accrued vacation time and vested sick leave benefits is included in accrued liabilities. For the period from September 29, 2010 (inception) to December 31, 2010 direct office support totaled \$ 152,330 of which, \$ 130,552 was a current liability, and \$ 21,778, the value of accrued vacation time and vested sick leave benefits, is included in accrued liabilities at December 31, 2010.

RELATED PARTY TRANSACTIONS - continued

During the transitional period, from September 29, 2010, direct office support was also provided by the State of New Jersey through December 17, 2010 in accordance with the Authority's enacting legislation. Payroll and fringe benefits for staff provided by the State of New Jersey was \$81,223 for the period from September 29, 2010 to December 31, 2010. As of December 31, 2010 the current liability due to the State of New Jersey was \$258,625 which includes \$177,402 assumed by the Authority at the close-out of the Fort Monmouth Economic Revitalization Planning Authority. The State of New Jersey did not provide direct office support in 2011.

b. Office Support Services

The New Jersey Economic Development Authority also provides office support services to the Authority. These services include such items as payroll and benefits administration, human resources support, technical guidance on compliance with procurement law and executive orders, information technology support and governance and public information support. The office support service expense recorded for the year ended December 31, 2011 and the period from September 29, 2010 to December 31, 2010 was \$ 250,000 and \$ 62,500, respectively, and is classified with general and administrative expenses. The payment of such amounts are deferred and as such are included in the Loan Payable – New Jersey Economic Development Authority. See Note 4.

Interest expense on such loans of \$ 4,687 and \$ 469 has been recorded for the year ended December 31, 2011 and the period September 29, 2010 to December 31, 2010, respectively.

6. OPERATING LEASES

a. Golf Course and Facilities

The Authority has an operating lease for Nonfederal use of Real and Personal Property with the United States Army for the use designated in or consistent with the approved Reuse Plan covering the Leased Premises of the Fort Monmouth Suneagles Golf Course and associated Banquet/Restaurant facilities located in the Charles Wood Area of Fort Monmouth. The lease dated October 4, 2011, is for a period of one year with an option for one additional six-month period at the lessor's discretion. The consideration for the lease of the facilities is the Authority's obligation to assume the operation and maintenance of the Leased Premises for the benefit of the United States and the general public. Since, the Authority entered into an agreement with a golf course operator for the professional management and maintenance of such golf course and facilities under terms that cause such contractor to absorb the Authority's obligation to assume the operation and maintenance costs of the leased premises, the Authority has recorded no rental expense for the Leased Premises for the year ended December 31, 2011. See Note 2b.

OPERATING LEASES – continued

b. Equipment

The Authority entered into an operating lease for the rental of certain equipment necessary for the operation of the golf course and facilities at a rental rate of \$ 10,000 per calendar quarter. The agreement terminates December 31, 2012 or upon the sale of the golf course and facilities, whichever occurs first. The lease may be extended at the lessor's discretion. Rental expense under this agreement for the year ended December 31, 2011 was \$ 10,000.

Future minimum payments under the equipment lease are as follows:

Year ending - December 31, 2012	\$ 40,000
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c. Office Lease

The Authority leases office space at 2-12 Corbett Way, Eatontown, New Jersey, under two separate lease agreements.

The Authority is obligated for a five year lease agreement which expires on August 31, 2012 with an additional three year renewal option. The base rent under this agreement for the year ended December 31, 2011 was \$ 78,225 and for the period from September 29, 2010 to December 31, 2010 was \$ 19,294. According to the terms of this lease, the Authority is responsible for its proportionate share of increases in common area maintenance and real estate taxes above the base year of 2007. Aggregate rent expense under this operating lease was \$ 89,062 for the year ended December 31, 2011, and \$ 22,003 for the period from September 29, 2010 to December 31, 2010.

The Authority is obligated for a second lease for additional office space which was entered into on November 3, 2010 for a one year period with a ten month renewal option, which was exercised on November 3, 2011. The base rent under this lease agreement for the year ended December 31, 2011 was \$ 69,165, and for the period from September 29, 2010 to December 31, 2010 was \$ 11,450. Aggregate rent expense, including utilities, under this operating lease was \$ 73,372 for the year ended December 31, 2011, and \$ 13,951 for the period from September 29, 2010 to December 31, 2010.

Future minimum lease payments under both of the office operating leases are as follows:

Year ending - December 31, 2012	\$ 101,218
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7. RISKS AND UNCERTAINTIES

a. Concentration of Revenue

Principally all of the Authority's operating revenues are from Federal grants. The Authority's operations are subject to the continued funding and/or support from this source. Such funding is subject to change by governmental legislation, appropriations, and/or administrative regulations.

b. Grant Audits

The Authority's costs under the Department of Defense (DoD) Grant are subject to an independent follow-up audit. In the opinion of management, any adjustments resulting from subsequent audits are not expected to have an adverse effect on the accompanying financial statements.

c. Economic Dependence

The Authority is economically dependent on the continued support derived by annual appropriations from the State of New Jersey. Such funding is subject to change by governmental legislation, appropriations and/or administrative regulations.

8. SUBSEQUENT EVENTS

Events subsequent to December 31, 2011 were evaluated through May 8, 2012, the date when all necessary approvals for issuance of the financial statements were obtained.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2011	For the Period September 29, 2010 (Inception) to December 31, 2010
Equipment	\$ 7,134	\$ 1,830
Insurance	16,585	4,686
Office Rent	162,434	35,954
Legal Notices	5,135	182
Office Supplies and Postage	10,275	1,476
Communication	26,662	4,938
Temporary Office Staffing	25,146	-
Travel	6,338	1,078
Meetings and Seminars	3,726	239
Office Support Services	250,000	62,500
	<hr/>	<hr/>
TOTAL	<u>\$ 513,435</u>	<u>\$ 112,883</u>

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Agreement Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Defense Planning the reuse of Fort Monmouth	CL0595-09-03	12-607	1,113,788
U.S. Department of Defense Implementation of the reuse of Fort Monmouth	CL1012-11-01	12-607	1,123,179
			<hr/>
			\$ 2,236,967

The above schedule of expenditures of federal awards includes the federal grant activity of the Fort Monmouth Economic Revitalization Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHNEIDER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee
Fort Monmouth Economic Revitalization Authority

We have audited the financial statements of Fort Monmouth Economic Revitalization Authority, a component unit of the State of New Jersey, as of December 31, 2011 and for the year then ended and have issued our report thereon dated May 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Monmouth Economic Revitalization Authority's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Monmouth Economic Revitalization Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Schneider + Company

Schneider & Company
Certified Public Accountants, P.C.

Parsippany, New Jersey
May 8, 2012

SCHNEIDER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Audit Committee
Fort Monmouth Economic Revitalization Authority

Compliance

We have audited the compliance of Fort Monmouth Economic Revitalization Authority, a component unit of the State of New Jersey, (the "Authority") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the major federal program for the year ended December 31, 2011. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, and the grant applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurances about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item number 2011-1.

Internal Control Over Compliance

The management of Fort Monmouth Economic Revitalization Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

The report is intended solely for the information and use of the audit committee, management, others within the Authority, and the Federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Schneider & Company

Schneider & Company
Certified Public Accountants, P.C.

Parsippany, New Jersey
May 8, 2012

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATUS OF PRIOR AUDIT REPORTS

AS OF DECEMBER 31, 2011

There were no findings or questioned costs contained in the prior reports which covered the period September 29, 2010 to December 31, 2010. Therefore, follow-up of prior issues was unnecessary.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Reportable conditions identified that are not considered to be material weaknesses. ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not Considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011

Identification of major programs:

<u>Agreement Number</u>	<u>Funding Agency</u>	<u>Major Program</u>
CL0595-09-03	DoD, OEA	Planning the reuse of Fort Monmouth
CL1012-11-01	DoD, OEA	Implementation of the reuse of Fort Monmouth

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

U.S. Department of Defense

Planning the reuse of Fort Monmouth – CFDA 12-607

Grant No. CL0595-07-01

Grant No. CL0595-09-03

Fiscal Year Ended June 30, 2010 and three months ended December 31, 2010

Finding 2011-1

Condition and Criteria:

The Auditee failed to submit the required data collections forms (DCF) to the Federal Audit Clearinghouse (FAC) for the fiscal year ended June 30, 2010 of the Predecessor Authority and the three months ended December 31, 2010 of the Authority within nine months after the end of the audit period.

Effect:

The Auditee was not in compliance with OMB Circular A-133.

Cause:

The change in entity from the Predecessor Authority to the Fort Monmouth Economic Revitalization Authority caused delay in the timely submission of the data collections forms to the Federal Audit Clearinghouse.

Context:

The data collection forms for the fiscal year ended June 30, 2010 and the three months ended December 31, 2010 were submitted to the Federal Audit Clearinghouse after the nine month deadline.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011

Auditor's Recommendation:

The Auditee should timely submit future data collection forms to the Federal Audit Clearinghouse.

Views of Responsible Officials and Planned Corrective Actions:

The recommended procedures have been established.



Corrective Action Plan

Fort Monmouth Economic Revitalization Authority respectfully submits the following corrective action plan for the year ended December 31, 2011:

Findings – Federal Award Program Audits

Department of Defense

Finding Number 2011-1 Planning the reuse of Fort Monmouth – CFDA 12-607

Recommendation:

The Auditee should timely submit future data collection forms to the Federal Audit Clearinghouse.

Action Taken:

Management has established procedures to monitor submission deadlines to insure timely submission of data to the Federal Audit Clearinghouse in the future.

If the Department of Defense has questions regarding this corrective action plan, please call me at (732) 720-6350.

Very truly yours,

By Ms. Beverlee Akerblom
Director – Finance & Administration