



2014 Comprehensive Annual Report

Fort Monmouth Economic Revitalization Authority

www.fortmonmouthnj.com

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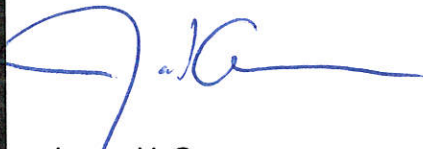
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A Message from FMERA Chairman James V. Gorman

In my role as Chairman of the Board of the Fort Monmouth Economic Revitalization Authority (FMERA), I am delighted at the progress FMERA made in 2014 as the Authority worked to restore jobs in the region and engage the impacted communities in the redevelopment process. Last year, FMERA took significant steps to enhance operations and stakeholder outreach; attract investors, developers and employers to the Fort; expand housing opportunities; and enhance community amenities and the quality of life for local residents.

From the closing of the former Patterson Army Health Clinic with AcuteCare Management Services in March to the issuance of nearly a dozen Requests for Proposals and Requests for Offers to Purchase, 2014 was a banner year in our ongoing efforts to redevelop Fort Monmouth. In addition, I welcome CommVault to its new world headquarters on the Fort. The company completed the first phase of construction and welcomed over 900 employees to their new home in December of 2014. This represents a major milestone in the Fort's redevelopment, and a catalyst for continuing success.

I commend and thank the FMERA Board and staff, as well as our partners in Tinton Falls, Oceanport and Eatontown for their hard work and dedication over the last year and their ongoing commitment.



James V. Gorman
Chairman, FMERA

FMERA 2014 Annual Report

Background

On August 17, 2010, Governor Chris Christie signed into law Senate Bill 917, the "Fort Monmouth Economic Revitalization Authority Act," P.L. 2010, c. 51. 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 had 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 20-year Reuse and Redevelopment Plan (Reuse Plan) for Fort Monmouth, created by FMERPA, 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, 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 a 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 fulfill the region's short-, medium-, and long-term development goals and provide broad-based economic opportunity.

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

Pursuant to its enabling statute, FMERA is empowered to enter into a designated redevelopment agreement with the New Jersey Economic Development Authority (EDA) and into redevelopment agreements with 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.

FMERA is governed by a 13-member board. The board includes nine voting members, consisting of three public members appointed by the Governor; one ex-officio member of the Executive Branch appointed by the Governor; the mayors of Eatontown, Tinton Falls, and Oceanport; one member of the Monmouth County Board of Chosen Freeholders; and the Chair of the EDA. The Commissioners of the New Jersey Departments of Labor and Workforce Development, Environmental Protection, Community Affairs, and Transportation serve as ex-officio, non-voting members of the board.

Local input on the Board makeup results in a broad representation of town, county and state interests. Further, the FMERA law requires 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.

In May 2012, FMERA took a historic step in the Fort's redevelopment with the signing of a Phase 1 Economic Development Conveyance Agreement (EDC Agreement) outlining the transfer process for the first 500+ acres of the property from the U.S. Army to the Authority. The EDC Agreement, approved by the FMERA Board in April 2012, is the overarching agreement between the Army and FMERA and lays out the process by which the property will be transferred.

FMERA engaged in an extensive negotiation process with the Army to establish the terms of the EDC Agreement, which encompasses the first phase of a two-phased process for the property transfer. Phase 1 consists of Charles Wood, and three parcels on the Main Post, which were transferred to FMERA in 2014. Phase 1 parcels include the Golf Course, Howard Commons, Marina, Clinic parcel, Parcel E, Parcel F, Parcel C, Parcel C1 and Parcel B, totaling just over 500 acres. Phase 2 will include the balance of the Main Post. FMERA continues to work aggressively to complete negotiations on the Phase 2 Economic Development Conveyance agreement with the Army and receive a deed to the property.

2014 Highlights

A New Role for FMERA

In June of 2014, FMERA reached a major milestone in its redevelopment, becoming a landowner with receipt of the deed for the Phase 1 properties. This marked the conclusion of several years of negotiations with the Army, as well as the beginning of a new set of significant responsibilities and obligations for FMERA. The Army continues to partner with FMERA in the sale of Phase 1 properties. At its July 2014 meeting, the FMERA Board authorized staff to hire Chenega Operations Services, LLC (COS), for on-call property maintenance services. FMERA and COS work diligently to maintain and secure the Phase 1 property.

As the Phase 1 properties move through the redevelopment process, significant infrastructure and utility improvements are required. FMERA has worked extensively with the County and Tinton Falls to make major improvements in the Charles Wood Area of the Fort. Several streets in the Charles Wood Area are now open to the public, and a new, lighted intersection at Corregidor and Hope Roads was installed in October 2014 to address traffic needs related to CommVault's new headquarters as well as future redevelopment in the Tinton Falls area.

Laying the Foundation for Redevelopment at Fort Monmouth

With two major companies building in Fort Monmouth, and a flurry of activity taking place throughout the year, FMERA made substantial strides in 2014 as it works to implement the Reuse Plan and attract investment and jobs to the region.



CommVault's new world headquarters, as of November 2014

After formally purchasing a 55-acre parcel of land from FMERA in 2013, technology-giant CommVault spent 2014 focusing on Phase 1 of its three-phase project. Phase 1 involved the construction of an approximately 275,000-square-foot facility to serve as its worldwide corporate headquarters. At full build-out, the company anticipates up to 650,000 square feet of new high-tech office/research space in one or more buildings on the site. Once the three phases of the project are completed, CommVault could create a total of up to 1,500 or more new jobs in the State. By December of 2014, CommVault had moved approximately 900 of its employees into its new headquarters. Plans are underway to begin Phase 2 of construction.

CommVault's Senior VP of Marketing and Business Development David West spoke at the Monmouth-Ocean Development Council's October meeting, held at Gibbs Hall in the Eatontown Reuse Area of the Fort. West discussed why the company chose to stay in New Jersey. Citing its easy access to New York City, Philadelphia and Washington DC, and, of course, the beach, West said Monmouth County is conducive to having a good quality of life. He noted that bringing jobs to the former Fort means that people will buy homes in the area and hotels will be occupied when people visit the company for meetings and other events. West also reiterated that CommVault is proud to be an anchor company in what is expected to be a technology hub in the region.

The redevelopment of Fort Monmouth reached a major milestone in March 2014 when FMERA closed with AcuteCare Health Systems, LLC on the 16-acre former Patterson Army Health Clinic parcel. The Clinic, also known as Building 1075, is a 98,000-square-foot medical facility located on Main Street in the Oceanport Reuse Area of the Main Post. Constructed in 1961 and expanded several times in the following decades, the Clinic served as an outpatient hospital and dental clinic at the time of the Fort's closure.

AcuteCare has undertaken multi-million dollar renovations to reuse the former Patterson Army Health Clinic as a state-of-the-art healthcare facility to improve access to health and wellness services for the region. Expected to open in early 2015, AcuteCare plans to create up to 200 new jobs.



Interior renovations at the former Patterson Army Clinic

Enhancing Operations & Outreach at Fort Monmouth

Throughout 2014, FMERA's master broker, Cushman & Wakefield, continued to market the former Fort Monmouth property to attract businesses and investors. To support this effort, the Cushman & Wakefield team showcased available properties via its website at www.fort-monmouth-marketing.com, which launched in early 2013. The site includes information that assists prospective purchasers in evaluating Fort Monmouth properties as they are brought to market.

In addition, FMERA staff and Cushman & Wakefield continued to reach out to real estate developers, investors and employers to set up presentations and familiarization tours in order to maximize interest in the property. Over 200 tours and meetings took place in 2014.

Through FMERA's small business initiative, the Authority has met with over 100 small businesses interested in relocating to the former Fort, with strong interest from the light manufacturing and technology sectors. Cushman & Wakefield has also provided ongoing assistance to FMERA's small business attraction efforts.

At its November 2014 meeting, the FMERA Board approved a contract renewal for Phillips Preiss Grygiel, LLC (PPG) as FMERA's professional planning consultant following an RFP selection process. Since beginning as FMERA's planning consultant in 2011, PPG has been instrumental in helping to shape FMERA's vision for the redevelopment of Fort Monmouth. Under the new contract, PPG will work with FMERA to finalize the Historic District Guidelines, prepare new Plan Amendments as needed and provide guidance for open space considerations. PPG will also assist in the development of a transportation, infrastructure and/or special improvement district on the former Fort and in the development of a public arts plan.

In July 2014, FMERA engaged Weblinx, Inc., to provide Marketing Consultant/Creative Agency Services for brand development and website design. FMERA staff worked with Weblinx to create a new logo and tagline that captures both the history and potential present at Fort Monmouth. The logo, tagline and new website was set to be launched in March or April 2015.



FMERA's newly unveiled branding

As new property owners, FMERA also undertook the maintenance and repurposing of a significant amount of personal property associated with the land and buildings comprising Phase 1. FMERA staff engaged The Auctioneers Group, which was selected through an RFP process for Professional Auctioneering Services in July 2014, to run auctions of the Phase 1 personal property. The Auctioneers Group conducted a series of five auction events throughout

October and December to sell off personal property contained within the former FBI Building, Military Prep School, Buildings 1201-1203, and the Myer Center, as well as the 20,000-square-foot sports dome in Eatontown. More than \$855,000 was raised through the auctions in 2014. Net proceeds from the auctions will be invested in the Fort's redevelopment, per federal requirements. FMERA and The Auctioneers Group have begun planning for Phase 2 auctions, as well as a community-focused, small-lot auction that will allow the general public to bid on single items and bring home a bit of history from the Fort.

Driving Job Creation and Reinvestment

With a central focus on attracting investors, developers and employers to the Fort, FMERA issued eight RFPs and Requests for Offers to Purchase (RFOTPs) in 2014, paving the way for job creation and economic growth in the region.

FMERA adheres to adopted and published Sales and Lease Rules, previously approved by the FMERA Board. These regulations establish strict procedures for the competitive sale and lease of real property within the former Fort Monmouth, and accompanying personal property, and require publically advertised RFOTPs, Requests for Sealed Bids or RFPs on any real property within Fort Monmouth before a sale or lease may take place. The regulations have been reviewed by the Army, and have been accepted as satisfying the requirement for competitive bidding and transparency related to the sale and lease of any Fort Monmouth real property.

In August, FMERA issued an RFOTP for Satellite Road Parcel 1, a 1.5-acre parcel in the Tinton Falls Tech/Office Campus development district. The Reuse Plan reflects the area as open space; however, in an effort to attract more businesses, FMERA is considering an amendment to the Reuse Plan to also allow for commercial or institutional uses or to allow this parcel to be used for off-street parking in connection with an adjacent commercial use.

FMERA issued an RFOTP in November for the Charles Wood Fire Station, which is situated on a 2.25 acre parcel of land in the Tinton Falls Tech/Office Campus development district. According to FMERA's Reuse Plan, this property can be used for office, research, institutional, civic or recreational uses.



Charles Wood Fire Station in Tinton Falls

FMERA closed out the year by issuing three RFOTPs in December: Parcel F-1 and Parcel F-2, both located in Tinton Falls, and Howard Commons in Eatontown.

Parcel F-1 holds several prominent buildings, including the 673,000-square-foot Myer Center and the 47,000-square-foot former Night Vision Lab. It is anticipated that both of these buildings will be demolished to make way for new development. Although no responses were received by the March RFOTP deadline, FMERA is optimistic that either research and development, or an entertainment, retail, or related use will be developed, given the site's excellent Garden State Parkway access and the neighboring development projects.

The FMERA Board showed its continued support for veterans at its September Board meeting, approving the issuance of an RFOTP for Parcel F-2, with the goal of developing a residential community for veterans. At the meeting, FMERA Executive Director Bruce Steadman emphasized that including a veterans community in the redevelopment of the Fort is a top priority for the Board, staff and Veterans Staff Advisory Committee. Parcel F-2 consists of approximately 15 acres along Satellite Drive in the Tinton Falls portion of the former Fort. FMERA issued the RFOTP in December, and received one response in March 2015. An evaluation of the response is underway, and FMERA hopes to begin negotiations for a veterans' project in 2015.

Located a half-mile from Exit 105 on the Garden State Parkway, Howard Commons is a 63.67-acre tract on Pinebrook Road in the Fort's Charles Wood Area. FMERA worked diligently to reissue an RFOTP for this property after the prospective purchaser under contract as of February 2014 exercised its rights under the Purchase and Sale and Redevelopment Agreement to terminate its contract. In just a few short months, FMERA ended its negotiations with the contracted purchaser, terminated the original RFOTP and reissued an updated RFOTP for Howard Commons. Plans call for the demolition of the 486 existing townhomes on the site due to their age, condition, density and design. According to the Reuse Plan, the demolished townhomes will be replaced with 275 new residential units, 20 percent of which would be designated for affordable housing, and an additional 12,530 square feet of retail/commercial space. Proposals are due in April 2015.

In addition to issuing RFOTPs, FMERA also furthered redevelopment efforts by entering into exclusive negotiations with developers for multiple parcels.



Historic Officer Housing in Oceanport

In October 2014, FMERA entered into exclusive negotiations with RPM Development, LLC for the Officer Housing in Oceanport's Historic District. The Officer Housing property surrounds the Parade Grounds with 117 historic residential units in single, duplex and four-plex configurations. Including Gosselin, Russel, Carty and Allen Avenues, the property consists of two parcels of 26.5 and nine acres. The Reuse Plan calls for the buildings to be reused as residential housing, and redevelopment is restricted according to the property's historic designation. Negotiations between FMERA and RPM remain ongoing.

FMERA entered into exclusive negotiations with Lennar Corporation for Parcels C and C1 following the April Board meeting. The areas under negotiations total 51 acres, representing a significant redevelopment for Tinton Falls. Lennar's proposals call for a total of 288 residential units with 20 percent set aside for affordable housing, emphasizing connectivity through the site to the existing roads while encouraging pedestrian activity to link the neighborhoods with retail and commercial areas. Parcel C includes a community green to support civic activity, and both parcels will include tree-lined streets and sidewalks to create a vibrant "town center" environment throughout the community.

At the May meeting, the Board authorized FMERA to enter into exclusive negotiations with Pinebrook Commerce Center LLC (PCC) to finalize a purchase agreement for the Pinebrook Road Commerce Center and with Kiely Realty Group for the Pistol Range. Both of these parcels are located in Tinton Falls, and are potentially significant employment generators on the Fort.

The Pinebrook Road Commerce Center includes five acres of land in the Charles Wood Area. Five of the structures in the Center make up the Fort's former Fabrication Shops, which were identified by FMERA as being suitable for a multi-tenanted business park, with the goal of attracting small businesses to the property. Constructed in 1942, the Fabrication Shops total over 44,000 square feet with industrial/office space in varying single-story building configurations that range in size from 7,680-10,944 square feet. Each building offers adaptable space for up to five small businesses. PCC has a strong record of success owning and operating

similar properties in Long Branch and Port Monmouth, and anticipates the creation of nearly 100 new jobs.

Completed in 2006, the 11,110-square-foot Pistol Range features 10 indoor, wholly enclosed firing lanes, and sits on a one-acre parcel that can be expanded to include an additional 2.5 acres of adjacent land and/or buildings. Consistent with the RFOTP, Kiely intends to use the facility as a commercial firearms range, offering a shooting and educational experience to the public, government entities and private membership. The Long Branch-based company also expects to add a 10,000-square-foot addition to the existing structure, which will expand the educational and training areas of the range. Among other features, Kiely plans to integrate green building concepts, including roof-mounted solar energy and a rain garden. Kiely's proposal also includes plans for an outdoor, lighted display of Fort Monmouth historical artifacts and monuments, including the Dymaxion Deployment Unit and the Huey helicopter and C-130 fuselages. A second phase of the conceptual site plan includes the development of the existing 5,000-square-foot structure located on the 2.5 additional acres into flex office space and parking.



Fort Monmouth Fitness Center in Oceanport

In March 2014, FMERA issued an RFOTP for the Fitness Center. The two-story, 32,250-square-foot facility features a 25-yard pool, a basketball court and racquetball courts with hardwood floors, and various weight and aerobic rooms with rubber tile flooring. FMERA received one proposal in response to the RFOTP and is currently negotiating a purchase agreement with the sole proposer. Because the property is located outside of the Fort's Phase One project area, FMERA's ability to sell the property is tied to execution of a Phase 2 EDC Agreement with the Army.

At its August 2014 meeting, the FMERA Board approved entering into negotiations with AP Development Partners, LLC for the redevelopment of the Marina parcel, which it currently operates. Located at Oceanport and Riverside Avenues in the Oceanport section of the former Fort, the Marina is a 3.9-acre parcel that consists of a 71-slip marina and boat launch ramps on Oceanport Creek, a 2,600 square-foot boat house, two administrative buildings and associated off-street parking.

In addition to successfully completing negotiations, FMERA's execution of contracts to sell properties is subject to the FMERA Board's final approval of the terms and conditions of sale.

Enhancing Community Amenities and Quality of Life

While FMERA works to redevelop Fort Monmouth, local residents continue to benefit from the Fort's many amenities.



Fort Monmouth Marina in Oceanport, under construction while in operation in August 2014

Independence Day revelers had the opportunity to celebrate at the Marina, which opened to boat traffic ahead of the holiday weekend. As FMERA continued to evaluate proposals from an RFOTP issued in October 2013 for the Marina Parcel, a subsequent RFP was issued for an interim marina operator to ensure that the public would have access during the summer. Interim operator AP Development Partners opened the Marina on June 28th so that boaters could celebrate the 4th of July weekend and the rest of the summer season at Fort Monmouth. AP Development Partners is making extensive renovations to the existing marina building and the company hopes to open the location as a full service bar and 100-seat restaurant in early 2015.

FMERA's selection of Atlantic Golf Management to provide professional management and maintenance services at the Suneagles Golf Course and associated banquet and restaurant facilities was approved by the Board at its February Board Meeting. Under the 12-month agreement, which started in April 2014, AGM pays a monthly operator fee. AGM leased a new golf cart fleet, and will make select repairs of tee boxes and sand traps. The Golf Club is open seven days a week all year round, weather permitting, and had 168 members in 2014, with a total of 28,306 rounds of golf played on the course.

Continuing a nearly century-long tradition at Fort Monmouth, FMERA joined with the U.S. Army to celebrate National Flag Day on June 14th, a day set aside to recognize the rich history of Fort Monmouth and to honor all those who have so valiantly served in the U.S. Army. A ceremony, which was open to the public, also commemorated the 239th birthday of the U.S. Army.

The Monmouth-Ocean Development Council (MODC) held its October meeting at Gibbs Hall on Fort Monmouth's picturesque Suneagles Golf Course. Attendees learned about New Jersey's rich history of shaping technology to date. In addition to hearing from David West from CommVault, FMERA Board Member Dr. Robert Lucky and NJIT's Dr. Donald H. Sebastian, the President and CEO of New Jersey Innovation Institute, walked the audience through New Jersey's deep roots in technology and innovations over the years. Dr. Lucky pointed out that the concept of the cellular network was conceived in Holmdel in 1947. He also

noted that radio astronomy was launched in New Jersey, and that the first signal to a satellite was sent from the state. Dr. Sebastian talked about the transformation of the telecommunication, petrochemicals, pharmaceutical, and light manufacturing industries, all of whose origins have ties to New Jersey. Over lunch, attendees heard all about the benefits of driverless car technology from Dr. Alain Kornhauser, research professor at Princeton University.



Flag Day event at Fort Monmouth, June 14, 2014



Gibbs Hall on Fort Monmouth's Suneagles Golf Course in Eatontown

In the fall of 2014, FMERA worked with the Oceanport Police Department (OPD) to relocate their police station to the Main Post Fire House in Oceanport, which is located in the Fort Monmouth Historic District. Following Superstorm Sandy, OPD and the Borough were seeking locations to move their operations, and the Fire House was determined as a preferred location. As the Fire House is located in the Phase 2 property that is still owned by the Army, FMERA secured a one-year lease with the Army in October 2014, with options for two 6-month extensions. FMERA prepared a sublease of the property for the OPD, mirroring the conditions and stipulations included in the Army lease. The OPD performed extensive renovations to the building and moved in throughout the fall of 2014. This is a beneficial arrangement for the local residents and the Borough, as well as FMERA, and the Authority welcomes its new neighbors to the Fort.

Looking Ahead

FMERA anticipates finalizing the terms of the Phase 2 EDC Agreement with the Army and executing the agreement by summer 2015, setting the stage for FMERA to launch a full-scale effort to market and redevelop the balance of the Main Post. Finalizing the Phase 2 EDC Agreement will enable FMERA and its master broker, Cushman and Wakefield, in cooperation with the New Jersey Partnership for Action, to launch a comprehensive effort to attract employers to the Main Post.

With CommVault opening its doors and AcuteCare expected to soon open, FMERA looks to build upon the momentum these anchor companies provide in attracting businesses – both large and small – to the region.

FMERA reaffirms its commitment to its goal of recognizing the sacrifices of our nation's veterans by pursuing projects and programs through developers and outside providers that show our gratitude for their service to our country, and honor the history of Fort Monmouth and its important contributions to the national defense. As one step in that process, FMERA plans to establish Design Guidelines for the Fort Monmouth Historic District in early 2015.

Lastly, FMERA will continue its outreach to the local community and work to reintegrate the Fort into the host municipalities. Staff will continue to work toward enhanced public access, provide new bus tours and public events, including the community-focused public auction and additional large-lot auctions for Phase 2 property. FMERA staff is working with PPG to finalize an Open Space Inventory plan for the Fort, and incorporate the open space analysis into planning for new RFOTPs. In addition, FMERA will work with the local communities and artists to bring a public arts component to the Fort.

FMERA looks forward to its fifth full year with optimism, invigorated by 2014's successes and the confidence that 2015 will be a pivotal year in the Fort's redevelopment.

Board Members

James V. Gorman, *Chairman*
Public Member

Robert Ades, *Vice-Chairman*
Public Member

Dr. Robert Lucky
Public Member

Al Koeppe
Chairman

New Jersey Economic Development Authority

John Spinello
Officer of the Governor, Authorities Unit

Lillian Burry
Freeholder, County of Monmouth

Dennis Connelly
Mayor, Eatontown

Michael Mahon
Mayor, Oceanport

Gerald Turning
Mayor, Tinton Falls

Bob Martin
Commissioner
New Jersey Department of Environmental Protection

Jamie Fox
Commissioner
New Jersey Department of Transportation

Charles E. Richman
Acting Commissioner
New Jersey Department of Community Affairs

Harold Wirths
Commissioner
**New Jersey Department of Labor & Workforce
Development**

Board Committees

Audit Committee
Robert Ades, Chairman
James V. Gorman
Al Koeppe

Real Estate Committee
James V. Gorman, Chairman
Freeholder Lillian Burry
Dr. Robert Lucky
Mayor Michael Mahon

Certifications Pursuant to Executive Order 37

April 16, 2015

In accordance with Executive Order No. 37, the Fort Monmouth Economic Revitalization Authority's 2014 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, Clifton Larson Allen, dated April 16, 2015, 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, 2014.

A handwritten signature in black ink, appearing to read 'B. Steadman', with a stylized, cursive script.

Bruce Steadman
Executive Director

I, Jennifer Lepore, 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, 2014.

A handwritten signature in blue ink, appearing to read 'Jennifer Lepore', with a stylized, cursive script.

Jennifer Lepore
Senior Finance Officer

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
Oceanport, New Jersey**

**REPORT ON FINANCIAL STATEMENTS AND
FEDERAL AWARDS**

DECEMBER 31, 2014 and 2013

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
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REPORT OF INDEPENDENT AUDITORS'

To the Audit Committee and Management of
Fort Monmouth Economic Revitalization Authority
Oceanport, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Fort Monmouth Economic Revitalization Authority (the Authority), a component unit of the State of New Jersey, which comprise the statement of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 7, 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements and the schedule of general and administrative expenses by fund on pages 24 – 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 29, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, the schedule of general and administrative expenses by fund, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 16, 2015

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

This section of the Fort Monmouth Economic Revitalization Authority's ("Authority" or "FMERA") annual financial report presents management's discussion and analysis of the Authority's financial performance for the years ended on December 31, 2014 and 2013. Please read it in conjunction with the Authority's financial statements, and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The purpose of the Authority is to implement the comprehensive Fort Monmouth Reuse and Redevelopment Plan ("Reuse Plan") for redevelopment and revitalization of the 1,126 acres comprising Fort Monmouth. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information about the Authority using full accrual accounting method as utilized by private businesses engaged in comparable business activities, such as real estate development.

2014 FINANCIAL HIGHLIGHTS

- The Authority's net position increased \$21,746,538
- Total assets increased \$46,122,484
- Total current liabilities increased \$24,375,946
- Capital assets - net decreased \$33,057 due to depreciation of Leasehold Improvements on the former Post library used as the Authority's offices
- Economic development conveyance revenue of \$15,706,778 from the acquisition of the Phase 1 Economic Development Conveyance (EDC) Property, with the exception of Parcels E and the Clinic Parcel, the titles for which were transferred to FMERA in 2012 and 2013, respectively and the Marina Parcel which is expected to be conveyed in the 2nd quarter of 2015
- Earned \$82,374 in Operating Fees from the professional management and maintenance agreement for operation of Suneagles Golf Course and Facilities
- Earned \$380,181 in Other Revenue from Auctions conducted to sell personal property acquired by the Authority from the US Department of the Army in the Phase 1 EDC and \$56,755 from the use of the cell tower on the Phase 1 property and other miscellaneous income

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: The following table summarizes the changes in Net Position for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	Dollar Change	Percentage Change	2012	Dollar Change	Percentage Change
Current Assets	\$59,303,389	\$13,349,160	\$ 45,954,229	344%	\$ 7,680,614	\$ 5,668,546	74%
Noncurrent Assets	928,031	759,776	\$ 168,255	22%	64,086	\$ 695,690	1086%
Total Assets	60,231,420	14,108,936	\$ 46,122,484	327%	7,744,700	\$ 6,364,236	82%
Current Liabilities	33,553,920	9,177,974	\$ 24,375,946	266%	3,787,106	\$ 5,390,868	142%
Total Liabilities	33,553,920	9,177,974	\$ 24,375,946	266%	3,787,106	\$ 5,390,868	142%
Net Position	<u>\$26,677,500</u>	<u>\$ 4,930,962</u>	<u>\$ 21,746,538</u>	<u>441%</u>	<u>\$ 3,957,594</u>	<u>\$ 973,368</u>	<u>25%</u>

During 2014, the Authority's combined net position increased \$21.747 thousand (or 441%) due to:

- \$15.279 million Economic Development Conveyance (EDC) revenue, Operating fee from Suneagles Golf Course and Other Revenue
- \$ (38) thousand Office of Economic Adjustment (OEA) grant award (negative amount is due to timing of payment of reimbursement request)
- \$ 89 thousand State Appropriation
- \$6.417 million Homeless Fund revenue and Net Asset transfer from NJHMFA

During 2013, the Authority's combined net position increased \$973.3 thousand (or 25%) due to:

- \$603 thousand Economic Development Conveyance (EDC) revenue and Operating fee from Suneagles Golf Course
- \$335 thousand Office of Economic Adjustment (OEA) grant award
- \$ 35 thousand State Appropriation

Operating Activities

The Authority was created to help provide investment, continuity and economic growth to the communities impacted by the federal government's 2005 decision to close the Army Garrison at Fort Monmouth. FMERA has been designated by the State of New Jersey to lead the economic redevelopment of the Fort, with a focus on technology-based industries. The former Fort consists of 1,126 acres located within the jurisdictions of Eatontown, Oceanport and Tinton Falls, all within Monmouth County, New Jersey. The Army ceased operations and formally closed Fort Monmouth on September 15, 2011.

The Reuse Plan 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 continues its commitment to 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*

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

property. The Authority has been granted many tools through its forming legislation, in order to revitalize and redevelop the former Fort Monmouth property, and implement the Reuse Plan. Among these are the ability to undertake redevelopment projects, adopt development and design guidelines and land use regulations, and maintain or upgrade utilities, streets, roads or other infrastructure required by the Reuse Plan. The Reuse Plan and the "Homeless Assistance Submission" (HAS) were submitted to the United States Departments of Defense (DOD) and Housing and Urban Development (HUD) on September 4, 2008 for their review. HUD issued its favorable determination letter on June 16, 2011 enabling the Authority to move forward with implementing the Reuse Plan. Upon the execution of the Phase 1 EDC Agreement on June 25, 2012, FMERA commenced the redevelopment of the former Fort Monmouth and obtained title for 500 acres of former Army property.

The Phase 1 EDC is comprised of 563 acres, including the Charles Wood Area (in Tinton Falls and Eatontown), Parcel B (in Eatontown), and the Clinic and Marina parcels (in Oceanport). FMERA received the Phase 1 deed on May 29, 2014, except for Parcels E and the Clinic parcel, the titles for which were transferred to FMERA in 2012 and 2013, respectively and the Marina Parcel which is expected to be transferred in the 2nd quarter of 2015.

The Phase 2 EDC is comprised of the remaining 564 acres of the former Fort, split between Eatontown and Oceanport. The transfer of the balance of the Main Post will be accomplished under a Phase 2 Memorandum of Agreement. The Phase 2 Parcels are expected to be transferred in the 2nd quarter of 2015.

As a recognized implementation Local Redevelopment Authority (LRA), under the Base Realignment and Closure (BRAC) law, the Authority is eligible for financial assistance through the Defense Economic Adjustment Program and administered by the Office of Economic Adjustment (OEA). The 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 for organizing and planning economic recovery, and the implementation of Reuse Plans 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. Grant revenue is earned when the Authority has complied with the terms and conditions of the grant agreements. The Authority also earns income from operating fees from the Suneagles Golf Course, proceeds from the sale of personal property at auctions, for the use of the cell tower and from conveyance revenue on the transfer of the Phase 1 EDC parcels to third party buyers according to the terms of the Phase 1 EDC Agreement.

The following table summarizes changes in operating and non-operating activities between fiscal year 2014, 2013, and 2012:

	2014	2013	Dollar Change	Percentage Change	2012	Dollar Change	Percentage Change
Operating Revenue	\$ 23,229,512	\$ 2,607,701	\$20,621,811	791%	\$5,789,191	\$ (3,181,490)	(55%)
Operating Expenses	3,214,152	1,885,153	1,328,999	70%	2,239,347	(354,194)	(16%)
Operating Revenue (Loss)	20,015,360	722,548	19,292,812	2670%	3,549,844	(2,827,296)	(80%)
Non-Operating Revenue	1,731,178	250,820	1,480,358	590%	263,342	(12,522)	(5%)
Change in Net Position	21,746,538	973,368	20,773,170	2134%	3,813,186	(2,839,818)	(75%)
Net Position - Beginning of Year	4,930,962	3,957,594	973,368	25%	144,408	3,813,186	2,641%
Net Position - End of Year	<u>\$ 26,677,500</u>	<u>\$ 4,930,962</u>	<u>\$21,746,538</u>	<u>441%</u>	<u>\$3,957,594</u>	<u>\$ 973,368</u>	<u>25%</u>

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

Operating Revenue and Expenses

During 2014, the Authority's operating revenues were impacted by the following:

- EDC revenue increased by \$14,909,754 – Due to the transfer of the Phase 1 property from the Army (with the exception of the Marina Parcel)
- Homeless Fund Revenue increased by \$5,862,962 – Due to the transfer of the Phase 1 property from the Army (with exception of the Marina Parcel) and the sale of the Clinic Parcel
- Grant revenue decreased by \$177,877 – Federal grant revenue is directly related to the reimbursement of qualified expenses incurred during the period which decreased during the period
- Operating fee income from the golf course operator decreased by \$28,971
- Other income increased by \$56,755 mainly from usage of the cell tower acquired with the Phase 1 property

During 2013, the Authority's operating revenues were impacted by the following:

- EDC revenue decreased by \$3,040,556 – Authority's agreed share of Clinic parcel proceeds less than 2012's property conveyance of Parcel E
- Grant revenue lower by \$109,269 – Federal grant revenue is directly related to the reimbursement of qualified expenses incurred during the period which decreased during the period
- Operating fee income from the golf course operator decreased by \$32,477

The 2014 Operating Revenue increased as a result of the Army's transfer of the remainder of the Phase 1 property (with the exception of the Marina Parcel) to the Authority under the terms of the Phase 1 EDC Agreement.

The 2014 Operating Expenses increased by \$1,328,999, compared to 2013. The 2014 Program Costs were \$544,574 more than 2013 due to the carrying costs associated with the conveyance of the Phase 1 parcels from the Army. The 2014 Homeless Fund expense increased by \$550,000 due to the Authority's first payment toward the Homeless Fund obligation per the Legally Binding Agreement for Homeless Provider Services.

Non-Operating Revenue – Net

In 2014, non-operating revenues – net, increased by \$1,480,358 due to auctions held to dispose of personal property conveyed to the Authority from the Army and the net asset transfer from NJHMFA for \$1,103,204. In 2013, non-operating revenues – net, decreased by \$12,522 due to a reduction in the State appropriation.

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, by mail at P.O. Box 267, Oceanport, New Jersey 07757.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents	\$ 90,185	\$ 436,203
Grant and Other Receivables	800,693	344,658
Land - Held for Resale	48,126,770	2,733,300
Prepaid Expenses and Other Assets	<u>93,366</u>	<u>30,593</u>
Total Unrestricted Assets	49,111,014	3,544,754
Restricted Assets		
Cash - Economic Development Conveyance	3,665,059	3,271,879
Cash - Property Sales Deposits	803,963	4,315,167
Homeless Fund	874,659	1,103,204
Escrow - AcuteCare	1,325,584	-
Escrow Deposit - Property Sale	<u>3,523,110</u>	<u>1,114,156</u>
Total Restricted Assets	10,192,375	9,804,406
NONCURRENT ASSETS		
Costs Capitalized for Future Conveyance	201,312	-
Leasehold Improvements, Net	<u>726,719</u>	<u>759,776</u>
Total Noncurrent Assets	928,031	759,776
 Total Assets	 <u>60,231,420</u>	 <u>14,108,936</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	657,611	307,189
Deposits - Property Sales	4,327,073	5,429,323
Escrow - AcuteCare	1,325,584	-
Land Conveyance Liabilities	26,877,910	1,936,276
Homeless Fund	-	1,103,204
Unearned Grant Revenue	-	85,821
Due to NJ Economic Development Authority	<u>365,742</u>	<u>316,161</u>
Total Liabilities	33,553,920	9,177,974
NET POSITION		
INVESTMENT IN CAPITAL ASSETS	726,719	759,776
RESTRICTED	10,081,800	3,271,879
UNRESTRICTED	<u>15,868,981</u>	<u>899,307</u>
Total Net Position	<u>\$ 26,677,500</u>	<u>\$ 4,930,962</u>

See accompanying Notes to the Financial Statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Federal Grants	\$ 1,520,643	\$ 1,698,520
Local Government Contributions	-	812
Economic Development Conveyance	15,706,778	797,024
Homeless Fund - Restricted	5,862,962	-
Operating Fee	82,374	111,345
Other	<u>56,755</u>	<u>-</u>
Total Operating Revenue	23,229,512	2,607,701
OPERATING EXPENSES		
Direct Office Support	1,350,429	1,233,994
General and Administrative	241,735	157,168
Homeless Fund	550,000	-
Interest	-	10,397
Program Costs	992,649	448,075
Depreciation	<u>79,339</u>	<u>35,519</u>
Total Operating Expenses	<u>3,214,152</u>	<u>1,885,153</u>
OPERATING INCOME	20,015,360	722,548
NON-OPERATING REVENUE		
State Appropriation	245,135	248,304
Interest Income	2,658	2,516
Net Position Transfer	1,103,204	-
Other	<u>380,181</u>	<u>-</u>
Total Non-Operating Revenue	<u>1,731,178</u>	<u>250,820</u>
CHANGE IN NET POSITION	21,746,538	973,368
Net Position - Beginning of Year	<u>4,930,962</u>	<u>3,957,594</u>
NET POSITION - END OF YEAR	<u><u>\$ 26,677,500</u></u>	<u><u>\$ 4,930,962</u></u>

See accompanying Notes to the Financial Statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal Grants	\$ 1,190,883	\$ 1,840,979
Receipts from Customers and Users (Golf Course and Cell Tower)	74,325	152,479
Payments for Personnel Services	(1,313,806)	(1,202,760)
Payments to Suppliers	(1,120,088)	(570,808)
Deposits Received (Returned)	(3,511,204)	4,291,620
Other Receipts	-	812
Proceeds from Property Sale	2,733,300	5,900,000
Payments to U.S. Army	(1,615,396)	(959,395)
Payments related to Homeless Fund	(550,000)	(1,103,025)
Net Cash Provided (Used) by Operating Activities	(4,111,986)	8,349,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriation	245,135	248,304
Miscellaneous Non-Operating Income	232,888	-
Net Position Transfer	1,103,204	-
Proceeds (Payment) of Note Payable	-	(100,000)
Net Cash Provided by Noncapital Financing Activities	1,581,227	148,304
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Payments for Leasehold Improvements	(46,282)	(731,209)
Cash Payments for Costs Capitalized for Future Conveyance	(15,000)	-
Net Cash Used by Capital and Related Financing Activities	(61,282)	(731,209)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from Investments	2,658	2,516
Net Cash Provided by Investing Activities	2,658	2,516
NET INCREASE (DECREASE) IN CASH	(2,589,383)	7,769,513
Cash - Beginning of Year	8,023,249	253,736
CASH - END OF YEAR	<u>\$ 5,433,866</u>	<u>\$ 8,023,249</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 20,015,360	\$ 722,548
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	79,339	35,519
Change in Assets and Liabilities:		
Grant and Other Receivables	(308,742)	238,084
Prepaid Expenses and Other Assets	(62,773)	(13,566)
Land - Held for Resale	(45,393,470)	3,166,700
Loan Acquisition Fees	-	9,500
Accounts Payable and Accrued Liabilities	164,110	72,648
Deposits - Property Sales	(3,511,204)	4,291,620
Land Conveyance Liabilities	24,941,634	(126,144)
Unearned Grant Revenue	(85,821)	(54,491)
Due to NJ Economic Development Authority	49,581	7,484
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,111,986)</u>	<u>\$ 8,349,902</u>
NON CASH TRANSACTIONS		
Land Conveyance from U.S. Army	<u>\$ 48,126,770</u>	<u>\$ 2,733,300</u>

See accompanying Notes to the Financial Statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

Fort Monmouth Homeless Fund

The Authority administers the funds of the Fort Monmouth Homeless Fund, as established by four (4) Legally Binding Agreements (LBAs) approved by the department of Housing and Urban Development (HUD). The New Jersey Housing Mortgage Finance Agency ("HMFA") was the agency designated for coordinating the homeless services in New Jersey at the time the LBAs were executed. They were officially relieved of their responsibilities in this regard for such services at Fort Monmouth in March 2014 and the Authority was designated as the agency responsible for coordinating such homeless services and implementing the Homeless Assistance Submission. At December 31, 2014, the cash held in the segregated accounts have been included in the Authority's statements of net position as an asset. At December 31, 2013, the cash was held in segregated accounts and was included in the Authority's statements of net position as assets and liabilities. The cash balances total \$874,659 and \$1,103,204 at December 31, 2014 and 2013, respectively.

Basis of Accounting and Presentation

The financial statement presentation has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting.

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. Separate accounts are maintained for each fund to ensure observance of limitations and restrictions on the use of financial resources. Financial resources are classified for accounting and reporting purposes in funds established according to their nature and purpose.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Economic Development Conveyance and Federal Grant Revenue

The Authority recognizes revenue to the extent the fair market value of property transferred to FMERA by the United States Department of the Army exceeds the aggregate of the Economic Development Conveyance contracted liabilities to the Army and the FMERA Homeless Fund for such parcel in accordance with Government Accounting Standards (GASB) Statement No. 33 *"Accounting and Financial Reporting for Non-Exchange Transactions."*

In a non-exchange transaction, a government gives value without directly receiving equal value in return. Voluntary non-exchange transactions include grants and entitlements which included the Authority's receipt of both cash and property from the Federal government and the United States Department of the Army.

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.

Lease and Operating Fee Revenue

The Authority recognizes lease and operating fee revenue when earned in accordance with the provisions of the underlying lease and operating agreements.

Non-Operating Revenue

Non-operating revenues include appropriations from the State of New Jersey and income earned on the investment of funds and other income from proceeds from the auction of personal property.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less, and units of participation in the State of New Jersey Cash Management Fund ("NJCMF") to be cash equivalents. The NJCMF is managed by the State's Division of Investment under the Department of the Treasury. All investments must fall within the guidelines set forth by the Regulations of the State Investment Council. The Division of Investment is permitted to invest in a variety of securities to include obligations of the U.S. Government and certain of its agencies, certificates of deposit, commercial paper, repurchase agreements, bankers' acceptances and loan participation notes. Investment guidelines provide that all investments in the NJCMF should mature or are to be redeemed within one year, except that up to 25% of the NJCMF may be invested in eligible securities which mature with 25 months; provided, however, that the average maturity of all investments in the NJCMF shall not exceed one year. Cash equivalents are stated at fair value.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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.

Capitalization Policy

Assets conveyed by the Army are stated at their estimated fair market value at the date of transfer.

Unless material, it is the Authority's policy to expense all costs of an administrative nature. Administrative expenditures typically include expenses directly incurred to support staff operations and the capitalization threshold is \$35,000.

Depreciation Policy

Capital assets are stated at cost. Depreciation is computed when the asset is placed in service using the straight-line method over the following estimated economic life of the assets:

Leasehold Improvements	10 years, Lease Term
Vehicles	5 years
Furniture and Equipment	5-7 years

Interest Income

Interest earned on Authority grant 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.

Pending Accounting Standards

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Accounting Standards (Continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68, concerning transition provisions related to certain pension contributions made to defined pension plans prior to implementation of that Statement made by employers and nonemployer contributing entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority has not completed the process of evaluating the impact of GASB 72 on its financial statements.

NOTE 2 CASH BALANCES

At December 31, 2014 the Authority maintains Government Advantage Interest Checking Accounts with a financial institution. Funds in excess of the Federal Deposit Insurance Corporation (FDIC) insured amounts are protected by the Governmental Unit Deposit Protection Act (GUDPA). Cash deposits in the checking accounts totaled \$1,456,578. Of this amount, \$803,963 represents the funds received by the Authority from the responders to the Authority's Requests for Offers to Purchase land.

At December 31, 2013 the Authority maintained a checking and money market account with a financial institution in amounts which at times exceeded the FDIC insurance limitation of \$250,000. Cash deposits in the checking and money market accounts totaled \$3,697,500 at December 31, 2013.

At December 31, 2013 the Authority also maintained 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 \$4,324,590. These deposits represent primarily the funds received by the Authority from the responders to the Authority's Request for Offers to Purchase Land and Request for Proposals for the Lease of Real and Personal Property.

Petty cash as of December 31, 2014 was \$80.

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NOTE 2 CASH BALANCES (CONTINUED)

Additionally, the Authority has an account with the State of New Jersey Cash Management Fund (NJCMF). Cash deposits in this account totaled \$3,102,549 at December 31, 2014 and \$1,159 at December 31, 2013.

Fort Monmouth Homeless Funds were on deposit with New Jersey Cash Management Fund and a financial institution in a Government Advantage Interest Checking Account. At December 31, 2014 and 2013, the cash deposits totaled \$874,659 and \$1,103,204, respectively.

NOTE 3 ESCROW – ACUTECARE

Pursuant to the Authority's March 14, 2013 Purchase and Sale Agreement with AcuteCare Management Services, LLC ("AcuteCare"), and in lieu of posting bonds, AcuteCare deposited \$2,575,000 with the Authority for new job security and to secure its obligation to complete the Project. Section 5.02(b) of the March 19, 2014 Redevelopment Agreement between the parties provided that the deposit would be reduced to \$1,250,000 upon AcuteCare's proof of investment in the Project of \$2,500,000 in equipment, renovation and reconstruction. AcuteCare provided proof of investing a minimum of \$2,500,000 in the Project on December 15, 2014 and FMERA released \$1,250,000 plus \$435 in interest to AcuteCare on December 30, 2014. AcuteCare Escrow funds were on deposit with New Jersey Cash Management Fund. Cash deposits in this account totaled \$1,325,584 at December 31, 2014.

NOTE 4 ESCROW DEPOSIT – PROPERTY SALE

At December 31, 2014, the Authority has escrow deposits of \$3,523,110 from third party purchasers per the contracts to sell the Officers Housing and C & C-1 Parcels. At December 31, 2013, escrow deposits from third party purchasers per the contracts to sell the Clinic and Howard Commons Parcels was \$1,114,156.

NOTE 5 GRANT AND OTHER RECEIVABLES

Included in grant and other receivables are Federal grant receivable balances of \$583,597 and \$339,658 at December 31, 2014 and 2013, respectively.

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NOTE 6 PROPERTY, PLANT AND EQUIPMENT

The following schedules detail changes in Property, Plant and Equipment by major class that occurred during the year ended December 31, 2014 and 2013:

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Capital Assets, being Depreciated:					
Leasehold Improvements	795,295	46,283	-	-	841,578
Total, being Depreciated	<u>795,295</u>	<u>46,283</u>	<u>-</u>	<u>-</u>	<u>841,578</u>
Accumulated Depreciation					
Leasehold Improvements	35,519	79,340	-	-	114,859
Total Accumulated Depreciation	<u>35,519</u>	<u>79,340</u>	<u>-</u>	<u>-</u>	<u>114,859</u>
Total Capital Assets, being Depreciated, Net	<u>\$ 759,776</u>	<u>\$ (33,057)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726,719</u>

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Capital Assets, not being Depreciated:					
Construction in Progress	64,086	-	-	(64,086)	-
Total, not being Depreciated	<u>64,086</u>	<u>-</u>	<u>-</u>	<u>(64,086)</u>	<u>-</u>
Capital Assets, being Depreciated:					
Leasehold Improvements	-	731,209	-	64,086	795,295
Total, being Depreciated	<u>-</u>	<u>731,209</u>	<u>-</u>	<u>64,086</u>	<u>795,295</u>
Accumulated Depreciation					
Leasehold Improvements	-	35,519	-	-	35,519
Total Accumulated Depreciation	<u>-</u>	<u>35,519</u>	<u>-</u>	<u>-</u>	<u>35,519</u>
Total Capital Assets, being Depreciated, Net	<u>-</u>	<u>695,690</u>	<u>-</u>	<u>64,086</u>	<u>759,776</u>
Total Capital Assets	<u>\$ 64,086</u>	<u>\$ 695,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759,776</u>

Total depreciation expense for Fiscal Year 2014 and 2013 was \$79,339 and \$35,519, respectively.

NOTE 7 LAND – HELD FOR RESALE AND COSTS CAPITALIZED FOR FUTURE CONVEYANCE

At December 31, 2014, the Authority held title to all of the Phase 1 property with the exception of the Marina Parcel which is expected to transfer in the 2nd quarter of 2015, the Clinic Parcel which sold in March 2014 and Parcel E which sold in January 2013. The transferred Phase 1 property was recorded at an estimate fair market value of \$48,126,770 based on: independent real estate appraisals, where available; purchase offers submitted in response to FMERA's Requests for Offers to Purchase; and market value estimates prepared by FMERA staff and the Authority's broker.

At December 31, 2013, the Authority held title to the Clinic Parcel which was recorded at an estimated fair market value of \$2,733,300 based on a negotiated Purchase Sale Agreement. This transaction subsequently closed in March 2014.

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NOTE 7 LAND – HELD FOR RESALE AND COSTS CAPITALIZED FOR FUTURE CONVEYANCE (CONTINUED)

The Authority incurs certain infrastructure costs related to roads and sanitary sewer improvements within the parcels held for resale. This infrastructure will be to the various local municipalities in the future as redevelopment occurs. As the parcels get conveyed and transferred to the local municipalities, these costs will be expensed. The costs associated with the future conveyances totaled \$201,312 and \$0 at December 31, 2014 and 2013, respectively.

NOTE 8 UNEARNED GRANT REVENUE

Unearned grant revenue represents advances of expected future costs under Federal grant agreements and totaled \$0 and \$85,821 at December 31, 2014 and December 31, 2013, respectively.

NOTE 9 DEPOSITS – PROPERTY SALES

At December 31, 2014, the Authority received deposits aggregating \$4,327,073 for the initial payments for the Officer Housing and C & C-1 Parcels and bid deposits for the potential sales of the Fabrication Shops, Marina, Pistol Range, Fitness Center, Parcels C & C-1 and the Satellite Road Parcel.

At December 31, 2013, the Authority received deposits aggregating \$5,429,323 for the initial payments for the sale of the Clinic and Howard Commons Parcels and bid deposits for the potential sales of Officer Housing, Parcel B, Parcels C & C-1, Building 286 (Russell Hall) and the Pine Brook Road Commerce Center.

NOTE 10 LAND CONVEYANCE LIABILITIES

In accordance with the Economic Development Conveyance Agreement, at December 31, 2014 the Authority had the following obligations from the acquisition of the Phase 1 property which are payable at the time of a third party settlement:

- a. Due to the United States Army
Ranging from 20% to 80% of Gross Sales Revenues (as defined by the Agreement)
- b. Due to Fort Monmouth Homeless Fund
\$20,055 per developable acre

Based on the above obligations, the Authority has recorded an aggregate of \$26,877,910 of land conveyance liabilities due to the United States Army at December 31, 2014.

Land conveyance liabilities of \$1,936,276 at December 31, 2013 represented amounts due to the United States Army, \$1,615,396 and to the Fort Monmouth Homeless Fund \$320,880. These liabilities were satisfied in March 2014 upon the sale of the Clinic Parcel.

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NOTE 11 DUE TO NJ ECONOMIC DEVELOPMENT AUTHORITY

The balances due to the NJ Economic Development Authority at December 31, 2014 and 2013 for direct office support were \$365,742 and \$316,161, respectively.

NOTE 12 ECONOMIC DEVELOPMENT CONVEYANCE PROPERTY LAND CONVEYANCE EXPENDITURES

For the years ended December 31, 2014 and 2013 the Authority's Economic Development Conveyance revenue was \$16,228,135 and \$910,885, respectively, and consisted of the following:

	2014	2013
EDC, Parcel Revenue	\$15,706,778	\$ 797,024
Operating Fee	82,374	111,345
Interest	2,047	2,516
Other	436,936	-
Total	<u>\$16,228,135</u>	<u>\$ 910,885</u>

For the years ended December 31, 2014 and 2013 the Authority's EDC expenditures were \$954,414 and \$668,658, respectively, and consisted of the following:

	2014	2013
Building rehabilitation	\$ 46,282	\$ 379,909
Utility Construction	7,449	-
Planning for the marketing of the property	900,683	288,749
Total	<u>\$ 954,414</u>	<u>\$ 668,658</u>

NOTE 13 OPERATING LEASES AND SUBLEASES

Golf Course and Facilities

The Authority has an operating lease for non-federal 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 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 a sublease 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 years ended December 31, 2014 and 2013. The sublease dated March 15, 2014 is for a period of one year with an option to extend the engagement on a month to month basis at the lessor's discretion or until the Army conveys the property.

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NOTE 13 OPERATING LEASES AND SUBLEASES (CONTINUED)

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. Rental expense under this agreement was \$40,000 for the years ended December 31, 2014 and 2013. The lease has been extended through June 30, 2015.

Future minimum payments under the equipment lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	<u>\$ 20,000</u>

Motor Pool Lease and Sublease

The Authority has an operating lease with the Army for use of Buildings 750, 753, 754, 755, 756, 760, 761 and their associated parking areas under a lease dated October 14, 2014, for a term of one year, beginning on June 12, 2014 and ending on June 11, 2015 or until the Army conveys the property. 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. Additionally, the Authority entered into an agreement with the County of Monmouth for the professional management and maintenance of such maintenance facilities under terms that cause the County to absorb the Authority's obligation to assume the operation and maintenance costs of the leased premises. Therefore, the Authority has recorded no rental expense for the premises for the year ended December 31, 2014 and December 31, 2013.

Building 502 - Library

The Authority has an operating lease for use of the former Fort Library as an administrative building. The leased space is comprised of a 10,650 square foot building which has been converted from its former use as a library to administrative space for occupancy by the Authority. The lease dated July 31, 2012 is for a term of one (1) year, with an option for an additional four (4) one-year extensions at the Army's discretion, or until the Army conveys the property. The Authority has exercised its option through July 31, 2015.

The consideration for the lease is the Authority's obligation to assume the operation and maintenance of the leased premises.

Teen Center & Pool

The Authority has an agreement with the County of Monmouth for the use of Buildings 2566 and 2569 and the surrounding land area for professional management and maintenance of such maintenance facilities under terms that cause the County to absorb the Authority's obligation to assume the operation and maintenance costs of the leased premises. Therefore, the Authority has recorded no rental expense for the premises for the years ended December 31, 2014 and 2013.

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NOTE 13 OPERATING LEASES AND SUBLEASES (CONTINUED)

Provost Marshall Office – NJSP Lease and Sublease

The Authority has an operating lease with the Army for the use of Buildings 977 and 983, dated October 9, 2014, for a term of one year, beginning on October 3, 2014 and ending on October 2, 2015 or until the Army conveys the property. The consideration for the lease of the facility 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. Additionally, the Authority entered into an agreement with the New Jersey State Police for the professional management and maintenance of such maintenance facilities under terms that cause the State Police to absorb the Authority's obligation to assume the operation and maintenance costs of the leased premises. Therefore, the Authority has recorded no rental expense for the premises for the year ended December 31, 2014 and 2013.

Marina Lease and Sublease

The Authority has an operating lease with the Army for the use of the Marina, boat slips and Building 450, dated June 5, 2014 for a term of one year or until the Army conveys the property. 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. Additionally, the Authority entered into an agreement with a marina operator for the professional management and maintenance of such marina and facilities under terms that cause such operator 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, 2014. The sublease dated June 5, 2014 is for a period of one year with an option to extend the engagement on a month to month basis at the lessor's discretion or until the property is sold.

Building 282 – Main Post Fire Station Lease and Sublease

The Authority has an operating lease with the Army for the use of Building 282 and its associated parking area under a lease dated October 9, 2014, for a term of one year with an option for an additional six month extension at the Army's discretion, or until the Army conveys the property. 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 benefits of the United States and the general public. Additionally, the Authority entered into an agreement with the Borough of Oceanport for the professional management and maintenance of such maintenance facilities under terms that cause the Borough to absorb the Authority's obligation to assume the operation and maintenance costs of the leased premises. Therefore, the Authority has recorded no rental expense for the premises for the years ended December 31, 2014 and 2013.

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NOTE 13 OPERATING LEASES AND SUBLEASES (CONTINUED)

Officer's Housing and Building 286 – Russel Hall Lease

The Authority has an operating lease with the Army for the use of the Officer's Housing Property which includes eighty-six buildings, associated parking and landscaped areas and Russel Hall and its surrounding parking areas, a helicopter pad and yard, and open space areas for a term of thirty years or until the Army conveys the property. The sole purpose for which Russel Hall may be used is for the preparation for use as office space. The sole purpose for which the Officer's Housing property may be used is for the preparation for redevelopment for use as residential housing. Actual occupancy of both Officer's Housing and Russel Hall is not permitted under the lease. The consideration for the lease of the properties 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.

NOTE 14 RISKS AND UNCERTAINTIES

Concentration of Revenue

Principally all of the Authority's operating revenues are from the conveyance of property in conjunction with the Economic Development Conveyance Agreement (Phase 1) dated June 25, 2012 with the United States Army and from Federal grants. The Authority's revenues are subject to the continued contract compliance and funding from these sources.

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.

Economic Dependence

The Authority is economically dependent on the United States Army's compliance with the Economic Development Agreement dated June 25, 2012, continuing Federal grants and the continuing direct and indirect support derived by annual appropriations from the State of New Jersey.

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NOTE 15 CONTINGENCIES & COMMITMENTS

Obligations from Economic Development Conveyance Agreement

In conjunction with the EDC Agreement dated June 25, 2012, the Authority is obligated to:

1. Accept the conveyance of certain Phase 1 parcels totaling approximately 563 acres including buildings, improvements and personal property.
2. Sell or lease such parcels to third parties under competitive sales and leasing covenants or no cost covenants as agreed upon per particular parcel.
3. At the time of third party settlement, pay the United States Army 20% to 80% of Gross Sales Revenue, as defined, as agreed upon per particular parcel.
4. At the time of third party settlement, contribute \$20,055 for each developable acre sold to the Fort Monmouth Homeless Fund.
5. In the case of pre-conveyance leasing and post conveyance leasing, as allowed, pay the United States Army 20% of the Gross Lease revenues, as defined, for the first three years of the lease and 63% of Gross Lease Revenues thereafter until such properties are sold to third party buyers.
6. Reinvest the third party sale and lease proceeds net of the immediate obligations to the United States Army and the Fort Monmouth Homeless Fund to support the economic redevelopment of the former Fort Monmouth in twelve allowable expense categories as mandated in the Base Realignment and Closure Act (BRAC) within a seven year reinvestment period beginning on the date of the last United States Army conveyance or remit proceeds not used for these purposes to the United States Army within 60 days after the seven year reinvestment period.

NOTE 16 NET POSITION

The Authority's Net Position is characterized as follows:

- Investment in Capital Assets
- Restricted
- Unrestricted

Investment in Capital Assets includes capital assets net of accumulated depreciation used in the Authority's operations. Restricted net position includes net assets that are restricted subject to existence of Economic Development Conveyance reinvestment restrictions, this includes capital assets held for resale. Unrestricted net assets include all net assets not included above.

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NOTE 17 SUBSEQUENT EVENT

Pursuant to the Authority's March 19, 2014 Redevelopment Agreement with AcuteCare, Section 2.06 provided that the redeveloper shall make a capital investment of at least \$5,000,000 in the Project within 36 months of closing. On March 18, 2015, AcuteCare provided proof of investing a minimum of \$5,000,000 in equipment, renovation and construction and FMERA released the remaining \$1,250,000 being held in escrow to secure their obligation to complete the project plus \$740 in interest to AcuteCare on March 25, 2015.

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COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2014

	OEA Grant and Matching	Economic Development Conveyance	Other	Homeless Fund	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Unrestricted Assets						
Cash and Cash Equivalents	\$ -	\$ -	\$ 90,185	\$ -	\$ -	\$ 90,185
Grant and Other Receivables	583,596	217,097	-	-	-	800,693
Interfund Receivable	11,773	1,005,892	300,299	-	(1,317,964)	-
Land - Held for Resale	-	42,584,688	-	5,542,082	-	48,126,770
Prepaid Expenses	23,319	70,047	-	-	-	93,366
Total Unrestricted Current Assets	618,688	43,877,724	390,484	5,542,082	(1,317,964)	49,111,014
Restricted Assets						
Cash - Economic Development Conveyance	-	3,665,059	-	-	-	3,665,059
Cash - Property Sales Deposit	-	803,963	-	-	-	803,963
Homeless Fund	-	-	-	874,659	-	874,659
Escrow - AcuteCare	-	1,325,584	-	-	-	1,325,584
Escrow Deposit - Property Sale	-	3,523,110	-	-	-	3,523,110
Total Restricted Assets	-	9,317,716	-	874,659	-	10,192,375
NONCURRENT ASSETS						
Costs Capitalized for Future Conveyance	-	201,312	-	-	-	201,312
Leasehold Improvements, Net	327,105	399,614	-	-	-	726,719
Total Noncurrent Assets	327,105	600,926	-	-	-	928,031
Total Assets	\$ 945,793	\$53,796,366	\$ 390,484	\$ 6,416,741	\$ (1,317,964)	\$60,231,420
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable and						
Accrued Liabilities	\$ 55,068	\$ 537,930	\$ 64,613	\$ -	\$ -	\$ 657,611
Interfund Payable	233,034	1,084,930	-	-	(1,317,964)	-
Deposits - Property Sales	-	4,327,073	-	-	-	4,327,073
Escrow - AcuteCare	-	1,325,584	-	-	-	1,325,584
Land Conveyance Liabilities	-	26,877,910	-	-	-	26,877,910
Due to NJ Economic						
Development Authority	330,586	35,156	-	-	-	365,742
Total Liabilities	618,688	34,188,583	64,613	-	(1,317,964)	33,553,920
NET POSITION						
Investment in Capital Assets	327,105	399,614	-	-	-	726,719
Restricted	-	3,665,059	-	6,416,741	-	10,081,800
Unrestricted	-	15,543,110	325,871	-	-	15,868,981
Total Net Position	\$ 327,105	\$19,607,783	\$ 325,871	\$ 6,416,741	\$ -	\$26,677,500

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COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2013

	OEA Grant and Matching	Economic Development Conveyance	Other	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Unrestricted Assets					
Cash and Cash Equivalents	\$ 189,160	\$ -	\$ 247,043	\$ -	\$ 436,203
Grant and Other Receivables	339,658	5,000	-	-	344,658
Interfund Receivable	11,774	503,363	67,264	(582,401)	-
Land - Held for Resale	-	2,733,300	-	-	2,733,300
Prepaid Expenses and Other Assets	17,548	13,045	-	-	30,593
Total Unrestricted Current Assets	558,140	3,254,708	314,307	(582,401)	3,544,754
Restricted Assets					
Cash - Economic Development Conveyance	-	3,271,879	-	-	3,271,879
Cash - Property Sales Deposit	-	4,315,167	-	-	4,315,167
Homeless Fund	-	-	1,103,204	-	1,103,204
Escrow Deposit - Property Sale	-	1,114,156	-	-	1,114,156
Total Restricted Assets	-	8,701,202	1,103,204	-	9,804,406
NONCURRENT ASSETS					
Leasehold Improvements, Net	365,235	394,541	-	-	759,776
Total Assets	<u>\$ 923,375</u>	<u>\$12,350,451</u>	<u>\$1,417,511</u>	<u>\$ (582,401)</u>	<u>\$14,108,936</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 158,730	\$ 70,887	\$ 77,572	\$ -	\$ 307,189
Interfund Payable	-	582,401	-	(582,401)	-
Deposits - Property Sales	-	5,429,323	-	-	5,429,323
Land Conveyance Liabilities	-	1,936,276	-	-	1,936,276
Homeless Fund	-	-	1,103,204	-	1,103,204
Unearned Grant Revenue	85,821	-	-	-	85,821
Due to NJ Economic Development Authority	313,589	2,572	-	-	316,161
Total Liabilities	558,140	8,021,459	1,180,776	(582,401)	9,177,974
NET POSITION					
Investment in Capital Assets	365,235	394,541	-	-	759,776
Restricted	-	3,271,879	-	-	3,271,879
Unrestricted	-	662,572	236,735	-	899,307
Total Net Position	<u>\$ 365,235</u>	<u>\$ 4,328,992</u>	<u>\$ 236,735</u>	<u>\$ -</u>	<u>\$ 4,930,962</u>

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COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014

	OEA Grant and Matching	Economic Development Conveyance	Other	Homeless Fund	Total
OPERATING REVENUES					
Federal Grants	\$ 1,520,643	\$ -	\$ -	\$ -	\$ 1,520,643
Economic Development Conveyance	-	15,706,778	-	-	15,706,778
Homeless Fund - Restricted	-	-	-	5,862,962	5,862,962
Operating Fee	-	82,374	-	-	82,374
Other	-	56,755	-	-	56,755
Total Operating Revenue	1,520,643	15,845,907	-	5,862,962	23,229,512
OPERATING EXPENSES					
Direct Office Support	1,309,759	53,631	(12,961)	-	1,350,429
General and Administrative	139,753	101,946	-	36	241,735
Homeless Fund	-	-	-	550,000	550,000
Program Costs	240,091	752,558	-	-	992,649
Depreciation	38,130	41,209	-	-	79,339
Total Operating Expenses	1,727,733	949,344	(12,961)	550,036	3,214,152
OPERATING INCOME (LOSS)	(207,090)	14,896,563	12,961	5,312,926	20,015,360
NON-OPERATING REVENUE					
State Appropriation	168,960	-	76,175	-	245,135
Interest Income	-	2,047	-	611	2,658
Net Position Transfer	-	-	-	1,103,204	1,103,204
Other	-	380,181	-	-	380,181
Total Non-Operating Revenue	168,960	382,228	76,175	1,103,815	1,731,178
CHANGE IN NET POSITION	(38,130)	15,278,791	89,136	6,416,741	21,746,538
Net Position - Beginning of Year	365,235	4,328,992	236,735	-	4,930,962
NET POSITION - END OF YEAR	<u>\$ 327,105</u>	<u>\$ 19,607,783</u>	<u>\$ 325,871</u>	<u>\$ 6,416,741</u>	<u>\$ 26,677,500</u>

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2013

	OEA Grant and Matching	Economic Development Conveyance	Other	Total
OPERATING REVENUES				
Federal Grants	\$ 1,698,520	\$ -	\$ -	\$ 1,698,520
Local Government Contribution	812	-	-	812
Economic Development Conveyance	-	797,024	-	797,024
Operating Fee	-	111,345	-	111,345
Total Operating Revenue	1,699,332	908,369	-	2,607,701
OPERATING EXPENSES				
Direct Office Support	1,198,465	10,545	24,984	1,233,994
General and Administrative	125,465	31,748	(45)	157,168
Interest	-	10,397	-	10,397
Program Costs	212,015	236,060	-	448,075
Depreciation	16,065	19,454	-	35,519
Total Operating Expenses	1,552,010	308,204	24,939	1,885,153
OPERATING INCOME (LOSS)	147,322	600,165	(24,939)	722,548
NON-OPERATING REVENUE				
State Appropriation	187,913	-	60,390	248,303
Interest Income	-	2,517	-	2,517
Total Non-Operating Revenue	187,913	2,517	60,390	250,820
CHANGE IN NET POSITION	335,235	602,682	35,451	973,368
Net Position - Beginning of Year	30,000	3,726,310	201,284	3,957,594
NET POSITION - END OF YEAR	<u>\$ 365,235</u>	<u>\$ 4,328,992</u>	<u>\$ 236,735</u>	<u>\$ 4,930,962</u>

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>OEA Grant and Matching</u>	<u>Economic Development Conveyance</u>	<u>Other</u>	<u>Homeless Fund</u>	<u>Total</u>
Equipment	\$ 5,763	\$ 33,667	\$ -	\$ -	\$ 39,430
Insurance	31,146	1,527	-	-	32,673
Office Rent	75,069	6,517	-	-	81,586
Legal Notices	2,161	6,257	-	-	8,418
Office Supplies and Postage	13,483	6,128	-	36	19,647
Communication	5,903	5,663	-	-	11,566
Travel	4,163	2,219	-	-	6,382
Meetings and Seminars	2,065	5,235	-	-	7,300
Marketing	-	34,733	-	-	34,733
	<u>-</u>	<u>34,733</u>	<u>-</u>	<u>-</u>	<u>34,733</u>
Total	<u>\$ 139,753</u>	<u>\$ 101,946</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 241,735</u>

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Program Title</u>	<u>Agreement Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Defense			
Implementation of the reuse of Fort Monmouth	CL0595-13-06	12-607	713,317
Implementation of the reuse of Fort Monmouth	CL0595-14-07	12-607	<u>807,326</u>
			<u>\$ 1,520,643</u>

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. A reconciliation of the federal expenditures to the financial statements is show below:

<u>Reconciliation</u>	
OEA Grant - Direct Office Support	1,309,759
OEA Grant - General and Administrative	139,753
OEA Grant - Program Costs	<u>240,091</u>
Total	1,689,603
Federal Share	<u>90%</u>
	<u>1,520,643</u>

**INDEPENDENT AUDITORS' 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 and Management of
Fort Monmouth Economic Revitalization Authority
Oceanport, New Jersey

We have audited, in accordance with the 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, the financial statements of the Fort Monmouth Economic Revitalization Authority (the Authority), a component unit of the State of New Jersey, which comprise the statement of financial position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 16, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Audit Committee and Management of
Fort Monmouth Economic Revitalization Authority
Oceanport, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Fort Monmouth Economic Revitalization Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Programs

In our opinion, Fort Monmouth Economic Revitalization Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Fort Monmouth Economic Revitalization Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 16, 2015

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified? Yes X No
- Significant Deficiency(ies) Identified? Yes X None Reported

Noncompliance Material to Financial Statements Noted? Yes X No

Federal Awards

Internal Control over Major Program:

- Material Weakness(es) Identified? Yes X No
- Significant Deficiency(ies) Identified? Yes X None Reported

Type of Auditors' Report Issued on Compliance for
Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be
Reported in Accordance with Section 510(a) of
Circular A-133? Yes X No

Identification of Major Program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.607	U.S. Department of Defense – 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?	<u> </u> Yes <u> X </u> No

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014
(Continued)**

Section II – Financial Statement Finding

None to report

Section III – Federal Award Findings and Questioned Costs

None to report

Section IV – Summary of Prior Year Findings

None to report