



DISCOVER ▶ INNOVATE ▶ TRANSFORM

2016 Comprehensive Annual Report

Fort Monmouth Economic Revitalization Authority

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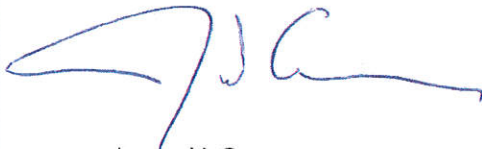
A Message from FMERA Chairman James V. Gorman

As Chairman of the Board, I am pleased to report that the Fort Monmouth Economic Revitalization Authority (FMERA) made significant progress in 2016, as we worked to restore lost jobs and economic vitality in this region. Together, we continued to engage the communities of Eatontown, Oceanport and Tinton Falls in the cooperative redevelopment process to the benefit of each of our communities.

FMERA took steps in 2016 that built on the groundwork laid in previous years for new technology hubs, new town center projects and new homes, as well as live-work-play opportunities in all three boroughs.

Following extensive negotiations with the U.S. Army, FMERA finalized the Phase 2 Economic Development Conveyance Agreement and purchased the balance of Fort Monmouth in November of 2016. With redevelopment underway in Oceanport, Tinton Falls and Eatontown, this and other FMERA actions have positively impacted net job creation and economic growth throughout the Fort.

I would like to take this opportunity to commend and thank the uncompensated FMERA Board members, our great professional FMERA staff, the Monmouth County Board of Chosen Freeholders and our partners in each of the host municipalities for their hard work, dedication and ongoing commitment to our stated cause. We are proud of our strong 2016 efforts and, we look forward to continued success in 2017.

A handwritten signature in blue ink, appearing to read 'JVG', with a long horizontal flourish extending to the right.

James V. Gorman
Chairman
Fort Monmouth Economic Revitalization Authority

2016: Major Milestone Punctuates Another Year of Progress at Fort Monmouth

The Fort Monmouth Economic Revitalization Authority (FMERA) marked a major milestone in November when it closed on \$33 million in financing from the Monmouth County Improvement Authority (MCIA) and purchased the balance of Fort Monmouth from the U.S. Army. The purchase followed extensive negotiations between FMERA and the Army for the Phase 2 Economic Development Conveyance. The MCIA provided the funding through two series of notes. FMERA now owns or controls the entire 1,126 acres of the Fort.



FMERA Executive Director Bruce Steadman, Freeholder Director Lillian G. Burry, FMERA Chairman James V. Gorman, Freeholder Thomas A. Arnone, and U.S. Army District Chief of Real Estate Division Noreen D. Dresser

Perhaps the most immediate impact of this transaction was the transfer of the Avenue of Memories to the County. In response to a need expressed by members of the local community for the last several years, the Avenue reopened on January 17, 2017. This busy thoroughfare had been closed since September 11, 2001.

Since its inception, FMERA has aimed to spur economic development and job creation. The purchase of the remainder of the Fort paves the way for FMERA to close on executed contracts for the Officer Housing, Russel Hall, and the Fitness Center, and accelerate closings on six other pending projects.

"With the purchase of the Phase 2 properties, working in conjunction with the Monmouth County freeholders and the mayors of Oceanport, Eatontown and Tinton Falls, FMERA will accelerate its proactive approach to attracting developers to Fort Monmouth and bringing jobs back to Monmouth County."

~FMERA Chairman James V. Gorman

FORT MONMOUTH BY THE NUMBERS TO-DATE

- 585 acres on which FMERA acted
- Over 1,200 jobs created or relocated to the Fort
- 8 Properties Sold
- 10 Properties Under Contract
- 3 Municipalities with redevelopment opportunities underway

Redevelopment and Spurring Job Creation

FMERA completed the sales of two parcels in 2016, which will result in projects that are expected to bring 230 jobs to the Fort.

In March, FMERA sold the Child Development Center in Tinton Falls to the non-profit corporation Trinity Hall. Trinity Hall converted the 20,000-square-foot former childcare facility into a modern high school setting. The school, which opened its doors on the Fort in September, anticipates the creation of 100 new jobs as it grows.

"After three years of tremendous growth, Trinity Hall is excited to lay down permanent roots at the former Fort. We are ready to bring community service projects and employment opportunities to this revitalized area. We will be more than good neighbors – we will be good partners."

~Trinity Hall Head of School Mary Sciarrillo



The renovated facade of the former Child Development Center in Tinton Falls, purchased by Trinity Hall in March

In February, RADAR Properties, LLC purchased an approximately 12.25-acre parcel of land in the Fort's Charles Wood Area in Tinton Falls, which includes Building 2525, an 86,400-square-foot, two-story former administration building. After acquiring the property, RADAR Properties leased 30,000 square feet of space to its affiliate AASKI Technology, a defense contractor and communications engineering firm with offices around the United States. In 2014, AASKI Technology ranked seventh in NJBIZ's list of fastest growing businesses in New Jersey and took the number 426 spot in the Inc. 5000 list in 2016.

By consolidating its New Jersey operations at Fort Monmouth rather than moving to Maryland, AASKI Technology retained 105 jobs in the Garden State and plans to create an additional 25 jobs at Fort Monmouth. FMERA anticipates that the remaining 56,400 square feet of property within Building 2525 will accommodate AASKI's potential growth, with RADAR seeking to lease any excess space to other technology companies.

Consistent with FMERA's plan to create a technology hub on the Fort, private cloud computing services company TetherView spent its first full year on Fort Monmouth, where it has been subleasing the Russel Hall building in Oceanport. The technology company, which moved to Fort Monmouth from Staten Island, has been subleasing the 42,300-square-foot Russel Hall building since January 2016. TetherView spent 2016 settling in and renovating the facility, with plans to renovate the balance of the building in phases

to accommodate possible tenants. In moving to Russel Hall, TetherView has already brought 30 jobs to the Fort and expects to create or relocate an additional 40 full-time jobs within the next two years. TetherView has also welcomed several small technology companies to the building already, and begun work to bring a tech incubator to the building in 2017.



TetherView CEO Michael Abboud at the company's new headquarters, the Russel Hall building in Oceanport.

The Russel Hall parcel is on property FMERA acquired through the purchase of the balance of the Fort in November. Pursuant to a Purchase and Sale and Redevelopment Agreement (PSARA) approved in late 2015, FMERA intends to sell the parcel to TetherView in early 2017.

“Relocating to the Fort allows TetherView to offer a balanced work/life ratio, enabling us to recruit highly-talented people from the surrounding area. Being located inside of the historic Russel Hall, surrounded by greenery and a park-like campus, makes going to work every day more pleasurable.”

~TetherView Chief Executive Officer Michael Abboud

In recognition of these and other significant redevelopment projects at the Fort, FMERA was honored by the Monmouth County Board of Chosen Freeholders with a resolution commending the Authority for its work on economic development efforts in the County. Marking the National Economic Development week, May 8 – May 14, the resolution noted that FMERA’s efforts are “projected to attract, retain and create 10,000 permanent jobs, double the number lost when the Fort closed in 2011, and yield public and private sector investments in Monmouth County totaling \$1.5 billion.”

FMERA Inks Redevelopment and Sales Agreements for Development of Fort

Furthering its mission of spurring jobs, and its plan to create a live-work-play environment on the Fort, FMERA took action in 2016 to redevelop 238 acres of the Fort, including entering into three PSARAs and one Purchase and Sale Agreement (PSA).

“As we continue to look for ways to bring jobs back to the region, we remain committed to making Fort Monmouth a place where area residents want to spend their free time. The sales and redevelopment agreements signed this year support that vision.”

~FMERA Executive Director Bruce Steadman

FMERA spent much of 2016 in exclusive negotiations for the 86-acre Parcel B in Eatontown. Furthering its vision to bring a vibrant, walkable, downtown area to the Fort, FMERA staff entered into exclusive negotiations with Fort Monmouth Parcel B Redevelopment, LLC, a subsidiary of Paramount Realty, in February 2016. Paramount Realty has proposed the creation of “Freedom Pointe,” which it says will include over 350,000 square feet of commercial development, featuring a mix of unique national, regional, and local specialty uses including entertainment, food, fitness, grocery, office, and service. The commercial component of Parcel B is expected to include a pedestrian-friendly thoroughfare featuring a two-acre park, best-in-class amenities and technology, extraordinary landscaping and architectural design, and convenient parking throughout the development. The project also includes the development of 302 residential units at Parcel B, with twenty (20%) percent of the units developed for low- and moderate-income households. In February 2017, the FMERA Board authorized staff to enter into a PSARA with Fort Monmouth Parcel B Redevelopment, LLC for the property.



A conceptual rendering of the commercial portion of Parcel B in Eatontown, as proposed by Paramount Realty.

The Fort Monmouth Recreation Center has been operated by the Monmouth County Park System (MCPS) since August 2014. In February, the FMERA Board approved a PSARA with MCPS for the F-3 parcel in Tinton Falls. The approximately 3.5-acre property contains the 1,335-square-foot former Shopette Building and Gas Station, as well as the accompanying paved and parking areas. MCPS's proposal for the property includes expanding the parking facilities to accommodate the adjacent Recreation Center property, adding additional storage facilities to support events, creating a dedicated maintenance facility to service the area, and restoring wetlands on-site with an elevated boardwalk to allow for an outdoor classroom. MCPS purchased the property from FMERA in February 2017. FMERA also negotiated a PSA in February for the 6.5-acre teen center and adjacent swimming pool parcel with the MCPS. Together, the teen center, pool and F-3 parcel projects are expected to result in the creation of 38 full-time, part-time and seasonal jobs at Fort Monmouth.



The Fort Monmouth Recreation Center in Tinton Falls, operated by the County and open to the public

In February 2016, FMERA signed a PSARA with Kiely Realty Group, LLC (Kiely) for the sale and renovation of the Pistol Range and the Fire & Police Training Area as well as the adjacent Satellite Road Parcel in Tinton Falls. Long Branch-based Kiely plans to redevelop the property in two phases, with development of the existing indoor firearms range into a for-profit commercial firearms range coming first. The range will offer a shooting and educational experience to the public, government entities and private members. Kiely anticipates building a 10,000-square-foot addition to the existing structure, expanding the educational and training areas of the range. The company also expects to create a minimum of 25 full- and part-time jobs at the property, plus 80 temporary positions. For Phase 2, Kiely will lease the adjacent 5,000-square-foot structure located in the southwest part of the property to K. Moorea, LLC, doing business as Traffic Plan. Traffic Plan, which provides traffic safety solutions to utility companies, municipalities and private contractors throughout New Jersey and Pennsylvania, intends to relocate its senior leadership team and 60 employees to the Fort and expects to add an additional 40 new jobs at the new site.



The exterior of the Dance Hall in Oceanport, under contract with AP Development Partners for entertainment and restaurant uses

With plans to redevelop the property for commercial and retail uses, including entertainment and restaurants, AP Development Partners entered into a PSARA with FMERA in December for the approximately 4.2-acre Dance Hall parcel in Oceanport. The property contains the 16,000-square-foot former recreation building, better known as the Dance Hall, Van Kirk Park, and associated parking areas.

AP Development has indicated that potential users of the facility include a restaurant/café, microbrewery and coffee roaster. Under the PSARA, Van Kirk Park will be retained as open space where entertainment events will be hosted throughout the year.

Authority Seeks Proposals for Redevelopment

Development opportunities offered by FMERA in 2016 spanned all three host municipalities – Eatontown, Oceanport and Tinton Falls. FMERA issued a Request for Proposals (RFP), six Requests for Offers to Purchase (RFOTPs), and a Request for Bids (RFB).

Redevelopment opportunities made available through an RFOTP issued in April for the Squier Hall Complex include educational and office spaces. The Squier Hall Complex is an approximately 31-acre parcel of land containing eight buildings. Squier Hall is included in the Fort's Green Tech Development District, an area intended to be a high-tech and green industry campus where innovative R&D activities can take place. FMERA is currently in negotiations with the sole bidder on the parcel.



Squier Hall, the historic Signal Corps laboratory located in Oceanport, is currently in negotiations for sale and renovation of the building and adjacent property

An RFOTP issued for the Eatontown Barracks, which included the adjacent Soldiers Park, sought proposals for the redevelopment of six former World War II-era Barracks (Buildings 1102 through 1107) into a cultural center that promotes the arts. Issued in July, the RFOTP called for Soldiers Park to be deed-restricted open space and notes that potential purchasers and any subsequent owners must maintain the two existing monuments on the property. FMERA is currently in negotiations with the sole bidder on the property.

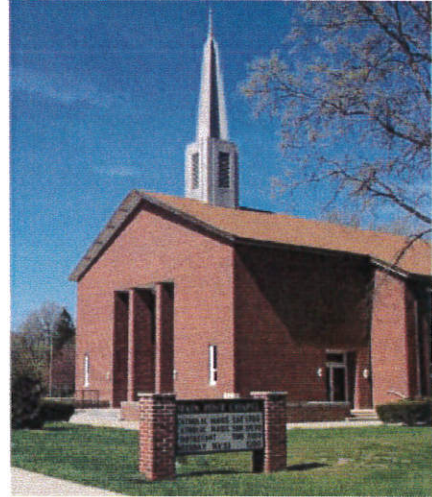
"The addition of a cultural center would add to our holistic vision for the Fort, by encouraging creative redevelopment opportunities and an appreciation for the arts."
~FMERA Senior Project Officer Candice Valente

FMERA sought proposals to redevelop the Charles Wood Fire Station property in Tinton Falls for civic/institutional or commercial/retail uses through an RFOTP issued in May. The four-acre property contains the approximately 10,070-square-foot former Charles Wood Fire Station on approximately 2.3 acres of land, plus the adjacent 1.7-acre vacant land parcel to the east of the Fire Station across Heliport Drive. FMERA is currently in negotiations with the lead proposer for the parcel.



The Charles Wood Fire House in Tinton Falls, currently under negotiation

In September, FMERA issued a RFB soliciting parties interested in purchasing the Main Post Chapel parcel in Oceanport, which is comprised of five acres of land and a 16,372-square-foot structure, consisting of a 600-seat chapel, an administrative wing, a classroom wing and a kitchen. FMERA sought bids consistent with the Reuse Plan, which calls for the chapel to be reused as a house of worship. The property is in the Oceanport Horseneck Center and the Historic District, although the structure is not considered historic. In February 2017, Triumphant Life Assembly of God Church purchased the Main Post Chapel parcel from FMERA.



The Main Post Chapel in Oceanport, purchased by Triumphant Life Church in February 2017

FMERA issued an RFOTP for the Suneagles Golf Course and Megill Housing area in October. Located along Tinton Avenue in Eatontown, the 171-acre parcel also includes historic Gibbs Hall, Joe's Sports Bar/19th Hole, and the 21 buildings that make up the Megill Housing area. The property also contains an in-ground swimming pool, tennis courts, maintenance facility and pro shop. The Reuse Plan calls for the maintenance of the golf course and the development of a hotel/conference center in the 10-acre Megill Housing area. However, based on interest from prospective purchasers, as well as input from FMERA's master broker, Cushman & Wakefield, FMERA also accepted offers that include residential uses that complement the golf course, which may include age-targeted or age-restricted units.

Marking another step in the transition of Fort Monmouth from the U.S. Army to FMERA following the conveyance of the property in November, FMERA issued an RFP in December for security guard services for the property. The services will supplement the ongoing patrols carried out by the Oceanport and Eatontown Police Departments, along with the County's placement of a security camera system which provides video documentation of questionable activity. In addition, the New Jersey State Police maintains a barrack on Fort Monmouth's Main Post.

FMERA closed out 2016 by issuing two RFOTPs on December 29 that will further redevelopment within the Oceanport section of the Fort:

One RFOTP sought proposals for redevelopment of the Allison Hall Complex, a 12.6-acre parcel of land containing five buildings, which total approximately 88,129 square feet on Barton and Signal Avenues in the Main Post Area. The RFOTP was specific to the conversion of the 36,665-square-foot Allison Hall to a boutique hotel. Proposals are also sought for the remainder of the parcel to be redeveloped as retail, office/research, and open space. The RFOTP suggested that one possible option is to incorporate Allison Hall into a combined project along the Parker's Creek waterfront that includes both the Allison Hall parcel and the adjacent Lodging Area.



Historic Allison Hall, the original Fort Army hospital, located in Oceanport

The other RFOTP issued that day was for the Lodging Area, a 15-acre parcel slated for residential, institutional, or mixed-use waterfront redevelopment. The Lodging Area consists of eight buildings, two of which were used by the Federal Emergency Management Agency in 2013 and 2014 to house families displaced by Superstorm Sandy and two others that were identified as historic properties. FMERA marketed the Lodging Area for residential, institutional, or related uses.



Allison Hall and the Lodging Area are shown in this image, both located in Oceanport, adjacent to Parker's Creek and just a short distance from the Little Silver NJ Transit train station.

Strengthening Operations & Outreach at Fort Monmouth

2016 was the Marina at Oceanport's first full year in business at the former Fort. Since its opening, patrons have been flocking to the waterfront restaurant and bar, which occupies the renovated marina building formerly operated by Fort Monmouth. The facility is currently operating under an agreement between FMERA and the restaurant owner, Mario Criscione, who enhanced the restaurant to include indoor seating for approximately 60 patrons and outdoor seating overlooking the water for another 50 guests. Patrons are also able to take advantage of the additional dining room, with room for 30 guests, which was constructed in late 2015. Boat slips are available at the marina's easternmost piers closest to the public boat launch to accommodate those looking for a "dock and dine" experience.



Views of the Marina at Oceanport

For golf enthusiasts, renovations undertaken during the 2015-2016 off-season prepared Suneagles Golf Course for a busy summer. Almost 29,000 rounds of golf were played at Suneagles in 2016. The course is open seven days a week all year, weather permitting. Opened in 1926, Suneagles was designed by noted golf architect A.W. Tillinghast and has been the site of significant golfing history, including Byron Nelson's first professional victory in 1935. Gibbs Hall, home of the clubhouse and banquet facility on the Suneagles Golf Course site, is on the National Register of Historic Places.



Gibbs Hall at Suneagles Golf Course in Eatontown

Carrying on a tradition at Fort Monmouth, FMERA joined the U.S. Army to celebrate Flag Day on June 14th. The day celebrated the rich history of Fort Monmouth and honored those who have served in the Army. More than 75 veterans and civilians attended the event commemorating the 241st birthday of the Army, during which a cake was ceremoniously cut by sword by the oldest and youngest active duty or Army veterans present.



Flag Day 2016

In an effort to facilitate the reuse of Fort properties, the FMERA Board in April approved staff entering into an agreement to transfer certain Charles Wood Area electrical facilities to Jersey Central Power and Light Company (JCP&L), a New Jersey public utility. This enables tenant companies and future property purchasers to work directly with JCP&L for their electrical services and lets FMERA concentrate on marketing the remaining Phase 1 properties. The agreement transfers the Charles Wood electrical facilities to JCP&L in exchange for JCP&L's agreement to operate and maintain electrical service to FMERA-owned facilities, and the facilities of tenants and purchasers of FMERA property in the Charles Wood Area. These facilities include a substation, poles, underground and above-ground cables and transformers.

FMERA staff, tenants and redevelopers had the opportunity to highlight redevelopment efforts at the Fort during a panel discussion at the Governor's Conference on Housing and Economic Development in September. The discussion was moderated by FMERA Executive Director Bruce Steadman. Panelists included TetherView Founder/Chief Executive Officer Michael Abboud, Eatontown Mayor Dennis J. Connelly, Cushman & Wakefield Brokerage Services Senior Director Les E. Smith III, and Maurice Zekaria, President of Paramount Realty Services, Inc. and LMS Commercial Real Estate, who each brought a unique perspective to the session.

"With the revitalization of Fort Monmouth in full swing, the Governor's Conference on Housing and Economic Development was the perfect opportunity to showcase the multitude of options available for redevelopment on the Fort.

~FMERA Executive Director Steadman

Also at the conference, Commvault, a global leader in enterprise backup, recovery, archive, and the cloud, received the 2016 Leading Economic Development/Redevelopment Award for its vital role in bringing jobs to Fort Monmouth and helping to revitalize the region. Commvault, one of the largest technology employers headquartered in New Jersey, was the first company to set down roots at Fort Monmouth when it purchased the 55-acre Parcel E in Tinton Falls in January 2013. Since then, Commvault has made a substantial investment to complete Phase I of its world headquarters.



Commvault's world headquarters, located at Fort Monmouth in Tinton Falls. Commvault was honored with a Leading Economic Development/Redevelopment Award for its role in revitalizing the region

In December, FMERA continued a tradition first celebrated by the local Army caretaker workforce at Fort Monmouth, when it served as a drop-off site for the U.S. Marine Corps' Toys for Tots program in Monmouth County. The program collects new, unwrapped toys during the last months of the year and distributes them as holiday gifts to needy children in the community. Between October 31 and December 5, FMERA collected and distributed dozens of toys, with the help of the Red Bank chapter of the Marine Corps' program.

Building on the success of meetings started in 2015, FMERA met on a regular basis with ad hoc committees consisting of representatives from Oceanport, Tinton Falls and Eatontown to foster stronger relationships with Fort Monmouth's host municipalities. The committees have provided a productive and collaborative forum for constructive dialogue and the exchange of information on projects and issues related to the Fort.

Looking Ahead

With the purchase of the balance of Fort Monmouth completed, FMERA staff expect 2017 to be a year of tremendous growth at Fort Monmouth. As Trinity Hall and AASKI Technologies get settled in their new locations on Fort Monmouth, FMERA anticipates they will realize the advantages of locating at Fort Monmouth – its ideal location, New Jersey’s highly-talented workforce, and the multitude of amenities available to their employees.

“Trinity Hall and AASKI Technologies have discovered this year what we’ve known for a while: Fort Monmouth is an ideal location for growth. With additional developers and entities looking to establish themselves at the Fort, we expect 2017 will be a banner year.”

~FMERA Deputy Director Dave Nuse

FMERA also expects the presence of AASKI Technology, TetherView and Commvault on the Fort will help to attract additional technology companies, as the formation of a technology hub comes to fruition.

FMERA will continue to evaluate responses from RFOTPs issued in 2016, and plans to issue RFOTPs for the following properties in the coming months: Barker Circle Complex, Lane Hall, Bowling Alley, and Expo Theater.

FMERA heads into its seventh year filled with optimism, confident that the coming year will build upon the successes and milestones achieved in 2016 and bring us closer to realizing the great potential of the Fort Monmouth property.

Background

On August 17, 2010, Governor Chris Christie signed into law 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.

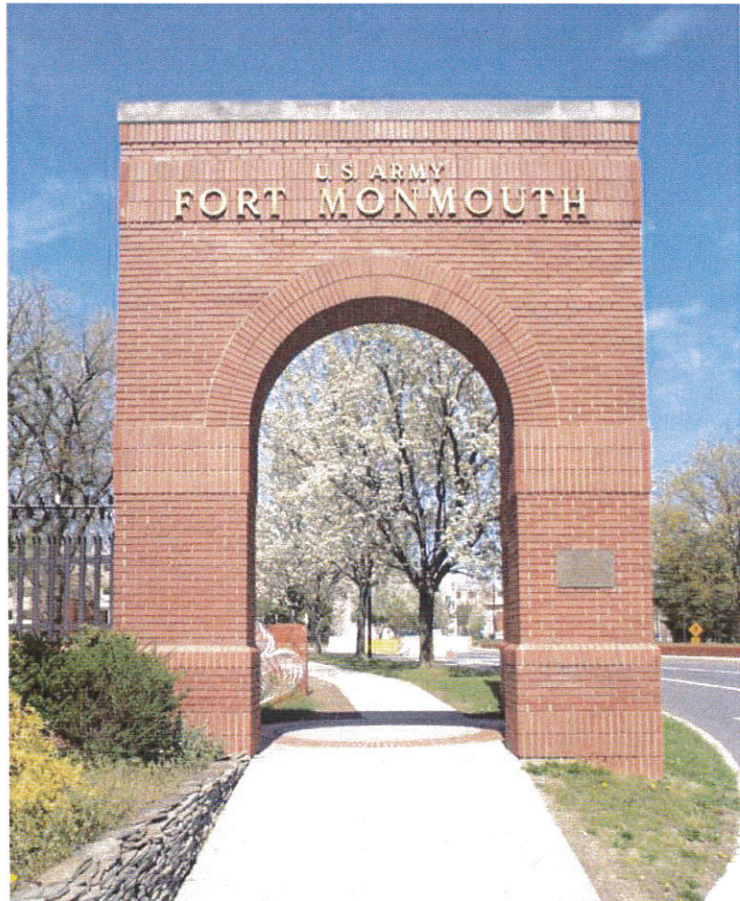
Fort Monmouth had been a key economic driver in Monmouth County and New Jersey since it was established in 1917 as Camp Little Silver. According to a 2008 report completed by the New Jersey Department of Labor and Workforce Development, the closing of Fort Monmouth represented the loss of 5,638 direct 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, 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 were 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 participation on the Board 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 (Phase 1 EDC Agreement) outlining the transfer process for the first 500+ acres of the property from the U.S. Army to the Authority. The Phase 1 EDC Agreement, approved by the FMERA Board in April 2012, is the overarching agreement between the Army and FMERA, laying out the process by which the Phase 1 properties were transferred.

FMERA engaged in an extensive negotiation process with the Army to establish the terms of the Phase 1 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 – all totaling just over 500 acres.

In 2016, following extensive negotiations, FMERA purchased the balance of the Fort from the U.S. Army. Details of this historic event are outlined in this year's annual report.

Board Members

James V. Gorman, *Chairman*
Public Member

Dr. Robert Lucky
Public Member

Thomas P. Scrivo
Chairman
New Jersey Economic Development Authority

John Spinello
Director
Governor's Authorities Unit

Lillian Burry
Freeholder Director, County of Monmouth

Dennis Connelly
Mayor, Eatontown

Jay Coffey
Mayor, Oceanport

Gerald Turning
Mayor, Tinton Falls

Bob Martin
Commissioner
New Jersey Department of Environmental Protection

Richard Hammer
Commissioner
New Jersey Department of Transportation

Charles A. Richman
Commissioner
New Jersey Department of Community Affairs

Aaron R. Fichtner, Ph.D.
Acting Commissioner
**New Jersey Department of Labor & Workforce
Development**

Board Committees

Audit Committee
Dr. Robert Lucky, Chairman
James V. Gorman
Mayor Gerald Turning

Real Estate Committee
James V. Gorman, Chairman
Freeholder Director Lillian Burry
Dr. Robert Lucky
Mayor Dennis Connelly

Certifications Pursuant to Executive Order 37

April 19, 2017

In accordance with Executive Order No. 37, the Fort Monmouth Economic Revitalization Authority's 2016 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.

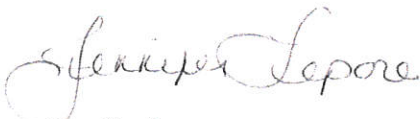
The report of independent auditors, Clifton Larson Allen, dated April 19, 2017, is attached and completes FMERA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

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, 2016.



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, 2016.



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, 2016 and 2015

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

REPORT OF INDEPENDENT AUDITORS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	9
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	10
STATEMENTS OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
SUPPLEMENTAL FINANCIAL INFORMATION	
COMBINING SCHEDULE OF NET POSITION	30
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	32
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES BY FUND	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	37
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	41

REPORT OF INDEPENDENT AUDITORS

Audit Committee and Management
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, 2016 and 2015, 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, 2016 and 2015, 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 4–8, 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 30–34 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 35, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Audit Committee and Management
Fort Monmouth Economic Revitalization Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2017 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.



CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 19, 2017

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

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, 2016 and 2015. 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.

2016 FINANCIAL HIGHLIGHTS

- The Authority's net position decreased \$2,946,598.
- Total assets increased \$31,917,822 due to the purchase of Phase 2 from the Army.
- Total current liabilities increased \$34,864,420 primarily due to the loan incurred with the Monmouth County Improvement Authority.
- Capital assets – net decreased \$84,755 due to depreciation of building improvements on the former Post Library used as the Authority's offices.
- Earned \$62,500 in operating fees from the professional management and maintenance agreement for operation of Suneagles Golf Course and Facilities.
- Earned \$198,473 in other revenue from auctions conducted to sell personal property acquired by the Authority from the U.S. Department of the Army in the Phase 1 EDC and \$10,588 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, 2016**

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position: The following table summarizes the changes in Net Position for the years ended December 31, 2016, 2015, and 2014:

	2016	2015	Dollar Change	Percentage Change	2014	Dollar Change	Percentage Change
Current Assets	\$ 93,119,913	\$ 61,077,398	\$ 32,042,515	52%	\$ 59,303,389	\$ 1,774,009	3%
Noncurrent Assets	611,917	736,610	(124,693)	-17%	928,031	(191,421)	-21%
Total Assets	93,731,830	61,814,008	31,917,822	52%	60,231,420	1,582,588	3%
Current Liabilities	71,552,549	36,688,129	34,864,420	95%	33,553,920	3,134,209	9%
Total Liabilities	71,552,549	36,688,129	34,864,420	95%	33,553,920	3,134,209	9%
Net Position	<u>\$ 22,179,281</u>	<u>\$ 25,125,879</u>	<u>\$ (2,946,598)</u>	<u>-12%</u>	<u>\$ 26,677,500</u>	<u>\$ (1,551,621)</u>	<u>-6%</u>

During 2016, the Authority's combined net position decreased \$2.947 million (or 12%) due to:

\$ (2.731) million	Economic Development Conveyance (EDC) (negative amount is due to operating costs exceeding revenue due to costs incurred to market and prepare properties for sale)
\$ (38) thousand	Office of Economic Adjustment (OEA) grant award (negative amount is due to depreciation of Building Improvements on the former Post Library used as the Authority's offices)
\$ 15 thousand	State appropriation and an increase in direct office support expenses
\$ (193) thousand	Reduction of the Homeless Fund land conveyance due to property sales and interest income

During 2015, the Authority's combined net position decreased \$1.551 million (or 6%) due to:

\$ (1.593) million	EDC (negative amount is due to operating costs exceeding revenue due to the delay in the Phase 2 property transfer)
\$ (38) thousand	OEA grant award (negative amount is due to depreciation of leasehold improvements on the former Post Library used as the Authority's offices)
\$ 79 thousand	State appropriation and a decrease in direct office support expenses
\$ 1 thousand	Homeless Fund interest income

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.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

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 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 2017.

The Phase 2 EDC is comprised of the remaining 563 acres of the former Fort, split between Eatontown and Oceanport. The transfer of the balance of the Main Post was accomplished under a Phase 2 Memorandum of Agreement. The Phase 2 Parcels were purchased by FMERA from the Army on November 17, 2016. The purchase was financed by a loan from the MCIA as discussed in Note 12 to the financial statements.

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 towers and from conveyance revenue on the transfer of the Phase 1 and 2 EDC parcels to third party buyers according to the terms of the Phase 1 and 2 EDC Agreements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

The following table summarizes changes in operating and non-operating activities between fiscal year 2016, 2015, and 2014:

	2016	2015	Dollar Change	Percentage Change	2014	Dollar Change	Percentage Change
Operating Revenue	\$ 1,778,034	\$ 1,521,166	\$ 256,868	17%	\$ 23,229,512	\$ (21,708,346)	-93%
Operating Expenses	5,111,187	3,364,546	1,746,641	52%	3,214,152	150,394	5%
Operating Revenue (Loss)	(3,333,153)	(1,843,380)	(1,489,773)	81%	20,015,360	(21,858,740)	-109%
Non-Operating Revenue	386,555	291,759	94,796	32%	1,731,178	(1,439,419)	-83%
Change in Net Position	(2,946,598)	(1,551,621)	(1,394,977)	90%	21,746,538	(23,298,159)	-107%
Net Position - Beginning of Year	25,125,879	26,677,500	(1,551,621)	-6%	4,930,962	21,746,538	441%
Net Position - End of Year	<u>\$ 22,179,281</u>	<u>\$ 25,125,879</u>	<u>\$ (2,946,598)</u>	<u>-12%</u>	<u>\$ 26,677,500</u>	<u>\$ (1,551,621)</u>	<u>-6%</u>

Operating Revenue and Expenses

During 2016, the Authority's operating revenues were impacted by the following:

- EDC revenue increased by \$352,731 – Due to the gains on land sales
- Grant revenue increased by \$42,646 – Federal grant revenue is directly related to the reimbursement of qualified expenses incurred during the period
- Other income decreased by \$65,328 – Due to the transfer of ownership of the cell tower with the sale of Building 2525

During 2015, the Authority's operating revenues were impacted by the following:

- EDC revenue decreased by \$15,706,778 – There was no transfer of property from the Army during 2015 while the transfer of the Phase 1 property from the Army occurred in 2014
- Homeless Fund Revenue decreased by \$5,862,962 – There was no transfer of property from the Army during 2015 while the transfer of the Phase 1 property from the Army occurred in 2014
- Grant revenue decreased by \$137,893 – Federal grant revenue is directly related to the reimbursement of qualified expenses incurred during the period
- Operating fee income from the golf course operator decreased by \$19,874
- Other income increased by \$19,161 from income for the usage of the cell tower acquired with the Phase 1 property

The 2016 Operating Revenue increased as a result of gains on property sales.

The 2016 Operating Expenses increased by \$1,746,641, compared to 2015. The 2016 Program Costs were \$1,120,221 more than 2015 due to payment of broker commissions, payment for infrastructure work and in-kind services provided. The 2016 Homeless Fund expenses increased by \$122,613 due to the Authority making payments toward the Homeless Fund obligation in 2016.

Non-Operating Revenue – Net

In 2016, non-operating revenues – net, increased by \$94,796 due to an increase in auction proceeds and interest earned compared to 2015. In 2015, non-operating revenues – net, decreased by \$1,439,419 due to a reduction in the state appropriation and auction proceeds as well as there being no net position transfer in 2015.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Impact of Future Economic Events

In 2017, the Authority is anticipating the sale of approximately 16 parcels. The net proceeds from the sale of three of these parcels (Officer Housing, Russel Hall and the Fitness Center) will be used to pay down approximately \$10 million of the loan from the MCIA. After payments to the Army, Homeless Fund and sales commissions, the Authority estimates net sales revenue of the other 13 parcels to be approximately \$8.7 million. At June 30, 2017, funding from OEA will end and all expenses previously covered by OEA will be funded with EDC revenue.

In addition, EDC revenue will be used to fund infrastructure improvements, primarily on the Phase 2 (i.e. Main Post) properties. FMERA intends to fund these improvements as funding permits and on a "just in time" basis. Nevertheless, anticipated EDC revenue is projected to be sufficient to cover planned 2017 infrastructure expenditures.

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, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents	\$ 445,707	\$ 409,570
Grant and Other Receivables	889,282	366,928
Land - Held for Resale	76,667,808	48,126,770
Prepaid Assets - Future Land Conveyance	1,651,588	-
Prepaid Expenses	68,884	90,968
Total Unrestricted Assets	79,723,269	48,994,236
Restricted Assets		
Cash - Economic Development Conveyance	866,114	2,055,481
Cash - Property Sales Deposits	3,226,782	4,448,269
Cash - Homeless Fund	1,151,609	875,550
Developers Escrow Receivable	17,816	-
Escrow - AcuteCare	-	75,107
Escrow - Developers	19,500	-
Escrow Deposits - Property Sales	8,114,823	4,628,755
Total Restricted Assets	13,396,644	12,083,162
NONCURRENT ASSETS		
Costs Capitalized for Future Conveyance	50,058	89,996
Capital Assets, Net	561,859	646,614
Total Noncurrent Assets	611,917	736,610
 Total Assets	 93,731,830	 61,814,008
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	581,129	310,414
Deposits - Property Sales	11,341,605	9,077,024
Escrow - AcuteCare	-	75,107
Escrow - Developers	37,316	-
Land Conveyance Liabilities	25,645,684	26,877,910
Loan Payable	33,525,000	-
Interest Payable	62,381	-
Due to NJ Economic Development Authority	359,434	347,674
Total Liabilities	71,552,549	36,688,129
NET POSITION		
Investment in Capital Assets	561,859	646,614
Restricted	7,090,518	8,473,113
Unrestricted	14,526,904	16,006,152
Total Net Position	\$ 22,179,281	\$ 25,125,879

See accompanying Notes to 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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Federal Grants	\$ 1,425,396	\$ 1,382,750
Gain on Sale of Land	279,550	-
Operating Fee	62,500	62,500
Other	10,588	75,916
Total Operating Revenue	<u>1,778,034</u>	<u>1,521,166</u>
OPERATING EXPENSES		
Direct Office Support	1,428,983	1,332,711
General and Administrative	146,914	184,321
Homeless Fund	122,613	-
Program Costs	2,749,844	1,629,623
Interest Expense on Loan Payable	62,381	-
Loan Issuance Costs	475,759	-
Conveyance Transfer	39,938	131,812
Depreciation	84,755	86,079
Total Operating Expenses	<u>5,111,187</u>	<u>3,364,546</u>
OPERATING INCOME (LOSS)	(3,333,153)	(1,843,380)
NON-OPERATING REVENUE		
State Appropriation	180,200	206,825
Interest Income	7,882	3,325
Other	198,473	81,609
Total Non-Operating Revenue	<u>386,555</u>	<u>291,759</u>
CHANGE IN NET POSITION	(2,946,598)	(1,551,621)
Net Position - Beginning of Year	<u>25,125,879</u>	<u>26,677,500</u>
NET POSITION - END OF YEAR	<u>\$ 22,179,281</u>	<u>\$ 25,125,879</u>

See accompanying Notes to Financial Statements.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal Grants	\$ 1,317,869	\$ 1,637,715
Receipts from Customers and Users (Golf Course and Miscellaneous)	48,748	317,245
Payments for Personnel Services	(1,411,015)	(1,376,595)
Payments to Suppliers	(2,247,022)	(2,132,928)
Deposits Received	2,264,581	4,749,951
Deposits Returned	(3,486,068)	(1,105,645)
Proceeds from Property Sale	3,845,001	-
Payments to U.S. Army	(35,616,702)	-
Payments related to Homeless Fund	(122,613)	-
Net Cash Provided (Used) by Operating Activities	(35,407,221)	2,089,743
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriation	180,200	206,825
Proceeds of Loan Payable	33,525,000	-
Loan Issuance Costs	(475,759)	-
Miscellaneous Non-Operating Income	71,221	81,609
Net Cash Provided by Noncapital Financing Activities	33,300,662	288,434
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Payments for Leasehold Improvements	-	(5,974)
Cash Payments for Costs Capitalized for Future Conveyance	-	(20,496)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(26,470)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from Investments	7,901	3,297
Net Cash Provided by Investing Activities	7,901	3,297
NET INCREASE (DECREASE) IN CASH	(2,098,658)	2,355,004
Cash - Beginning of Year	7,788,870	5,433,866
CASH - END OF YEAR	\$ 5,690,212	\$ 7,788,870
	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (3,333,153)	\$ (1,843,380)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Conveyance Transfer	39,938	131,812
Depreciation Expense	84,755	86,079
Loan Issuance Costs	475,759	-
Change in Assets and Liabilities:		
Grant and Other Receivables	(395,121)	433,794
Prepaid Expenses and Other Assets	22,084	2,397
Prepaid Asset	(1,651,588)	-
Land - Held for Resale	(28,541,038)	-
Accounts Payable and Accrued Liabilities	270,715	(347,197)
Deposits - Property Sales	(1,221,487)	3,644,306
Land Conveyance Liabilities	(1,232,226)	-
Interest Payable	62,381	-
Due to NJ Economic Development Authority	11,760	(18,068)
Net Cash Provided (Used) by Operating Activities	\$ (35,407,221)	\$ 2,089,743

See accompanying Notes to Financial Statements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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.

The Authority does not have component units that should be included within its financial statements.

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, 2016 and 2015, the cash held in the segregated accounts have been included in the Authority’s statements of net position as an asset. The cash balances total \$1,151,609 and \$875,550 at December 31, 2016 and 2015, 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, 2016 AND 2015

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 (Army) without cash consideration 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.

Gain or Loss on Property Sales

Property transferred to FMERA by the Army for cash consideration, such as the Phase 2 purchase, is an exchange transaction as the contracted liabilities to the Army are satisfied at the time of conveyance.

The Authority recognizes a gain or loss on property sales at the time of settlement to the extent that the purchase price exceeds or is less than the carrying value of the parcel.

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

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Land Held for Resale

EDC assets conveyed by the Army without cash consideration (Phase 1) are stated at their estimated fair market value at the date of transfer. EDC assets purchased from the Army for cash consideration (Phase 2) are recorded at cost.

Capitalization Policy

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. Capital assets are stated at cost.

Depreciation Policy

Depreciation is computed when the asset is placed in service using the straight-line method over the following estimated economic life of the assets:

Building and 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.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined contribution pensions and defined benefit pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statements No. 67 and 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2016. The Authority has determined that Statement No. 73 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). This statement establishes financial reporting for state and local governmental other postemployment benefit (OPEB) plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. The Authority has determined that Statement No. 74 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 75 on its financial statements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards (Continued)

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of GASB Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The provisions in Statement No. 78 are effective for reporting periods beginning after December 15, 2015. The Authority has determined that Statement No. 78 will have no effect on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement No. 80 are effective for reporting periods beginning after June 15, 2016. The Authority has determined that Statement No. 80 will have no effect on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The Authority has not yet completed the process of evaluating the impact of GASB 81 on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 14, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for reporting periods beginning after June 15, 2016. The Authority has determined that Statement No. 82 will have no effect on its financial statements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards (Continued)

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No.83 are effective for reporting periods beginning after June 15, 2018. The Authority has not yet completed the process of evaluating the impact of GASB 83 on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No.84 are effective for reporting periods beginning after December 15, 2018. The Authority has not yet completed the process of evaluating the impact of GASB 84 on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions in Statement No.85 are effective for reporting periods beginning after June 15, 2017. The Authority has not yet completed the process of evaluating the impact of GASB 85 on its financial statements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 CASH BALANCES

At December 31, 2016, the Authority maintained 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 NJ Governmental Unit Deposit Protection Act (GUDPA). Cash deposits in the checking accounts totaled \$3,728,303. Of this amount, \$3,226,782 represents the funds received by the Authority from the responders to the Authority's Requests for Offers to Purchase land (RFOTP).

At December 31, 2015, the Authority maintained Government Advantage Interest Checking Accounts with a financial institution. Funds in excess of the FDIC insured amounts are protected by the GUDPA. Cash deposits in the checking accounts totaled \$4,908,282. Of this amount, \$4,448,269 represents the funds received by the Authority from the responders to the Authority's Requests for Offers to Purchase land.

Petty cash as of December 31, 2016 and 2015 totaled \$0 and \$54, respectively.

Additionally, the Authority has an account with the State of New Jersey Cash Management Fund (NJCMF). Cash deposits in this account totaled \$810,300 at December 31, 2016 and \$2,004,984 at December 31, 2015. In accordance with State Investment Council Regulations, units of ownership in the NJCMF may be purchased or redeemed on any business day (excluding State holidays) at the unit cost or value of \$1.00. Investment income and net realized gains and losses on investments are distributed daily in the form of additional whole units at the current day's net asset value. Fractional units are included in the succeeding day's distribution.

The NJCMF values participants' shares on a fair value basis. Specifically, the NJCMF distributes income to participants on a daily basis based on (1) realized investment gains and losses calculated at market (and added to the Reserve Fund for the pro-rata portion of such gains attributable to "Other-than-State" participants), (2) interest income based on stated rates, (3) amortization of discounts and premiums on a straight-line basis and (4) administrative and reserve fund fees charged only to "Other-than-State" participants

Fort Monmouth Homeless Funds were on deposit with the State of New Jersey Cash Management Fund and a financial institution in a Government Advantage Interest Checking Account. At December 31, 2016 and 2015, the cash deposits totaled \$1,151,609 and \$875,550, 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 \$2,500,000 with the Authority to secure its obligation to complete the Project and \$75,000 to secure new job security. 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.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 ESCROW – ACUTECARE (CONTINUED)

AcuteCare provided proof of investing a minimum of \$5,000,000 in the Project on March 18, 2015 and FMERA released the additional \$1,250,000 plus \$740 in interest to AcuteCare on March 25, 2015. On May 11, 2016 AcuteCare provided proof of creating 50 new jobs and FMERA released the \$75,000 plus \$200 in accrued interest to AcuteCare on May 16, 2016. AcuteCare Escrow funds were on deposit with New Jersey Cash Management Fund. Cash deposits in this account totaled \$0 and \$75,107 at December 31, 2016 and 2015, respectively.

NOTE 4 ESCROW – DEVELOPERS

Pursuant to the Authority's approved agreement with the Parcel B purchaser, the purchaser is entitled to receive a split of net auction proceeds from the sale of furniture, fixtures and equipment (FF&E), piping, wiring, etc. on the Phase 1 portion of the property occurring after RFOTP issuance. Any net auction proceeds generated from the sale of non-FF&E items on the Phase 2 portion of the property will be divided between the Authority and the purchaser.

NOTE 5 ESCROW DEPOSIT – PROPERTY SALE

At December 31, 2016, the Authority had escrow deposits of \$8,114,823 from third party purchasers per the contracts to sell the Fabrication Shops, the Fitness Center, Officer's Housing, Parcels C & C-1, Russel Hall, Parcel B, the Pistol Range, and Satellite Road Parcels. Escrow funds were on deposit with the attorney trust accounts.

At December 31, 2015, the Authority had escrow deposits of \$4,628,755 from third party purchasers per the contracts to sell Building 2525, the Fabrication Shops, the Fitness Center, Officers Housing, Parcels C & C-1 and Russel Hall. Escrow funds were on deposit with the attorney trust accounts.

NOTE 6 GRANT AND OTHER RECEIVABLES

Included in grant and other receivables are Federal grant receivable balances of \$436,159 and \$328,632 at December 31, 2016 and 2015, respectively. At December 31, 2016, included in grant and other receivables, is a receivable of \$263,000 for the value of in-kind services due from Monmouth County in connection with the purchase agreement for the Motor Pool parcel that was executed in November 2016.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

The following schedule detail changes in Property, Plant and Equipment by major class that occurred during the year ended December 31, 2016:

	Balance December 31, 2015	Additions	Deletions	Transfers	Balance December 31, 2016
Capital Assets, Being Depreciated:					
Building Improvements	\$ 847,552	\$ -	\$ -	\$ -	\$ 847,552
Total, Being Depreciated	<u>847,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,552</u>
Accumulated Depreciation					
Building Improvements	200,938	84,755	-	-	285,693
Total Accumulated Depreciation	<u>200,938</u>	<u>84,755</u>	<u>-</u>	<u>-</u>	<u>285,693</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 646,614</u>	<u>\$ (84,755)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,859</u>

The following schedule detail changes in Property, Plant and Equipment by major class that occurred during the year ended December 31, 2015:

	Balance December 31, 2014	Additions	Deletions	Transfers	Balance December 31, 2015
Capital Assets, Being Depreciated:					
Leasehold Improvements	\$ 841,578	\$ 5,974	\$ -	\$ -	\$ 847,552
Total, Being Depreciated	<u>841,578</u>	<u>5,974</u>	<u>-</u>	<u>-</u>	<u>847,552</u>
Accumulated Depreciation					
Leasehold Improvements	114,859	86,079	-	-	200,938
Total Accumulated Depreciation	<u>114,859</u>	<u>86,079</u>	<u>-</u>	<u>-</u>	<u>200,938</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 726,719</u>	<u>\$ (80,105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,614</u>

The Authority's lease with the Army for the former Post Library used as the Authority's offices was terminated as part of the Phase 2 purchase transaction in 2016, therefore the leasehold improvements are now considered to be building improvements. Total depreciation expense for Fiscal Years 2016 and 2015 was \$84,755 and \$86,079, respectively.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 LAND – HELD FOR RESALE AND COSTS CAPITALIZED FOR FUTURE CONVEYANCE

At December 31, 2016, the Authority held title to all of the Phase 1 property with the exception of the Marina Parcel which is expected to transfer in 2017, the Building 2525 Parcel which sold in February 2016, the Child Development Center Parcel which sold in March 2016, the Clinic Parcel which sold in March 2014 and Parcel E which sold in January 2013. The remaining Phase 1 property was recorded at an estimated fair market value of \$45,546,770 based on: independent real estate appraisals, where available; purchase offers submitted in response to the Authority's Requests for Offers to Purchase; and market value estimates prepared by the Authority's staff and broker.

At December 31, 2015, the Authority held title to all of the Phase 1 property with the exception of the Marina Parcel which was expected to transfer in the 2nd quarter of 2016, the Clinic Parcel which sold in March 2014 and Parcel E which sold in January 2013. The remaining 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 the Authority's Requests for Offers to Purchase; and market value estimates prepared by the Authority's staff and broker.

At December 31, 2016, the Authority also held title to all of the Phase 2 property with the exception of the Motor Pool which was sold to Monmouth County in November 2016, the County Homeless Shelter which was conveyed to Monmouth County in November 2016 at no cost and the Phase 2 carve-outs discussed in Note 9. The remaining Phase 2 property was valued at cost which was \$31,121,037.

The Authority incurred certain infrastructure costs related to roads and sanitary sewer improvements within the parcels held for resale. This infrastructure will be conveyed 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 \$50,058 and \$89,996 at December 31, 2016 and 2015, respectively.

NOTE 9 PREPAID ASSETS

At December 31, 2016, the Squier Hall and Commissary Parcels were Phase 2 carve-outs that were not transferred with the other Phase 2 property, however, the purchase price ascribed to these parcels was part of the \$33,000,000 paid to the Army for the purchase of the Phase 2 property. As a result, the costs of these parcels were recorded as prepaid assets in the amount of \$1,651,588. The Army will not convey title to these parcels until all environmental remediation has occurred.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 10 DEPOSITS – PROPERTY SALES

At December 31, 2016, the Authority held deposits aggregating \$11,341,605 for the initial payments under purchase and sale agreements for the Fabrication Shops, the Fitness Center, Officers Housing, Parcels C & C-1, Russel Hall, Parcel B and the Pistol Range and Satellite Road Parcels and bid deposits for the potential sales of the Charles Wood Fire House, Dance Hall, Eatontown Barracks, Golf Course, Howard Commons, Main Post Chapel, Marina, Nurses Quarters, Parcel B, Parcel F-3, Satellite Road and the Squier Hall Parcel.

At December 31, 2015, the Authority held deposits aggregating \$9,077,024 for the initial payments under purchase and sale agreements for Building 2525, the Fabrication Shops, Fitness Center, Officer's Housing, Parcels C & C-1, Russel Hall and the Child Development Center and bid deposits for the potential sales of the Child Development Center, Dance Hall, Howard Commons, Marina, Nurses Quarters, Parcel B, Parcel F-2, Parcel F-3, the Pistol Range and Satellite Road Parcel.

NOTE 11 LAND CONVEYANCE LIABILITIES

In accordance with the Economic Development Conveyance Agreement, at December 31, 2016 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 \$25,645,684 and \$26,877,910 of land conveyance liabilities due to the United States Army at December 31, 2016 and 2015, respectively. The Authority has also recorded an aggregate of \$5,072,795 and \$5,542,082 of land conveyance assets due to the Homeless Fund at December 31, 2016 and 2015, respectively. The land conveyance assets and liabilities recorded are estimates and are subject to change based on economic factors that were unknown at the time of conveyance. At the time of settlement on the sale of the Phase 1 parcels any changes to the estimated assets and liabilities are included in the Authority's gain or loss from property sales.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 12 LOAN PAYABLE

The Authority obtained financing for the purchase of the Phase 2 properties through the Monmouth County Improvement Authority (MCIA). The financing structure entailed MCIA's issuance of taxable notes to provide the consideration to the Army, along with the cost of issuance. Interest on the notes and expenses will be payable by the Authority on a current basis, with the notes issued annually as one-year obligations. Interest on the notes and expenses will be general obligations of the Authority. The Authority will pay down approximately \$10 million in principal upon its sale of three parcels; Officers Housing, Russel Hall and the Fitness Center. Those three parcels are under contract and sales are anticipated to occur within six months of the Authority's closing with the Army.

In connection with this transaction, Monmouth County's Board of Chosen Freeholders authorized a payment guaranty for the notes for five years. The County will hold a mortgage against the Phase 2 parcels which mortgage will be released on a parcel by parcel basis as and when the Authority is ready to convey individual parcels to third party purchasers. On each one year anniversary of the issuance of the notes, MCIA plans to issue subsequent notes to refund the notes that mature and cover issuance costs. During the five-year term of the County's guaranty, principal payments will be made from and only to the extent that sales proceeds are available. If any principal balance remains at the end of the five-year loan term, the balance will become a general obligation of the Authority and the Authority's options will be to either: (i) renegotiate and extend the loan; (ii) refinance the balance through a third-party lender; or (iii) pay off the balance from cash on hand.

The Authority has classified the loan payable as a current liability because there is no guarantee that MCIA will issue the subsequent notes.

The outstanding notes are as follows:

	December 31, 2016
The Monmouth County Improvement Authority, Governmental Loan Project Notes, Series 2016A; interest at 1.375%; principal and interest payable at maturity on 11/15/17	\$ 23,370,000
The Monmouth County Improvement Authority, Governmental Loan Project Notes, Series 2016A; interest at 1.75%; principal and interest payable at maturity on 11/15/17	10,155,000
	\$ 33,525,000

At December 31, 2016, aggregate debt services requirements of notes payable through 2017 are as follows:

Principal	Interest	Total
\$ 33,525,000	\$ 499,050	\$ 34,024,050

Notes payable activity for the year ended December 31, 2016 was as follow:

December 31, 2015	Additions	Reductions	December 31, 2016	Amounts Due Within One Year
\$ -	\$ 33,525,000	\$ -	\$ 33,525,000	\$ 33,525,000

Interest payable on the loan at December 31, 2016 was \$62,381.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 13 DUE TO NJ ECONOMIC DEVELOPMENT AUTHORITY

The balances due to the NJ Economic Development Authority at December 31, 2016 and 2015 for direct office support were \$359,434 and \$347,674, respectively.

NOTE 14 ECONOMIC DEVELOPMENT CONVEYANCE REVENUE AND EXPENDITURES

For the years ended December 31, 2016 and 2015 the Authority's Economic Development Conveyance revenue was \$629,451 and \$222,460, respectively, and consisted of the following:

	2016	2015
EDC, Gain on Sale of Parcels	\$ 352,731	\$ -
Operating Fee	62,500	62,500
Interest	5,316	2,435
Other	208,904	157,525
Total	<u>\$ 629,451</u>	<u>\$ 222,460</u>

For the years ended December 31, 2016 and 2015 the Authority's EDC expenditures were \$3,313,838 and \$1,773,868, respectively, and consisted of the following:

	2016	2015
Building Rehabilitation	\$ -	\$ 5,974
Utility Construction	111,659	11,344
Landscaping	16,320	18,752
Storm & Sanitary Sewer Construction	-	131,811
Transportation Management Facilities	363,146	-
Road Construction	419,886	-
Planning for/or the Marketing of the Property	2,402,827	1,605,987
Total	<u>\$ 3,313,838</u>	<u>\$ 1,773,868</u>

NOTE 15 OPERATING LEASES AND AGREEMENTS

Golf Course and Facilities

The Authority has an agreement with an operator for professional management and maintenance 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 agreement is the operator's obligation to assume the operation and maintenance costs of the premises. The Authority has recorded \$62,500 in revenue for the operation and maintenance for the years ended December 31, 2016 and 2015.

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, 2016 and 2015. The lease has been extended through June 30, 2017.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 15 OPERATING LEASES AND AGREEMENTS (CONTINUED)

Future minimum payments under the equipment lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 20,000

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 facilities. The consideration for the agreement is the County's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

Provost Marshall Office – NJSP

The Authority has an agreement with the New Jersey State Police for the use of Buildings 977 and 983 for the professional management and maintenance of such facilities. The consideration for the agreement is the State Police's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

Marina

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 (1) year. The lease has been extended on a month to month basis 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, therefore, the Authority has recorded no rental expense for the leased premises for the years ended December 31, 2016 and 2015.

Building 282 – Main Post Fire Station

The Authority has an agreement with the Borough of Oceanport for the use of Building 282 and its associated parking area for the professional management and maintenance of such facilities. The consideration for the agreement is the Borough's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 15 OPERATING LEASES AND AGREEMENTS (CONTINUED)

Officer's Housing

The Authority has an agreement with RPM Development, LLC (RPM) who, in anticipation of taking ownership of the property, will make renovations and improvements to redevelop the property. The Officer's Housing Property includes eighty-six buildings and associated parking areas. 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 the Officers Housing is not permitted under the agreement. The consideration for the agreement is RPM's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

Russel Hall

The Authority entered into an agreement with Tetherview Property Management, LLC (Tetherview) for the use of Building 286, Building 549 and associated parking areas (collectively "Russel Hall"). In anticipation of taking ownership of the property, Tetherview will make renovations and improvements and begin operating the property. The consideration for the agreement is Tetherview's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

900 Area

The Authority has an agreement with the Borough of Oceanport for the use of Buildings 900, 914, 915, 916, 917 and their associated parking areas for the professional management and maintenance of such facilities. The consideration for the agreement is the Borough's obligation to assume the operation and maintenance costs of the premises. Therefore, the Authority has recorded no rental revenue for the premises for the years ended December 31, 2016 and 2015.

NOTE 16 RISKS AND UNCERTAINTIES

Concentration of Revenue

Principally all of the Authority's operating revenues are from the conveyance and subsequent sale of property in conjunction with the Economic Development Conveyance Agreement (Phase 1 and Phase 2) dated June 25, 2012 and October 25, 2016, respectively, 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 audit under the Single Audit Act. In the opinion of management, any adjustments resulting from subsequent audits are not expected to have an adverse effect on the accompanying financial statements.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 16 RISKS AND UNCERTAINTIES (CONTINUED)

Economic Dependence

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

NOTE 17 CONTINGENCIES & COMMITMENTS

Obligations from Phase 1 Economic Development Conveyance Agreement

In conjunction with the Phase 1 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 Phase 1 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.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 17 CONTINGENCIES & COMMITMENTS (CONTINUED)

Obligations from First Amendment to Phase 1 Economic Development Conveyance Agreement

Pursuant to the First Amendment to the Phase 1 EDC Agreement dated October 25, 2016:

1. The Authority is obligated to provide the Army all net sales proceeds (\$483,882) from the sale of the Fabrication Shops parcel.
2. The Authority may convey the 38-acre Myer Center parcel, also known as Parcel F-1, to the NJ Economic Development Authority at no cost, and if so conveyed, no consideration will be due the Army.
3. The Authority is authorized to use proceeds from the sale, lease or use of the Phase 1 property to service bonds related to the Phase 2 parcels, as set forth in the October 25, 2016 Phase 2 EDC Agreement.

Obligations from Phase 2 Economic Development Conveyance Agreement

In conjunction with the Phase 2 EDC Agreement dated October 25, 2016, the Authority is obligated to:

1. Accept conveyance of certain Phase 2 parcels totaling approximately 563 acres including buildings, improvements and personal property.
2. At settlement of the Phase 2 property pay the Army \$33,000,000. (The Authority subsequently purchased the Phase 2 property on November 17, 2016.)
3. At the time of third party settlement, contribute \$20,055 for each developable acre sold to the Fort Monmouth Homeless Fund.
4. 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.

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 18 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 cash and the Homeless Fund share of land conveyance. Unrestricted net position include all net assets not included above.

NOTE 19 SUBSEQUENT EVENTS

Sale of Officers Housing

In January 2017, the Authority closed on the Phase 2–Officers Housing Parcel per the terms of the purchase and sale agreement for \$7,859,817. Proceeds were distributed as follows: (1) \$732,008 to the Fort Monmouth Homeless Fund (2) sales commissions of \$471,589 (3) mortgage release fee of \$25 and (4) Mortgage payoff Monmouth County of \$6,656,195. In addition, FMERA received an infrastructure contribution of \$700,000 from the purchaser at closing.

Sale of Parcel F-3

In February 2017, the Authority closed on Phase 1–Parcel F-3 per the terms of the purchase and sale agreement for \$560,000. Proceeds were distributed as follows: (1) \$287,411 to the Department of the Army, (2) \$70,192 to the Fort Monmouth Homeless Fund, (3) sales commissions of \$33,600, and (4) \$168,797 to the Authority.

Sale of the Main Post Chapel

In February 2017, the Authority closed on the Phase 2–Main Post Chapel per the terms of the purchase and sale agreement for \$1,000,000. Proceeds were distributed as follows: (1) \$100,275 to the Fort Monmouth Homeless Fund, (2) sales commissions of \$60,000, and (3) \$839,725 to the Authority.

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2016

ASSETS	<u>OEA Grant and Matching</u>	<u>Economic Development Conveyance</u>	<u>Other</u>	<u>Homeless Fund</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS						
Unrestricted Assets						
Cash and Cash Equivalents	\$ 37,823	\$ -	\$ 407,884	\$ -	\$ -	\$ 445,707
Grant and Other Receivables	436,159	453,123	-	-	-	889,282
Interfund Receivable	-	-	57,609	-	(57,609)	-
Land - Held for Resale	-	71,595,013	-	5,072,795	-	76,667,808
Prepaid Assets - Future Land Conveyance	-	1,651,588	-	-	-	1,651,588
Prepaid Expenses	-	68,884	-	-	-	68,884
Total Unrestricted	<u>473,982</u>	<u>73,768,608</u>	<u>465,493</u>	<u>5,072,795</u>	<u>(57,609)</u>	<u>79,723,269</u>
Restricted Assets						
Cash - Economic Development	-	866,114	-	-	-	866,114
Conveyance	-	3,226,782	-	-	-	3,226,782
Cash - Property Sales Deposit	-	-	-	1,151,609	-	1,151,609
Cash - Homeless Fund	-	-	-	-	-	-
Developers Escrow Receivable	-	17,816	-	-	-	17,816
Escrow - Developers	-	19,500	-	-	-	19,500
Escrow Deposit - Property Sale	-	8,114,823	-	-	-	8,114,823
Total Restricted Assets	<u>-</u>	<u>12,245,035</u>	<u>-</u>	<u>1,151,609</u>	<u>-</u>	<u>13,396,644</u>
NONCURRENT ASSETS						
Costs Capitalized for						
Future Conveyance	-	50,058	-	-	-	50,058
Capital Assets, Net	250,845	311,014	-	-	-	561,859
Total Noncurrent Assets	<u>250,845</u>	<u>361,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>611,917</u>
Total Assets	<u>724,827</u>	<u>86,374,715</u>	<u>465,493</u>	<u>6,224,404</u>	<u>(57,609)</u>	<u>93,731,830</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable and						
Accrued Liabilities	185,334	350,947	44,848	-	-	581,129
Interfund Payable	-	57,609	-	-	(57,609)	-
Deposits - Property Sales	-	11,341,605	-	-	-	11,341,605
Escrow - Developers	-	37,316	-	-	-	37,316
Land Conveyance Liabilities	-	25,645,684	-	-	-	25,645,684
Loan Payable	-	33,525,000	-	-	-	33,525,000
Interest Payable	-	62,381	-	-	-	62,381
Due to NJ Economic	-	-	-	-	-	-
Development Authority	288,648	70,786	-	-	-	359,434
Total Liabilities	<u>473,982</u>	<u>71,091,328</u>	<u>44,848</u>	<u>-</u>	<u>(57,609)</u>	<u>71,552,549</u>
NET POSITION						
Investment in Capital Assets	250,845	311,014	-	-	-	561,859
Restricted	-	866,114	-	6,224,404	-	7,090,518
Unrestricted	-	14,106,259	420,645	-	-	14,526,904
Total Net Position	<u>\$ 250,845</u>	<u>\$ 15,283,387</u>	<u>\$ 420,645</u>	<u>\$ 6,224,404</u>	<u>-</u>	<u>\$ 22,179,281</u>

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2015

ASSETS	<u>OEA Grant and Matching</u>	<u>Economic Development Conveyance</u>	<u>Other</u>	<u>Homeless Fund</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS						
Unrestricted Assets						
Cash and Cash Equivalents	\$ 29,415	\$ -	\$ 380,155	\$ -	\$ -	\$ 409,570
Grant and Other Receivables	328,632	38,296	-	-	-	366,928
Interfund Receivable	-	-	63,515	-	(63,515)	-
Land - Held for Resale	-	42,584,688	-	5,542,082	-	48,126,770
Prepaid Expenses	23,676	67,292	-	-	-	90,968
Total Unrestricted						
Current Assets	381,723	42,690,276	443,670	5,542,082	(63,515)	48,994,236
Restricted Assets						
Cash - Economic Development						
Conveyance	-	2,055,481	-	-	-	2,055,481
Cash - Property Sales Deposit	-	4,448,269	-	-	-	4,448,269
Homeless Fund	-	-	-	875,550	-	875,550
Escrow - AcuteCare	-	75,107	-	-	-	75,107
Escrow Deposit - Property Sale	-	4,628,755	-	-	-	4,628,755
Total Restricted Assets	-	11,207,612	-	875,550	-	12,083,162
NONCURRENT ASSETS						
Costs Capitalized for Future						
Conveyance	-	89,996	-	-	-	89,996
Leasehold Improvements, Net	288,975	357,639	-	-	-	646,614
Total Noncurrent Assets	288,975	447,635	-	-	-	736,610
Total Assets	670,698	54,345,523	443,670	6,417,632	(63,515)	61,814,008
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable and						
Accrued Liabilities	101,314	170,303	38,797	-	-	310,414
Interfund Payable	-	63,515	-	-	(63,515)	-
Deposits - Property Sales	-	9,077,024	-	-	-	9,077,024
Escrow - AcuteCare	-	75,107	-	-	-	75,107
Land Conveyance Liabilities	-	26,877,910	-	-	-	26,877,910
Due to NJ Economic						
Development Authority	280,409	67,265	-	-	-	347,674
Total Liabilities	381,723	36,331,124	38,797	-	(63,515)	36,688,129
NET POSITION						
Investment in Capital Assets	288,975	357,639	-	-	-	646,614
Restricted	-	2,055,481	-	6,417,632	-	8,473,113
Unrestricted	-	15,601,279	404,873	-	-	16,006,152
Total Net Position	<u>\$ 288,975</u>	<u>\$ 18,014,399</u>	<u>\$ 404,873</u>	<u>\$ 6,417,632</u>	<u>\$ -</u>	<u>\$ 25,125,879</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, 2016

	OEA Grant and Matching	Economic Development Conveyance	Other	Homeless Fund	Total
OPERATING REVENUES					
Federal Grants	\$ 1,425,396	\$ -	\$ -	\$ -	\$ 1,425,396
Gain (Loss) on Sale of Land	-	352,731	-	(73,181)	279,550
Operating Fee	-	62,500	-	-	62,500
Other	-	10,588	-	-	10,588
Total Operating Revenue	<u>1,425,396</u>	<u>425,819</u>	<u>-</u>	<u>(73,181)</u>	<u>1,778,034</u>
OPERATING EXPENSES					
Direct Office Support	1,150,630	272,145	6,208	-	1,428,983
General and Administrative	26,000	120,914	-	-	146,914
Homeless Fund	-	-	-	122,613	122,613
Program Costs	407,143	2,342,701	-	-	2,749,844
Interest Expense on Loan Payable	-	62,381	-	-	62,381
Loan Issuance Costs	-	475,759	-	-	475,759
Conveyance Transfer	-	39,938	-	-	39,938
Depreciation	38,130	46,625	-	-	84,755
Total Operating Expenses	<u>1,621,903</u>	<u>3,360,463</u>	<u>6,208</u>	<u>122,613</u>	<u>5,111,187</u>
OPERATING INCOME (LOSS)	(196,507)	(2,934,644)	(6,208)	(195,794)	(3,333,153)
NON-OPERATING REVENUE					
State Appropriation	158,377	-	21,823	-	180,200
Interest Income	-	5,316	-	2,566	7,882
Other	-	198,316	157	-	198,473
Total Non-Operating Revenue	<u>158,377</u>	<u>203,632</u>	<u>21,980</u>	<u>2,566</u>	<u>386,555</u>
CHANGE IN NET POSITION	(38,130)	(2,731,012)	15,772	(193,228)	(2,946,598)
Net Position - Beginning of Year	<u>288,975</u>	<u>18,014,399</u>	<u>404,873</u>	<u>6,417,632</u>	<u>25,125,879</u>
NET POSITION - END OF YEAR	<u>\$ 250,845</u>	<u>\$ 15,283,387</u>	<u>\$ 420,645</u>	<u>\$ 6,224,404</u>	<u>\$ 22,179,281</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, 2015**

	OEA Grant and Matching	Economic Development Conveyance	Other	Homeless Fund	Total
OPERATING REVENUES					
Federal Grants	\$ 1,382,750	\$ -	\$ -	\$ -	\$ 1,382,750
Operating Fee	-	62,500	-	-	62,500
Other	-	75,916	-	-	75,916
Total Operating Revenue	<u>1,382,750</u>	<u>138,416</u>	<u>-</u>	<u>-</u>	<u>1,521,166</u>
OPERATING EXPENSES					
Direct Office Support	1,155,720	202,807	(25,816)	-	1,332,711
General and Administrative	90,713	93,608	-	-	184,321
Program Costs	289,956	1,339,667	-	-	1,629,623
Conveyance Transfer	-	131,812	-	-	131,812
Depreciation	38,130	47,949	-	-	86,079
Total Operating Expenses	<u>1,574,519</u>	<u>1,815,843</u>	<u>(25,816)</u>	<u>-</u>	<u>3,364,546</u>
OPERATING INCOME (LOSS)	(191,769)	(1,677,427)	25,816	-	(1,843,380)
NON-OPERATING REVENUE					
State Appropriation	153,639	-	53,186	-	206,825
Interest Income	-	2,435	-	890	3,325
Other	-	81,609	-	-	81,609
Total Non-Operating Revenue	<u>153,639</u>	<u>84,044</u>	<u>53,186</u>	<u>890</u>	<u>291,759</u>
CHANGE IN NET POSITION	(38,130)	(1,593,383)	79,002	890	(1,551,621)
Net Position - Beginning 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>
NET POSITION - END OF YEAR	<u>\$ 288,975</u>	<u>\$ 18,014,400</u>	<u>\$ 404,873</u>	<u>\$ 6,417,631</u>	<u>\$ 25,125,879</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, 2016**

	<u>OEA Grant and Matching</u>	<u>Economic Development Conveyance</u>	<u>Total</u>
Equipment	\$ -	\$ 2,493	\$ 2,493
Insurance	15,784	19,044	34,828
Office Rent	8,777	62,257	71,034
Legal Notices	-	7,092	7,092
Office Supplies and Postage	-	13,846	13,846
Communication	1,439	7,482	8,921
Travel	-	2,461	2,461
Meetings and Seminars	-	5,008	5,008
Marketing	-	1,231	1,231
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 26,000</u>	<u>\$ 120,914</u>	<u>\$ 146,914</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, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Defense Direct Programs				
Implementation of the Reuse of Fort Monmouth	12.607	N/A	N/A	\$ 1,425,396
Total Department of Defense Direct Programs				<u>1,425,396</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,425,396</u>

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority. A reconciliation of the federal expenditures to the financial statements is show below:

Reconciliation	
OEA Grant - Direct Office Support	\$ 1,150,630
OEA Grant - General and Administrative	26,000
OEA Grant - Program Costs	407,143
Total	1,583,773
Federal Share	90%
	\$ 1,425,396

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Implementation of the Reuse of Fort Monmouth grant did not have indirect costs.

**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**

Audit Committee and Management
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, 2016, 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 19, 2017.

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.



CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 19, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Audit Committee and Management
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 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, 2016. 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 federal statutes, regulations, and terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Mount Laurel, New Jersey
April 19, 2017

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

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 2 CFR 200.516(a)? 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: \$750,000

Auditee Qualified as Low-Risk Auditee? X Yes No

**FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

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