The William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)

Financial Statements and
Management's Discussion and Analysis

June 30, 2018 and 2017

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June 30, 2018 and 2017

Independent Auditors' Report

To the Board of Trustees of
The William Paterson University of New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The William Paterson University of New Jersey, a component unit of the State of New Jersey, (the "University") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 from 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 did not audit the financial statements of the William Paterson University of New Jersey Foundation, Inc. (the "Foundation"), which is a discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, based on our audits and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of The William Paterson University of New Jersey and its discretely presented component unit as of June 30, 2018 and 2017, 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.

Emphasis of Matter

As disclosed in Notes 2 and 11 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB") for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. The University recognized its OPEB revenue and expense, expanded its note disclosures and included required supplementary information with respect to employees' other postemployment benefits. Our opinion was not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17, Schedule of University's Proportionate Share of the Net Pension Liability, Schedule of University Contributions and Schedules of University's Proportionate Share of the Total OPEB Liability on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Baker Tilly Virchow Krause, LLP

Iselin, New Jersey
March 27, 2019

Introduction

The following management's discussion and analysis ("MD&A") provides a comprehensive overview of the financial position of The William Paterson University of New Jersey (the "University") at June 30, 2018 and 2017, and changes in its financial position for the fiscal years then ended with selected comparative information for the year ended June 30, 2016. Since management's discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements and footnotes, which follow this section.

The basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements focus on the financial condition of the University, the changes in financial position, and cash flows of the University as a whole.

During the past two years there were two significant events impacting the financial statements. In 2017, the University adopted Governmental Accounting Standards ("GASB") Statement No. 82 which addressed certain pension implementation issues. In 2018, GASB Statement No. 75 and No. 85 were adopted, which provided financial reporting guidance relating to employers for postemployment benefits other than pensions ("OPEB").

Financial Highlights

The University's financial position remains strong with total assets of $523.6 million as of June 30, 2018, an increase of $17.5 million from fiscal year 2017 and a net cumulative increase of $6.1 million from fiscal year 2016. Total liabilities were $402.4 million as of June 30, 2018, an increase of $1.6 million from fiscal year 2017 and a cumulative increase of $35.8 million from fiscal year 2016. As of June 30, 2018, net position was $130.2 million, $15.0 million less than fiscal year 2017 and $29.3 million less than fiscal year 2016. The unfavorable changes to liabilities and net position relate primarily to entries required under GASB 68 for the University's proportionate share of State pension liability and expense.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") - This impactful accounting pronouncement was adopted during fiscal year 2015. GASB 68 requires the component units of multi-employer cost sharing pension plans to report their proportionate share of net pension liability, pension expense, and the related deferred outflows and inflows of resources on their financial statements. The unfavorable impact of the GASB 68 is seen primarily in two sections of the University's financial statements: liabilities and unrestricted net position. The University is reporting $174.3 million of net pension liability as of June 30, 2018, a decrease of $20.4 million from fiscal year 2017 and a cumulative increase of $18.5 million from fiscal year 2016. Although this liability is now reflected on the University's Statement of Net Position, the State of New Jersey asserts that these are reporting entries only and do not reflect the responsibility for future payment by the University of these liabilities, which remains with the State. These sections of the current year financial statements are impacted:

- *Non-current liabilities:* Net pension liability as of June 30, 2018 was $174.3 million, a decrease of $20.4 million from June 30, 2017.

- *Deferred outflows and inflows of resources:* Cumulative balances were $35.3 million and $26.2 million, respectively, as of June 30, 2018. The amortization of these balances will increase pension expense roughly $1.7 to $2.6 million for each of the next four years.

- *Current year operating expense:* Fiscal year 2018 includes $10.4 million for pension expense associated with the State pension plan. This expense is allocated to the functional expense lines in the Statement of Revenues, Expenses, and Changes in Net Position.

- *Unrestricted net position:* The cumulative total of GASB 68 impact to unrestricted net position as of June 30, 2018 is a (deficit) of ($166.8) million.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - this accounting pronouncement was adopted during fiscal year 2018. Similar to GASB No. 68, GASB No. 75 focuses on component units reporting their proportionate share of certain items relating to a long term benefit plan, in this case other post-employment benefits ("OPEB") provided by the State of New Jersey State Health Benefit State Retired Employees Plan. The plan pays health care benefits for state employees who have met minimum service requirements. Different from GASB No. 68 however, the University is not required to report OPEB liability as a result of a technical classification whereby a "special funding situation" as defined by GASB No. 75 is deemed to be relevant. The University must record and report its proportionate share of OPEB expense along with the associated revenue reflecting the State's legal obligation to pay for these benefits. The University's proportionate share of OPEB liability was $274.3 million, and its share of OPEB expense is $16.1 million for fiscal year 2018. The following sections of the current year financials are impacted:

- *Current year operating expense:* Fiscal year 2018 includes $16.1 million for OPEB benefits expense representing the University's proportionate share of the State's plan expenses. The expense is allocated to the functional expense line in the Statement of Revenues, Expenses, and Changes in Net Position.

- *Current year nonoperating revenues (expenses):* Beginning with fiscal year 2018, this section includes a third line of State support reflecting the State's obligation to pay the OPEB expenses reported under operating expense.

During the fall of 2017, the University implemented its Cash and Investments Policy which was approved during fiscal year 2017 by the Board of Trustees. Excess operating cash, largely earmarked for capital projects as per the University's long term capital plan, were transferred from money market funds into the three-tiered portfolio structure outlined in the policy. The structure ensures adequate operating cash while optimizing investment earning opportunities and safeguarding principal.

The Investment in Capital Assets portion of net position, $215.1 million as of June 30, 2018, reflects an increase of $10.8 million from fiscal year 2017 and a cumulative increase of $9.8 million from fiscal year 2016. This increase in net position reflects significant achievements in connection with the University's capital plan, offset by depreciation and spend-down of construction cash held in escrow. University Hall was completed under-budget and nine months earlier than originally planned, opening for classes in January 2016. The renovations of Preakness Hall (formerly Hunziker Hall) and Hunziker Wing began in winter 2016. Preakness Hall was completed during summer 2017 and Hunziker Wing reopened fall 2018. Construction of a new residence hall began during fiscal year 2018, with 75 percent of the project budget funded by the 2017B bond issue in August 2017. It is scheduled to be open fall 2019.

Other capital projects that were underway during fiscal years 2018 and 2017 include improvements to Shea Center, heating and air conditioning system upgrades at Valley Road, Science Hall East, Hobart Hall, the University Police Building and College Hall, ADA accessibility, new sidewalks, installation of new artificial turf at Wightman Field, refurbishment of the running track, re-paving projects at several locations, and interior upgrades at Cheng Library and Atrium Plaza.

The final cost of University Hall was $35.1 million, 75 percent of which was funded by grants provided through the State of New Jersey "Building our Future" Bonds. The Preakness Hall and Hunziker Wing renovations are expected to total $30 million. In September 2016, the University was awarded $7.1 towards the Hunziker renovations from the New Jersey Higher Education Capital Facilities Grant Program. New money included in the 2015C bond series of $20.0 million was used during fiscal years 2017 and 2018 to fund the Hunziker renovations, with the remaining $2.9 million coming from Campus Facilities fees. The University was successful in receiving State approval to transfer unused State Bond funds from the University Hall project to the Preakness Hall and Hunziker Hall project thus reducing the amount of University funds needed to complete the project.

Statements of Net Position

The Statements of Net Position present the University's financial position as of a certain date, reflecting current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and total net position reported under three separate classifications.

Assets and liabilities are generally measured using current values. However, capital assets are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities and net position (in thousands) at June 30, 2018, 2017, and 2016 follows:

Statements of Net Position

	2018	2017	2016
Assets:			
Current assets	$ 124,115	$ 121,841	$ 146,653
Noncurrent assets:			
Capital assets, net	399,365	383,833	370,431
Other	72	335	319
Total assets	523,552	506,009	517,403
Deferred outflows	35,286	43,122	18,157
Liabilities:			
Current liabilities	31,750	30,707	33,384
Noncurrent liabilities	370,663	370,121	333,180
Total liabilities	402,413	400,828	366,564
Deferred inflows	26,242	3,138	9,514
Net position:			
Net investments in capital assets	215,128	204,329	205,371
Restricted for:			
Student loans	-	47	56
Debt service	8,150	7,505	7,400
Unrestricted	(93,094)	(66,716)	(53,346)
Total net position	$ 130,184	$ 145,165	$ 159,481

Current Assets and Current Liabilities

Current assets consist primarily of cash and cash equivalents, restricted deposits held by bond trustees, investments, and accounts receivables. Noncurrent assets consist of capital assets and noncurrent portion of loans receivable. Current liabilities consist primarily of accounts payable and accrued expenses, deferred revenue and current portion of bonds payable and other long-term debt, while noncurrent liabilities consist primarily of bonds payable, net pension liability, and other long-term debt.

Assets

At June 30, 2018, the University had total assets of $523.6 million, an increase of $17.5 million from $506.0 million at June 30, 2017. Primary components of the increase were higher capital assets ($15.5 million) mainly due to progress on the Preakness Hall, Hunziker Wing, and the new residence hall, and higher restricted deposits held by bond trustees ($17.8 million) for proceeds from the 2017B issue held for construction of the new residence hall. These increases were offset by a combined total reduction of cash and investments of $14.7 million.

At June 30, 2017, the University had total assets of $506.0 million, a decrease of $11.4 million from $517.4 million at June 30, 2016. Primary components of the decrease were higher capital assets ($13.4 million) mainly due to progress on the Preakness Hall and Hunziker Wing projects, and decreased balance of restricted deposits held by bond trustees ($16.8 million) for bond proceeds held in a construction cash escrow account for the Preakness and Hunziker projects. These increases were offset by reduction of the year-end operating cash balance ($11.3 million) and increased grants receivable ($3.4 million).

Deferred Outflows and Inflows of Resources

In fiscal year 2014, the University adopted GASB Statement No. 65 ("GASB 65"), *Items Previously Reported as Assets and Liabilities.* GASB 65 specifies certain items that were previously reported as assets and liabilities must be reclassified and reported as deferred outflows and inflows of resources. Deferred outflows of resources are items previously reported as assets that result in the outflow of net position in the current reporting period for activities applicable to a future reporting period. Likewise, deferred inflows of resources are items previously reported as liabilities that result in the inflow of net position in the current reporting period for activities applicable to a future reporting period. As of June 30, 2018, the deferred outflows of resources and deferred inflows of resources were $35.3 million and $26.2 million, respectively.

The source of deferred outflows is primarily GASB 68 pension reporting rules, however in fiscal years 2018 and 2017 the total deferred outflows of $35.3 and $43.1, respectively, includes $4.3 and $4.5, respectively, relating to advance refunding of the 2008C bond issue.

Liabilities

At June 30, 2018, the University had total liabilities of $402.4 million, an increase of $1.6 million from $400.8 million at June 30, 2017. Increases in bonds and other debt payable ($21.3 million), reflecting fiscal year 2018 new debt for the 2017B issuance, and increases to other liabilities ($0.6 million) were offset by decreased net pension liability of $20.4 million. Normal annual debt service accounts for decreased debt principal of $9.1 million, while the new 2017B borrowing account for debt principal increase of $30.4 million.

At June 30, 2017, the University had total liabilities of $400.8 million, an increase of $34.2 million from $366.6 million at June 30, 2016. The $38.9 million increase in net pension liability was offset in part by decreases in bonds and other debt payable ($2.1 million), unearned revenue ($0.6 million) and accounts payable ($2.0 million). The bonds payable decrease reflects debt service, refinancings, and new borrowings. Normal annual debt service accounts for decreased debt principal of $8.0 million. The funding award (referred to in the Financial Highlights section of this document) from the State's Higher Educational Capital Improvement Fund ("CIF") included a new debt component of $1.4 million, and other CIF activity included two refinancings resulting in debt principal reduction of $0.1 million. The refinancing of the 2008C bond issue resulted in net premium of $8.2 million (an increase to liabilities) and a reduction of debt principal of $3.0 million. The overall annual amortization of premiums decreased debt by $0.8 million.

The debt refinancing that occurred in fiscal years 2017 and 2016 produced significant debt service savings to be realized over the life of the new bond issues (20-25 years). The combined average annual savings for these two issues is $0.7 million per year, totaling $14.2 million over the repayment period.

Net Position

Net position reflects the residual interest in the University's assets and deferred outflows of resources after the deduction of its liabilities and deferred inflows of resources. Net position consists of three major categories: net investment in capital assets, expendable restricted net assets, and unrestricted net position.

Net investment in capital assets - Includes the University's capital assets (property, plant and equipment), net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these assets.

Expendable restricted net assets - Assets available for expenditure by the University, but only in accordance with restrictions placed on their use by external entities.

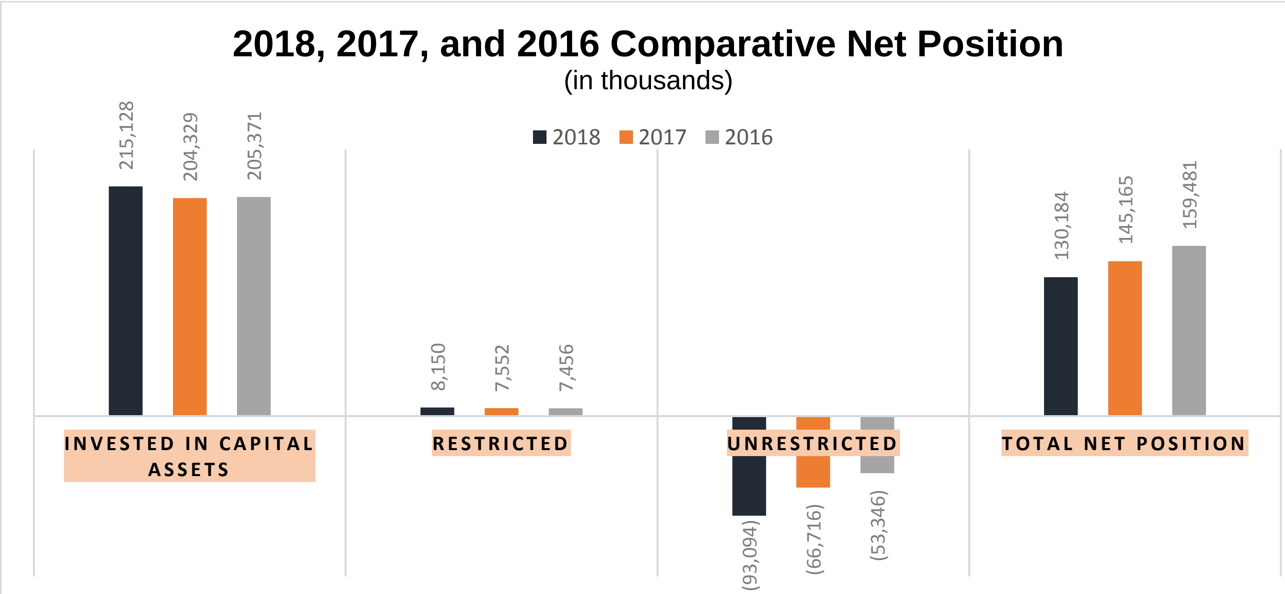
Unrestricted net position - Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the University and include resources that may be designated for specific purposes as determined by management or the Board.

Components of Net Position	**2018**	**2017**	**2016**
Net investment in capital assets	$ 215,127,685	$ 204,329,334	$ 205,370,812
Expendable restricted:			
Student loans	-	46,599	56,311
Debt service	8,150,000	7,505,000	7,400,000
	8,150,000	7,551,599	7,456,311
Unrestricted:			
University unrestricted	73,714,084	92,514,311	93,804,525
Proportionate share of NJ pension liability	(166,807,686)	(159,229,924)	(147,150,097)
	(93,093,602)	(66,715,613)	(53,345,572)
Total net position	$ 130,184,083	$ 145,165,320	$ 159,481,551

Net position at June 30, 2018, 2017, and 2016 was $130.2, $145.2 and $159.5 million, respectively. From fiscal year 2017 to 2018, net position decreased $15.0 million and from fiscal year 2016 to 2017, it decreased $14.3 million.

The FY18 overall decrease in net position of $15.0 million, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, consists of the GASB 68 pension expense of $10.4 million and net decrease from operations of $4.6 million. The $4.6 million decrease reflects $5.9 million capital grants revenue offset by $10.5 million deficit from combined operating and non-operating revenues and expenses.

The FY17 overall decrease in net position of $14.3 million, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, consists of the GASB 68 pension expense of $12.1 million and net decrease from operations of $2.2 million. The $2.2 million decrease reflects $0.9 million capital grants revenue offset by $3.1 million deficit from combined operating and non-operating revenues and expenses.



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as operating, non-operating, or capital grants and gifts. Revenues received and expenses incurred as a result of the University providing goods and services to its students and other constituencies are considered operating. Non-operating revenues are primarily those received for which goods and services are not directly provided. The University's financial reporting model classifies state appropriations and gifts as non-operating revenues. The operating deficit demonstrates the University's dependency on state support, capital grants, and other non-operating revenues. Non-operating activity also includes investment income and expense.

A summary of the University's revenues, expenses, and changes in net position (in thousands) for the years ended June 30, 2018, 2017, and 2016 follows:

Summary of Revenues, Expenses and Changes in Net Position

	2018	2017	2016
Operating revenues:			
Net student revenue	$ 103,906	$ 109,659	$ 110,489
Other	44,362	40,469	41,213
Total operating revenues	148,268	150,128	151,702
Operating expenses	245,204	224,109	221,923
Operating loss	(96,936)	(73,981)	(70,221)
Nonoperating revenues (expenses):			
State appropriations	78,574	61,154	60,759
Other	2,870	2,619	2,427
Interest expense	(5,395)	(5,020)	(7,664)
Net total nonoperating revenues	76,049	58,753	55,522
Capital grants and gifts	5,906	912	6,867
Decrease in net position*	(14,981)	(14,316)	(7,832)
Net position, beginning of year	145,166	159,482	167,314
Net position, end of year	$ 130,184	$ 145,166	$ 159,482

*Categories of (decrease) increase in net position:

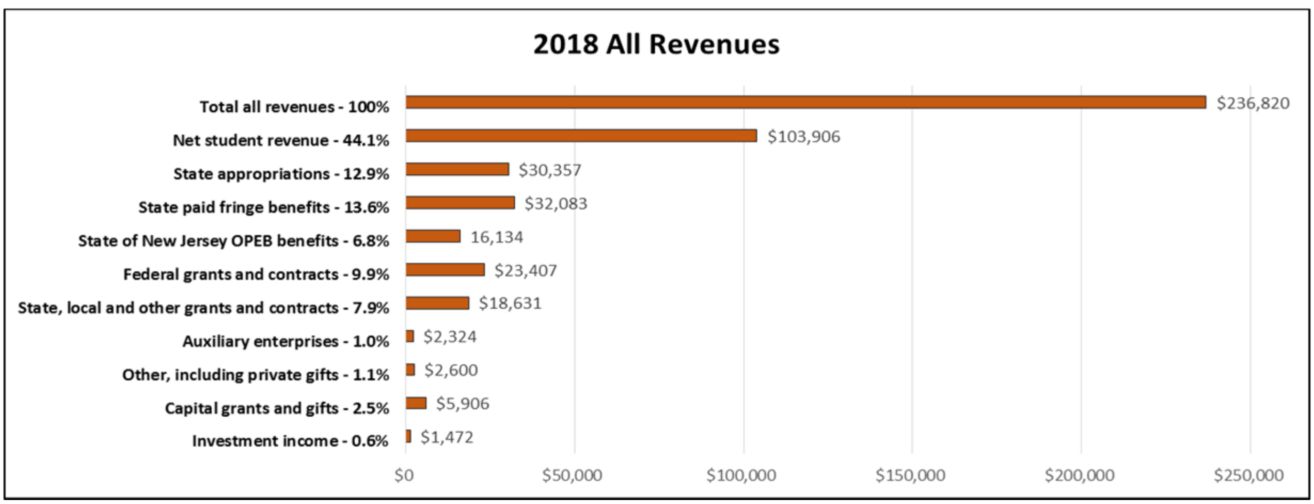
	2018	2017	2016
Operating and non-operating net total revenue (expenses)	$ 5,600	$ (3,148)	$ (4,099)
GASB 68 pension expense	(10,353)	(12,080)	(10,600)
GASB 75 OPEB expense	(16,134)	-	-
Capital grants and gifts	5,906	912	6,867
Net total decrease in net position	$ (14,981)	$ (14,316)	$ (7,832)

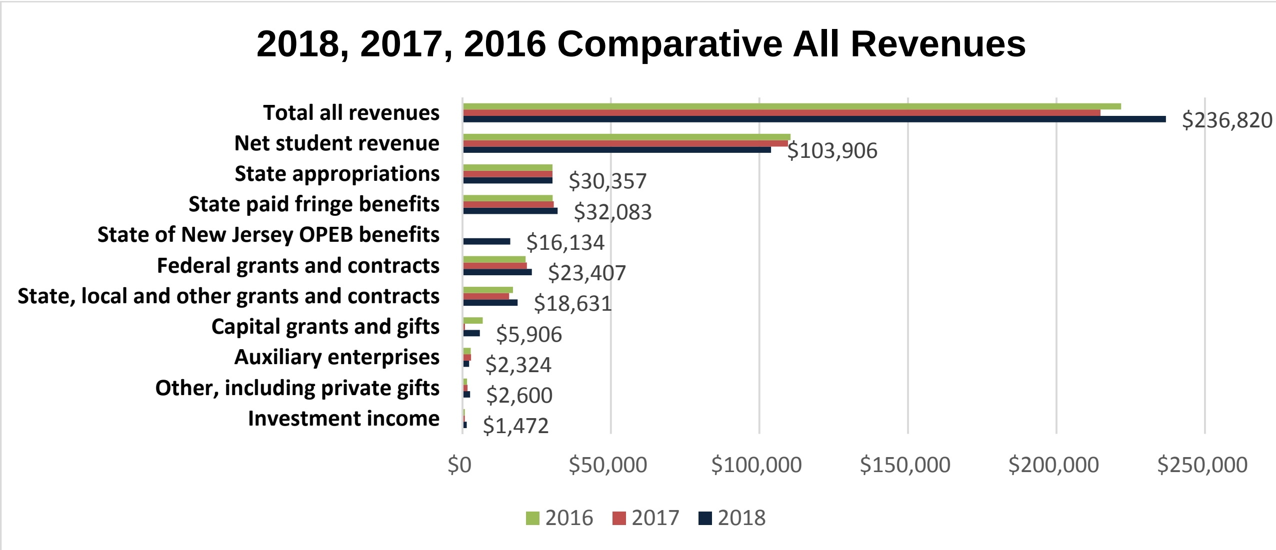
Revenues

Revenues are classified as operating, non-operating, or capital grants and gifts. A summary of the University's revenues (in thousands) for the years ended June 30, 2018, 2017 and 2016 follows:

Operating, Non-operating, and Capital Revenues:

	2018	2017	2016
Operating revenues:			
Net student revenue	$ 103,906	$ 109,659	$ 110,489
Federal grants and contracts	23,407	21,761	21,314
State local and other grants and contracts	18,631	15,786	17,057
Auxiliary enterprises	2,324	2,922	2,843
Total operating revenues	148,268	150,128	151,703
Non-operating revenues:			
State appropriations	30,357	30,357	30,357
State paid fringe benefits	32,083	30,797	30,402
State paid OPEB benefits	16,134	-	-
Investment income	1,472	866	825
Other, including private gifts	2,600	1,753	1,601
Total non-operating revenues	82,646	63,773	63,185
Capital grants and gifts	5,906	912	6,867
Total operating, non-operating, and capital revenues	$ 236,820	$ 214,813	$ 221,755





Operating Revenues

Operating revenues consist of student revenues, government grants and contracts, and auxiliary enterprises.

Gross student tuition and fees were $123.7 million, $124.9 million and $125.1 million for the years ended June 30, 2018, 2017, and 2016, respectively. This revenue was generated by the following number of students, resident students and meal plan participants:

Student Enrollment:
Total Enrollment (FTE's):

	2018	2017	2016
Annualized Fall and Spring	7,743	7,998	8,218
Summer II (July-August 2017, 2016, 2015)	328	321	313
Summer I (May-June 2018, 2017, 2016)	317	326	348
Winter	80	81	88
Total enrollment	8,468	8,726	8,967
Residential students	1,900	2,009	1,993
Meal plan participants	1,854	1,915	1,911

Net student revenue, comprised of tuition and fees and residence life less scholarship allowances, was $103.9 million for the year ended June 30, 2018, a decrease of $5.8 million from fiscal year 2017 due to a decline in student related revenues (tuition, fees, room, board and meals) of $1.8 million, increased student aid and scholarship allowance of $4.0 million and partially offset by a 2 percent increase in the rates. For the year ended June 30, 2017, Net student revenue, comprised of tuition and fees and residence life less scholarship allowances, was $109.6 million for the year ended June 30, 2017, a decrease of $0.9 million from fiscal year 2016 due to increased student related revenues (tuition, fees, room, board and meals) of $0.4 million and increased student aid and scholarship allowance of $1.3 million.

Tuition and fees revenue, a component of net student revenue, was $123.7 million in fiscal year 2018, $1.2 million lower than fiscal year 2017. Tuition and fees revenue, a component of net student revenue, was $124.9 million in fiscal year 2017, $0.2 million lower than fiscal year 2016.

Revenues from federal grants and contracts increased $1.6 million during fiscal year 2018 to $23.4 million due to increased Pell grants. Revenues from federal grants and contracts increased $0.5 million during fiscal year 2017 to $21.8 million.

State, local and other grants and contracts increased for the year ended June 30, 2018 by $2.8 million, reflecting an increase in the State TAG financial aid awards of $2.5 million and increased other grants of $0.3 million. State and local and other grants and contracts decreased for the year ended June 30, 2017 by $1.2 million, reflecting a decrease in equipment grants of $0.8 and decreased local schools and other grants of $0.4 million.

Revenue from auxiliary enterprises consists of bookstore and vending machine commissions, revenue from athletic programs, facilities rentals, food service sales and other related revenue. Revenue from auxiliary enterprise activities was $2.3 million for the year ended June 30, 2018, a decrease of $0.6 million from fiscal year 2017 reflecting lower hospitality revenues due to a decrease in the annual food service and bookstore purchases. Revenue from auxiliary enterprise activities was $2.9 million for the year ended June 30, 2017, an increase of $0.1 million from fiscal year 2016 reflecting slightly changed hospitality revenues.

Nonoperating Revenues

The University's primary source of nonoperating revenue is State of New Jersey appropriations for general operations and fringe benefits. The general operations appropriation remained the same in fiscal year 2018 and 2017 at $30.4 million. The fringe benefits appropriation was $32.1 million, $30.8 million and $30.4 million for the years ended June 30, 2018, 2017, and 2016, respectively. State paid OPEB benefits was $16.1 million in fiscal year 2018.

Capital Grants and Gifts

For the years ending June 30, 2018 and June 30, 2017, $5.9 million and $0.9 million, respectively, were received as capital grants under the State of New Jersey "Building our Future" bond issue for partial financing of the University Hall construction and Hunziker renovation projects.

Expenses

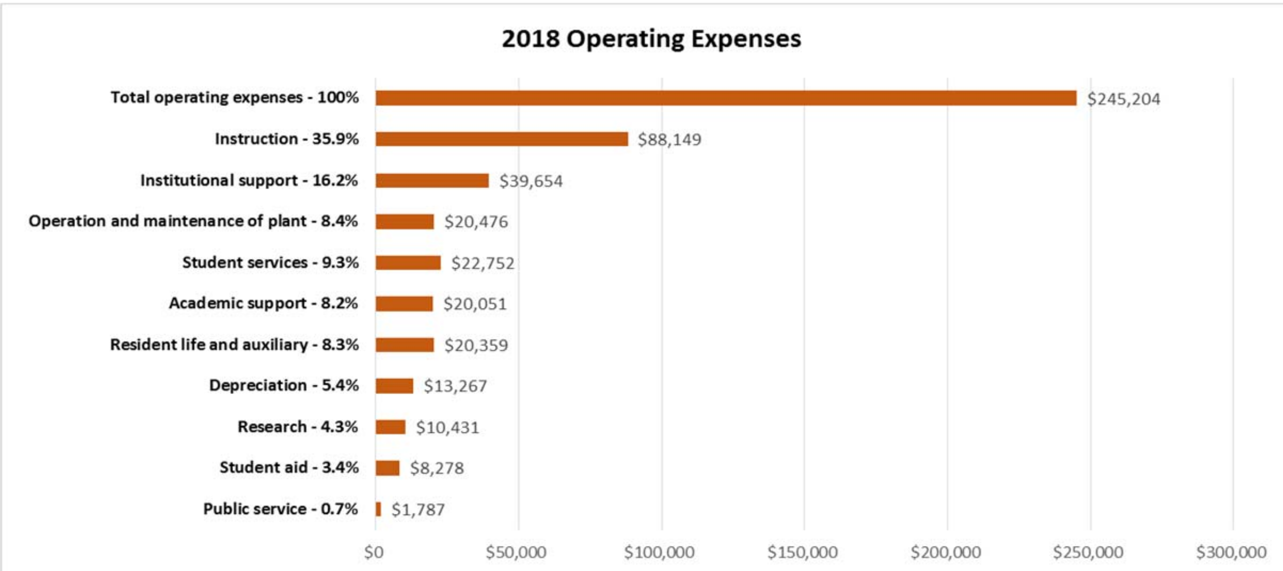
Operating expenses are reported by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. Total operating expenses for the year ended June 30, 2018 was $245.2 million, an increase of $21.1 million from fiscal year 2017. Operating expenses include GASB 68 pension expense of $10.4 million in fiscal year 2018 and $12.1 million in fiscal year 2017, along with GASB 75 OPEB expense of $16.1 million in fiscal year 2018 and zero in fiscal year 2017.

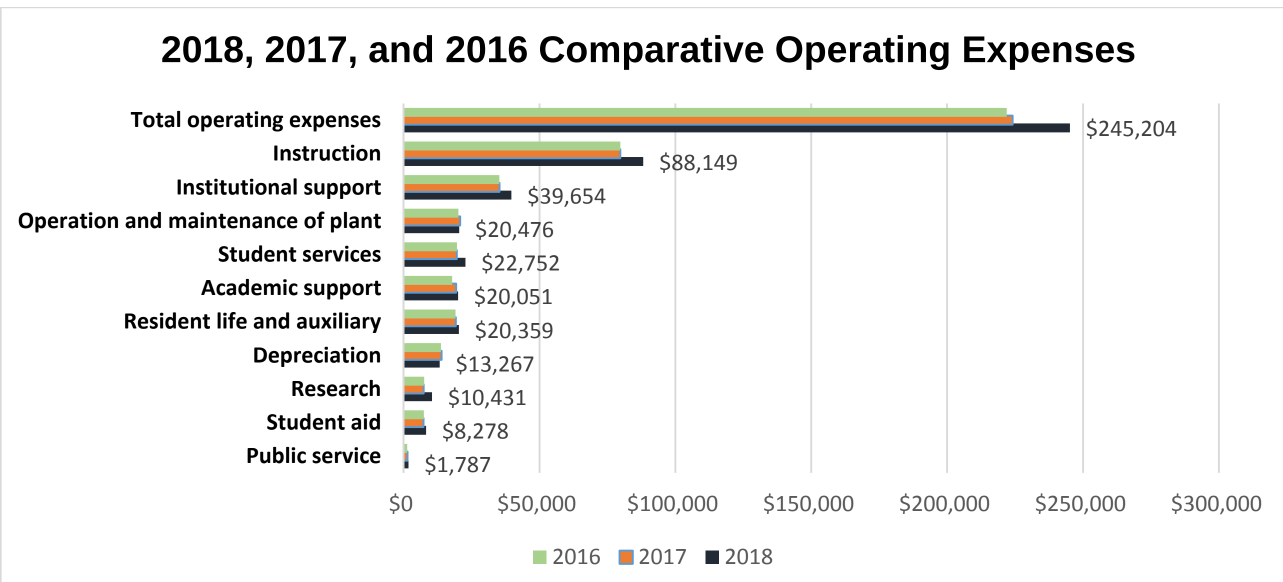
During fiscal year 2018, salaries increased $4.4 million representing an increase of $5.7 million for union contract settlements offset by savings of $1.3 million due to attrition. 2018 benefits increased overall by $0.1 million reflecting a $1.8 million increase for the contract settlements offset by lower GASB 68 pension expense of $1.7 million. GASB 75 accounted for an OPEB expense increase of $16.1 million in fiscal year 2018. Other operating expense increases were accounts receivable write-offs ($0.9 million), grant-related expenses ($0.6 million), subscriptions ($0.2 million), and utilities ($0.3 million). These increases were offset by decreases in administration ($0.8 million), maintenance ($0.3 million), and rentals ($0.4 million).

Functionally, the overall $21.1 million increase was located mainly in instruction research ($8.2 million), research ($3.0 million), student services ($3.2 million) institutional support ($4.4 million), student aid ($0.9 million), and residence life-auxiliary enterprises ($1.1 million).

During fiscal year 2017, salaries decreased $0.3 million while benefits increased $2.0 due to the increased pension expense associated with GASB 68. Other increases were in administration and maintenance ($0.9 million), accounts receivable write-offs ($0.6 million), and depreciation ($0.3 million). These increases were offset by decreases in grant expenses ($1.1 million), and non-capitalized equipment costs ($0.3 million).

Functionally, the overall $2.2 million increase was located mainly in academic support ($1.5 million), operations and maintenance of plant ($0.7 million), and depreciation ($0.2 million), offset by decreases in public service and residence life.





Functional vs. Natural Classification of Expenses (without GASB 68 or GASB 75)

Exclusive of the impacts of GASB 68 and GASB 75, the allocation of operating expenses to natural classifications has remained proportionately constant over the years ended June 30, 2018, 2017, and 2016, with salaries at 55-57 percent, fringe benefits at 15-16 percent, supplies and services at 21-22 percent and depreciation at 6-7 percent. In fiscal year 2018, salaries and fringe benefits (non-GASB 68 related) increased $6.3 million and in fiscal year 2017 increased $0.2 million.

Operating Expenses: Functional vs. Natural Classifications

	2018		2017		2016	
Functional Classification						
Instruction	$ 77,936	35.6 %	$ 77,237	36.3 %	$ 77,685	36.7 %
Research	10,108	4.6	7,382	3.5	7,546	3.6
Academic support	17,716	8.1	18,256	8.6	17,060	8.1
Public service	1,660	0.8	1,395	0.7	1,309	0.6
Student services	20,121	9.2	18,342	8.7	18,725	8.9
Institutional support	33,632	15.4	31,812	15.0	31,420	14.9
Operation and maintenance of plant	17,146	7.8	17,990	8.5	17,999	8.5
Student aid	8,278	3.8	7,347	3.5	7,467	3.5
Residence life and auxiliary	18,853	8.6	18,303	8.6	18,386	8.7
Depreciation	13,267	6.1	13,965	6.6	13,726	6.5
Total operating expenses	218,717	100.0 %	212,029	100.0 %	211,323	100.0 %
GASB 68 impact	10,353		12,080		10,600	
GASB 75 impact	16,134		-		-	
	$ 245,204		$ 224,109		$ 221,923	

	2018		2017		2016	
Natural Classification						
Salaries and wages	$ 122,727	56.1 %	$ 118,301	55.8 %	$ 118,564	56.1 %
Fringe benefits	35,063	16.0	33,161	15.6	32,747	15.5
Supplies and services	47,660	21.8	46,602	22.0	46,286	21.9
Depreciation	13,267	6.1	13,965	6.6	13,726	6.5
Total operating expenses	218,717	100.0 %	212,029	100.0 %	211,323	100.0 %
GASB 68 impact	10,353		12,080		10,600	
GASB 75 impact	16,134		-		-	
	$ 245,204		$ 224,109		$ 221,923	

Non-operating Expense

Non-operating expense consists of interest on capital asset-related debt of $5.4 million, $5.0 million and $7.7 million for the years ended June 30, 2018, 2017, and 2016, respectively. The $0.4 million increase in 2018 reflects increased interest capitalization on the Hunziker project. The $2.7 million decrease in 2017 from the prior year reflects $1.5 interest capitalization on the Hunziker project and $1.2 million interest savings from recent bond refinancings.

Unrealized investment loss during 2018 reflects the increase in interest rates since the initial purchases of bonds when the University implemented its new investment policy during the fall of 2017. The bonds were purchased at interest rates lower than market rates as of June 30, 2018, causing the market value of the portfolio holdings to be lower than the purchase cost at year-end. Unrealized gains/losses will fluctuate up and down based on interest rate environments, however, as long the bonds are held to maturity these gains/losses do not become realized. The University's portfolio is structured so that all bonds are held to maturity.

Capital Assets and Debt Activities

At June 30, 2018, the University's investment in capital assets was $399.4 million, net of accumulated depreciation of $213.3 million. Debt related to these capitalized assets was $196.5 million. During the year then ended, the University had total capital additions of $28.8 million, mainly for completion of University Hall, but also including multiple deferred maintenance projects.

At June 30, 2017, the University's investment in capital assets was $383.8 million, net of accumulated depreciation of $200.0 million. Debt related to these capitalized assets was $179.5 million. During the year then ended, the University had total capital additions of $24.4 million, mainly for completion of University Hall, but also including multiple deferred maintenance projects.

The University has issued three new bond series within a two-year period, one each within fiscal years 2016, 2017, and 2018. On August 18, 2015, the University issued Series 2015C New Jersey Educational Facilities Authority Revenue Bonds for par value of $45,695,000. The issue refunded all of the University's 2005E principal balance and provided $20 million of new money for use towards Hunziker Hall and Hunziker Wing renovations. On July 27, 2016, Series 2016E was issued for a par value of $60,755,000, partially refunding remaining principal on the 2008C bonds. On August 9, 2017, Series 2017B was issued for par value of $27,065,000 for construction of a new residence hall.

During July of 2016, in connection with the Series 2016E issuance, both Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") issued new credit ratings for the University. Moody's affirmed the rating of A2 with negative outlook. Fitch affirmed the University's A+ rating with the outlook revised to negative.

During August of 2017, in connection with the Series 2017B issuance, Moody's affirmed the A2 with negative outlook rating, and Fitch downgraded our rating to A with stable outlook.

Planning for capital projects in response to new priorities or unanticipated needs is evaluated against the current Facilities Master Plan, which was approved by the Board of Trustees in 2003. As mandated by State statute, the University submits its updated Annual Capital Improvement Program Request. As part of the submission, the Facilities Master Plan is updated to reflect cost escalation, add new deferred maintenance projects and report completed deferred maintenance projects. To keep the Master Plan current, several mini-master plans have been completed. In 2005, an athletic zone plan was developed with a number of major improvements executed over several years. In 2012, the University commissioned a core academic zone master plan concentrated on the six academic buildings in the heart of the campus. The plan, accepted by the University's Board of Trustees in spring 2012, provides the road map to upgrade and/or replace the six original classroom buildings on the campus. The plan provided a foundation for submission of capital project funding applications to the State, resulting in the $30.0 million grant awarded to WPUNJ for University Hall and $7.1 million grant awarded for the Hunziker building renovations. In 2014, a residential zone plan was completed and as a result the University is opening a new residence hall in the fall of 2019 and moving forward with renovation projects to upgrade its existing residence halls. The University will continue to supplement funding for its capital and deferred maintenance projects with its own funds.

A summary of the University's capital assets (in thousands) at June 30, 2018, 2017, and 2016 follows:

Capital Assets

	2018	2017	2016
Land	$ 7,256	$ 7,256	$ 7,256
Construction in progress	55,715	30,014	9,755
Infrastructure	18,837	18,837	18,837
Buildings and improvements	487,903	486,021	479,971
Equipment	42,256	41,073	45,931
Artwork	675	673	659
Total	612,642	583,874	562,409
Less accumulated depreciation	213,277	200,041	191,978
Total capital assets, net	$ 399,365	$ 383,833	$ 370,431

Economic Factors that Could Affect the Future

The University continues to demonstrate sound, conservative fiscal management as evidenced by its careful stewardship of resources and its constant monitoring of revenues and expenditures. Changing demographics and dependency on State funding are challenges that the University has so far overcome with prudent management and more recently an actively managed strategic plan. The depth of net position reserve provides financial security and flexibility to respond to the business requirements associated with business development, new strategic goals and transition.

The State's colleges and universities play a pivotal role in establishing New Jersey as a leader in human, economic and technological development. The financial condition of The William Paterson University of New Jersey is tied to that of the State of New Jersey. A crucial element to the University's future will be the level of appropriations, as there is a direct relationship between the level of State support and the University's ability to control tuition costs. State appropriations received in the year ended June 30, 2018 were $30.4 million, the same as the prior year. The fiscal year 2018 appropriation of $30.4 million was approximately the same amount as received in the year ended June 30, 1993 (and fiscal years since then) aside from contractually obligated and state paid fringe benefits which are tied directly to negotiated arrangements. With an expectation of less reliance on state support while understanding its public role in serving the state, the University's goal is to increase student recruitment, enrollment and retention, and diversify its revenues. Mindful of the difficult economic times in the state and the nation, the University carefully monitors its expenditures and has positioned itself so that future tuition and fee increases can be limited while still investing in additional academic and student support resources to handle the growth in enrollment. Annual tuition and fee charges were increased only 2 percent or less for each of the past six years.

As noted previously, the University adopted a strategic plan in 2012. This plan helps identify the academic programs for growth in enrollment and academic reputation, helps identify student support services to improve student academic profile, retention and graduation rates, and helps identify diversified revenue sources. The University has commenced an implementation plan to attain the goals of the strategic plan and has allocated since 2012 about $8.3 million for strategic initiatives put forward through a bottoms-up transparent budget process.

The University continues to monitor its financial health with the Board of Trustees' adoption of Key Performance Indicators, including ratios developed for rating agency analysis of colleges and universities. Other assessment tools such as national surveys are utilized to ensure its delivery of student academic and support services at high level of quality.

While the State has provided relatively stable direct state appropriations for the past three years, the University continues to operate with a lack of sufficient state support. It continues to meet the goals of its mission statement by reviewing opportunities for revenue growth or cost reductions. The University has increased revenue from noncredit courses and external grant funding and from its off-campus program at Mercer County College. Revenue streams continue with the rental of rooftops for telecommunications equipment, increased summer classroom and camp rental activities and billing insurance companies for the Health and Wellness Center services provided to our students. The investment advisors hired by the University to manage and increase the yield on our liquid operating cash has resulted in the doubling of earned interest income. The William Paterson University of New Jersey Foundation continues to expand its fund raising efforts as a means to supplement revenue from tuition and state support. It is nearing its goal of raising $10 million for scholarships. The University is building a new residence hall and renovated two major academic classroom buildings to meet growing needs and maintain current standards, while continuing to monitor the increasing operating costs and the increasing demand for institutional scholarships.

Questions concerning any of the information contained in this report or request for additional information should be addressed to William Paterson University Office of the Vice President for Administration and Finance, 300 Pompton Road, Wayne, New Jersey 07470.

(A Component Unit of the State of New Jersey)
The William Paterson University of New Jersey
Statement of Net Position
June 30, 2018 and 2017

	2018	2017
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	$ 6,538,916	$ 94,152,962
Restricted deposits held by bond trustees	28,630,855	10,834,574
Investments	72,956,310	-
Receivables:		
Students, less allowance for doubtful accounts of $1,973,123 in 2018 and 2017	6,147,698	7,401,941
Loans, less allowance for doubtful loans of $163,553 in 2018 and 2017	1,330,828	1,033,222
State of New Jersey	4,892,497	4,083,118
Gifts, grants, and contracts	2,049,999	2,924,409
Other receivables	1,390,700	1,294,277
Total receivables	15,811,722	16,736,967
Prepaid expenses	177,178	116,053
Total current assets	124,114,981	121,840,556
Noncurrent assets:		
Loans, less allowance for doubtful loans of $57,400 in 2018 and 2017	72,113	335,569
Capital assets, net	399,365,271	383,832,795
Total noncurrent assets	399,437,384	384,168,364
Total assets	523,552,365	506,008,920
Deferred outflows of resources	35,286,440	43,121,679
Total assets and deferred outflows of resources	558,838,805	549,130,599
Liabilities and Deferred Inflow of Resources		
Current liabilities:		
Accounts payable and accrued expenses	15,771,741	15,703,932
Compensated absences	3,076,001	2,827,505
Bonds payable	8,150,000	7,505,000
Other long-term debt	664,514	628,699
Unearned revenue	4,087,744	4,042,096
Total current liabilities	31,750,000	30,707,232
Noncurrent liabilities:		
Bonds payable	188,363,595	167,061,585
Other long-term debt	3,671,469	4,316,941
Compensated absences	2,571,749	2,495,168
U.S. government grants refundable	1,751,744	1,570,910
Net pension liability	174,304,575	194,675,849
Total noncurrent liabilities	370,663,132	370,120,453
Total liabilities	402,413,132	400,827,685
Deferred inflows of resources, pension	26,241,590	3,137,594
Net Position		
Net investment in capital assets	215,127,685	204,329,334
Restricted for:		
Student loans	-	46,599
Debt service reserves	8,150,000	7,505,000
Unrestricted	(93,093,602)	(66,715,613)
Total net position	$ 130,184,083	$ 145,165,320

See notes to financial statements

The William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)
The William Paterson University of New Jersey
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Student revenues:		
Student tuition and fees	$ 123,684,851	$ 124,927,074
Residence life	21,081,632	21,596,115
Less scholarship allowances	(40,859,999)	(36,864,055)
Net student revenues	103,906,484	109,659,134
Federal grants and contracts	23,406,744	21,761,422
State, local, and other grants and contracts	18,630,896	15,785,995
Auxiliary enterprises	2,323,640	2,922,132
Total operating revenues	148,267,764	150,128,683
Operating Expenses		
Instruction	88,148,875	79,749,191
Research	10,431,088	7,382,443
Academic support	20,051,217	19,332,215
Public service	1,787,032	1,430,441
Student services	22,751,887	19,576,192
Institutional support	39,654,059	35,275,530
Operating and maintenance of plant	20,475,949	20,838,844
Student aid	8,277,736	7,346,773
Residence life and auxiliary enterprises	20,359,209	19,213,081
Depreciation	13,266,888	13,964,739
Total operating expenses	245,203,940	224,109,449
Net operating loss	(96,936,176)	(73,980,766)
Nonoperating Revenues (Expenses)		
State of New Jersey appropriations	30,357,000	30,357,000
State of New Jersey paid fringe benefits	32,083,451	30,797,245
State of New Jersey paid OPEB benefits	16,134,024	-
Private gifts	990,964	939,045
Investment income	1,472,434	866,293
Net unrealized investment loss	(1,203,169)	-
Interest on capital asset-related debt	(5,395,455)	(5,020,491)
Other nonoperating revenues, net	1,609,285	813,699
Net nonoperating revenues	76,048,534	58,752,791
Loss before other revenues	(20,887,642)	(15,227,975)
Other Revenues		
Capital grants and gifts	5,906,405	911,744
Decrease in net position	(14,981,237)	(14,316,231)
Net Position, Beginning of Year	145,165,320	159,481,551
Net Position, End of Year	$ 130,184,083	$ 145,165,320

See notes to financial statements

(A Component Unit of the State of New Jersey)
The William Paterson University of New Jersey
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Student tuition and fees	$ 84,275,123	$ 88,292,149
Federal, state, and local grants and contracts	43,682,439	36,035,130
Payments to suppliers	(38,296,685)	(39,609,447)
Payments to employees	(122,291,565)	(120,466,285)
Payments for employee benefits	(16,452,027)	(21,826,691)
Payments for student aid	(7,871,891)	(7,101,430)
Residence life	21,081,632	21,596,115
Auxiliary enterprises	2,323,640	2,922,131
Net cash used in operating activities	(33,549,334)	(40,158,328)
Cash Flows from Noncapital Financing Activities		
Private gifts	990,964	941,043
State of New Jersey appropriations	43,366,442	41,284,899
Other receipts	1,609,285	813,699
Net cash provided by noncapital financing activities	45,966,691	43,039,641
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(29,032,315)	(26,201,571)
Capital appropriations, grants and gifts received	4,633,094	1,876,238
Principal payments on asset related capital debt	(8,662,647)	(7,312,213)
Interest payments on capital asset-related debt	(4,901,320)	(5,329,156)
Increase in restricted deposits held by bond trustees	(57,556,106)	(42,220,054)
Decrease in restricted deposits held by bond trustees	39,759,826	58,992,006
Proceeds from issuance of capital asset related debt	30,427,774	5,189,119
Payment of bond issuance cost	(427,774)	-
Net cash used in capital and related financing activities	(25,759,468)	(15,005,631)
Cash Flows Provided by Investing Activities		
Proceeds from sales of investments	58,075,430	-
Purchases of investments	(133,819,799)	-
Interest, dividends and realized gains	1,472,434	866,293
Net cash (used in) provided by investing activities	(74,271,935)	866,293
Net decrease in cash and cash equivalents	(87,614,046)	(11,258,025)
Cash and Cash Equivalents, Beginning of Year	94,152,962	105,410,987
Cash and Cash Equivalents, End of Year	$ 6,538,916	$ 94,152,962
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (96,936,176)	$ (73,980,766)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Provision for doubtful accounts	-	18,378
State appropriations for fringe benefits	18,395,616	15,920,845
State of New Jersey paid OPEB benefits	16,134,024	-
Depreciation expense	13,266,888	13,916,929
Net unrealized investment loss	1,203,169	-
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
Receivables	3,624,775	(1,260,568)
Deferred outflow of resources	7,835,239	(24,964,972)
Accounts payable and accrued expenses	(176,317)	(1,766,610)
Compensated absences	325,077	83,244
Unearned revenue	45,649	(631,446)
Net pension liability	(20,371,274)	38,883,281
Deferred inflow of resources - pension	23,103,996	(6,376,643)
Net cash used in operating activities	$ (33,549,334)	$ (40,158,328)
Supplemental Disclosure of Noncash Financing Activities		
Purchases of property and equipment in accounts payable	$ 3,759,022	$ 3,991,969
Debt issue cost	$ 427,311	$ 608,202
Payment for current refunding	$ -	$ 63,780,000

See notes to financial statements

The William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)
William Paterson University of New Jersey Foundation, Inc.
Statement of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 5,890,828	$ 5,085,823
Investments	20,346,784	19,075,958
Promises to give, net	1,516,375	1,751,857
Interest receivable	37,147	41,346
Prepaid expenses and other assets	-	2,357
Total assets	$ 27,791,134	$ 25,957,341
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 553,373	$ 54,705
Accrued expenses	28,469	14,463
Grants payable	190,703	83,719
Annuities payable	403,362	366,223
Deferred revenue	18,475	21,750
Refundable advances	-	350,000
Total liabilities	1,194,382	890,860
Net Assets		
Unrestricted		
Undesignated	2,398,659	2,180,285
Board Designated	2,539,016	2,146,565
Total Unrestricted Net Assets	4,937,675	4,326,850
Temporarily restricted	10,435,000	10,080,732
Permanently restricted	11,224,077	10,658,899
Total net assets	26,596,752	25,066,481
Total liabilities and net assets	$ 27,791,134	$ 25,957,341

See notes to financial statements

The William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)
William Paterson University of New Jersey Foundation, Inc.
Statement of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Support:		
Scholarship	$ 27,114	$ 32,597
Fundraising	146,630	140,191
Campus activities	360,124	20,314
Development	1,258,061	1,400,299
Capital projects	-	975
Investment activities	344,941	975,738
Total support	2,136,870	2,570,114
Net assets released from restrictions	1,966,683	2,100,336
	4,103,553	4,670,450
Grants and Expenses:		
Scholarships/grants	1,213,750	1,180,284
Fund-raising	87,586	87,887
Campus activities	849,968	970,761
Development	1,339,744	1,470,561
Community activities	1,000	6,446
Capital projects	680	19,891
Total expenses and other deductions	3,492,728	3,735,830
Change in unrestricted net assets	610,825	934,620
Changes in Temporarily Restricted Net Assets		
Scholarship	514,499	676,025
Fund-raising	123,348	216,119
Campus activities	620,714	824,967
Development	32,231	24,725
Community activities	5,000	2,500
Capital projects	372	(1,977)
Investment activities	1,024,789	1,315,480
Total support	2,320,953	3,057,839
Net assets released from restrictions	(1,966,683)	(2,100,336)
	354,270	957,503
Change in Permanently Restricted Net Assets		
Scholarship	540,176	1,062,850
Community activities	25,000	-
Total support	565,176	1,062,850
Increase in net assets	1,530,271	2,954,973
Net Assets, Beginning	25,066,481	22,111,508
Net Assets, Ending	$ 26,596,752	$ 25,066,481

See notes to financial statements

The William Paterson University of New Jersey

(A Component Unit of the State of New Jersey)
William Paterson University of New Jersey Foundation, Inc.
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 1,530,271	$ 2,954,973
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on sale of investments	(798,442)	(550,675)
Unrealized gain on investments	(288,068)	(1,540,620)
Bad debts expense	-	60,013
Change in operating assets and liabilities:		
Promises to give	235,482	687,677
Interest receivable	4,199	(2,483)
Prepaid expenses and other assets	2,357	(1,102)
Accounts payable and accrued expenses	512,674	(141,662)
Grants payable	106,984	51,982
Annuities payable	37,139	76,592
Deferred revenue	(3,275)	3,425
Refundable Advance	(350,000)	-
Net cash provided by operating activities	989,321	1,598,120
Cash Flows from Investing Activities		
Purchase of investments	(5,692,442)	(4,743,135)
Proceeds from disposition of investments	5,508,126	4,289,381
Net cash used in investing activities	(184,316)	(453,754)
Net increase in cash and cash equivalents	805,005	1,144,366
Cash and Cash Equivalents, Beginning of Year	5,085,823	3,941,457
Cash and Cash Equivalents, End of Year	$ 5,890,828	$ 5,085,823
Supplemental Cash Flow Information		
Noncash financing activities		
Refundable advance redesignated as Endowment Fund	$ 350,000	$ -

See notes to financial statements

1. Nature of Operations

Organization

The William Paterson University of New Jersey (the "University") is a comprehensive public, coeducational institution of higher education located in the Township of Wayne and Boroughs of Haledon and North Haledon, Passaic County, New Jersey. The University was founded in 1855 as the Paterson Normal School and was granted University status in June 1997. The University offers 53 undergraduate, 27 masters, 2 doctoral, 18 post baccalaureate certificate, and 8 post masters certificate programs in five colleges: Arts and Communication; Business; Education; Humanities and Social Sciences; and Science and Health. For the fall semester of the 2017 - 2018 and 2016 - 2017 academic years, approximately 8,800 and 9,100, respectively, part time and full time undergraduate students attended the University, and approximately 1,400 and 1,500, respectively, part time and full time graduate students attended the University. The University's mission includes maintaining a tradition of leadership in general education and multiculturalism, and a commitment to promoting student success, academic excellence, diversity, and community outreach with opportunities for lifelong learning.

The University is recognized as a public institution by the State of New Jersey (the "State"). Under the law, the University is an instrumentality of the State with a high degree of autonomy. State of New Jersey appropriations are the University's largest sources of nonoperating revenue. The University is economically dependent on these appropriations to carry on its operations. The University is considered a component unit of the State for financial reporting purposes. Accordingly, the University's financial statements are included in the State's Comprehensive Annual Financial Report.

Reporting Entity

The operations of William Paterson University of New Jersey Foundation, Inc. (the "Foundation") are included in the accompanying basic financial statements as a discretely presented component unit.

The University has determined the Foundation should be included in the University's financial statements as a discretely presented component unit. A component unit is a legally separate organization for which the University is financially accountable or closely related.

The Foundation is a legally separate corporation with an independent board of trustees and acts primarily as a fund raising entity to provide additional funding to support the educational goals of the University. The Foundation has received a determination letter from the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Since the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the University or its constituents, and the University is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the Foundation and the economic resources are significant to the University, the Foundation is therefore discretely presented in the University's basic financial statements.

As of June 30, 2018 and 2017, the University has a receivable of $632,768 and $184,548, respectively, from the Foundation. For the years ended June 30, 2018 and 2017, the University recognized revenue of $2,146,584 and $2,136,300, respectively, as Foundation gifts and grants. A copy of the financial statements of the Foundation can be obtained from the Office of Institutional Advancement, 300 Pompton Road, Wayne, New Jersey 07474.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board ("GASB"). No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

2. Summary of Significant Accounting Policies

Basis of Presentation

The University classifies for accounting and reporting purposes into the following net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted*: Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted*: Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net position is designated for academic and other programs and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short term investments deposited in the State of New Jersey Cash Management Fund (the "Fund") which has an average maturity of less than 90 days.

Restricted Deposits Held by Bond Trustees

Restricted deposits held by bond trustees restricted for capital and debt service are recorded in the financial statements at fair value, which is based on quoted market price and consist of money market accounts, U.S. Treasury obligations, and government issues.

Investments

All investments are measured at fair value at the statement of net position date. Investment income or loss (including interest, dividends, realized gains and losses, and change in unrealized gains and losses) is reported as a nonoperating activity.

Receivables

Student receivables consist of tuition and fees charged to current and former students. State of New Jersey receivables and gifts, grants, and contracts receivables are amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources. Loans receivable consist of funds loaned to students under federal loan programs.

Receivables are reported at net realizable value. Receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Capital Assets

Capital assets are recorded at historical cost. Donated capital assets are recorded at fair value at the date of donation. Capital assets, with the exception of land, artwork and construction in progress, are depreciated on the straight-line method over their estimated useful lives as follows:

	Useful Lives
Infrastructure	25 to 50 years
Building and improvements	15 to 45 years
Equipment	5 to 10 years

In accordance with the University's capitalization policy, only those items with a cost of more than $5,000 are capitalized. Net interest costs on debt related to construction in progress are capitalized.

Revenue Recognition

Revenues from student tuition and fees and residence life are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as student aid and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the fiscal year are recorded as unearned revenue in the accompanying financial statements, and totaled $3,342,274 at June 30, 2018 and $3,300,770 at June 30, 2017.

Grants and contracts revenue is comprised mainly of funds received from grants from the Federal government, State of New Jersey and local sources and is recognized upon meeting the eligibility requirements for recognition which is generally as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreements are included in unearned revenue in the accompanying financial statements and totaled $745,470 at June 30, 2018 and $741,325 at June 30, 2017.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

Scholarship Allowances

Student tuition and fees and residence life revenues are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for tuition and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship allowance.

Classification of Revenue and Expense

The University's policy for defining operating activities in the statement of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (a) student tuition and fees and residence life, net of scholarship allowances, (b) auxiliary enterprises, and (c) most Federal, State, local and other grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State of New Jersey appropriations, net investment income and gifts.

Interest expense is reported as a nonoperating activity.

Compensated Absences

The liability is calculated based upon employees' accrued vacation leave as of the statement of net position date, an estimated vested amount for accrued sick leave and the estimated cost of Alternative Benefit Plan ("ABP") salary and sick leave. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50 percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Prior to 1991, the State of New Jersey reimbursed the University for payments made to retiring employees for accrued sick leave; however, from 1991 through the current fiscal year, the State of New Jersey did not make such reimbursements. The University paid $265,178 and $145,034 in sick leave payments for employees who retired during the years ended June 30, 2018 and 2017, respectively.

New Accounting Pronouncements

The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers and established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The effect of this adoption increased nonoperating revenue and operating expenses by $16,134,024 during 2018 and expanded note disclosures and required supplementary information.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to enhance information included in notes to governmental financial statements relating to debt, including lines of credit, collateral for debt, terms of events of default with significant finance related consequences. The University is required to adopt Statement No. 88 for its fiscal 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The University is required to adopt Statement No. 84 for its fiscal 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, the primary objective of this Statement is to enhance the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that all long term leases (those with lease terms greater than 12 months) are financing of the right to use an underlying asset. The University is required to adopt Statement No. 87 for its fiscal year 2021 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that all interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The University is required to adopt Statement No. 89 for its fiscal year 2021 financial statements.

University management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the University's financial statements.

Income Taxes

The University is exempt from federal income taxes under IRC Section 115.

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2018 and 2017:

	2018	2017
Cash and money market accounts	$ 5,267,404	$ 92,897,975
State of New Jersey Cash Management Fund	1,271,512	1,254,987
Total	$ 6,538,916	$ 94,152,962

Custodial credit risk associated with the University's cash and cash equivalents include uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2018 and 2017 were partially insured by the Federal Depository Insurance Corporation ("FDIC") in the amount of $250,000. Bank balances in excess of insured amounts of approximately $5.0 million in 2018 and $92.6 million in 2017, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes. Chapter 64 of Title 18A allows banking institutions to cover total public funds on a deposit in excess of federal insurance.

The University participates in the Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The carrying amount of cash and cash equivalents in the Fund was $1.3 million~~,~~ as of June 30, 2018 and 2017, which represented the amount on deposit with the Fund. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

The Fund is unrated and has a maturity of less than 90 days. Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury, foreign governments, agencies and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

4. Restricted Deposits Held by Bond Trustees

Restricted deposits held by bond trustees include restricted accounts held by financial institutions, under the terms of various obligations. The restricted deposits held by bond trustees under bond indenture agreements are maintained for the following:

	2018	2017
Project and construction fund	$ 16,611,990	$ 8,764
Debt service fund for principal and interest	11,964,944	9,510,638
Excess rental pledge	53,921	1,315,172
	$ 28,630,855	$ 10,834,574

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the "Authority"). As of June 30, 2018 and 2017, restricted deposits held by bond trustees were invested in the following, all of which have maturity dates of less than one year:

	2018	2017
Money market accounts	$ 2,635,697	$ 2,579,260
U.S. treasury bills and government obligations	25,995,158	8,255,314
Total	$ 28,630,855	$ 10,834,574

The University's restricted deposits held by bond trustees are subject to various risks. Among these risks are interest rate risk and credit risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy requires that the overall average quality rating of the portfolio's domestic fixed income holdings will be at least "AA", as rated by the Standard and Poor's or Moody's rating agency.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fair value measurement is further defined in Note 5.

The valuation methods for recurring fair value measurements are as follows:

- Money market accounts are recorded at the quoted cost which approximates fair value.
- U.S. treasury bills are valued at closing price reported on the active market on which the individual securities are traded or for identical assets.

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investment type:				
Money market accounts	$ 2,635,697	$ -	$ -	$ 2,635,697
U.S. treasury bills	25,995,158	-	-	25,995,158
Total	$ 28,630,855	$ -	$ -	$ 28,630,855

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Investment type:				
Money market accounts	$ 2,579,260	$ -	$ -	$ 2,579,260
U.S. treasury bills	8,255,314	-	-	8,255,314
Total	$ 10,834,574	$ -	$ -	$ 10,834,574

5. Investments

The University holds excess operating cash in an investment portfolio structured to secure adequate ongoing operating funds while optimizing earnings and minimizing risk on funds earmarked for longer term purposes. All investment activities are conducted in accordance with the University's Cash and Investments Policy. The Finance, Audit and Institutional Development ("FAID") Committee, The Vice President for Administration and Finance, and Associate Vice President for Finance and Controller are accountable for the execution and implementation of the Cash and Investments Policy. External investment managers are accountable for managing the funds in compliance with the Cash and Investments Policy and in accordance with applicable laws.

The overall investment objective is to preserve principal cash balance, maintain appropriate liquidity for current use, and conservatively optimize earnings on excess cash. Diversification as to liquidity, maturity, market and risk is achieved by structuring the portfolio in three tiers: liquidity, contingency and core. Allocations and restrictions of the tiers are defined in the Cash and Investments Policy.

The University's investments consist of the following as of June 30, 2018:

Investment Type	Fair Value
U.S. Equity (ETF)	$ 2,824,774
Non-U.S. Equity (ETF)	2,178,873
Corporate Bonds	27,195,628
U.S. Government Bonds	19,569,648
U.S. Agency Bonds	7,253,711
Asset-Backed Securities	10,335,674
Certificates of Deposit	3,242,110
JPM Money Market Sweep	355,892
Grand total	$ 72,956,310

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has assessed fair value measurement, interest rate risk, credit and concentration risk, custodial credit risk of assets held in the investment portfolio, and foreign currency risk.

University investments are exposed to various risks such as interest risk, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the market value will occur in the near term which could affect the amounts reported in the statement of financial position.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy prioritizes the inputs valuation methods into three Levels (Levels 1, 2, and 3).

Level 1 - Observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices in inactive markets, or whose values are based on models, but the inputs to those modes are observable either directly or indirectly for the whole term of the asset or liability.

Level 3 - Valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs (Level 3). If the fair value of an asset or liability (Level 1) measured are categorized from different levels of the fair value hierarchy, the measurement is categorized in the lowest level input that is significant to the entire measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value:

ETF (Exchange Traded Funds) equities were classified in Level 1 of the hierarchy as they are valued using prices quoted in active markets.

All of the following categories were classified in Level 2 of the hierarchy as they are valued using quoted prices in inactive markets: Corporate Bonds, U.S. Government Bonds, U.S. Agency Bonds, Asset-Backed Securities and Certificates of Deposit.

The valuation for the Other category was classified in Level 3 of the hierarchy as they are valued based on unobservable inputs.

The following table summarizes the University's investments measured by the hierarchy levels as of June 30, 2018:

	Investments Measured at Fair Value			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
U.S. Equity (ETF)	$ 2,824,774	$ -	$ -	$ 2,824,774
Non-U.S. Equity (ETF)	2,178,873	-	-	2,178,873
Corporate Bonds	-	27,195,628	-	27,195,628
U.S. Government Bonds	-	19,569,648	-	19,569,648
U.S. Agency Bonds	-	7,253,711	-	7,253,711
Asset-Backed Securities	-	10,335,674	-	10,335,674
Certificates of Deposit	-	3,242,110	-	3,242,110
JPM Money Market Sweep	-	-	355,892	355,892
Total	$ 5,003,647	$ 67,596,771	$ 355,892	$ 72,956,310

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University projects its cash requirements and arranges for investments accordingly. The average maturity is up to three years.

The following table summarizes the maturities of investments that are subject to interest rate risk as of June 30, 2018:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	10+
U.S. Equity (ETF)	$ 2,824,774	$ -	$	$ -	$ 2,824,774
Non-U.S. Equity (ETF)	2,178,873	-		-	2,178,873
Corporate Bonds	27,195,628	9,939,685	11,523,031	5,599,253	133,659
U.S. Government Bonds	19,569,648	845,363	11,833,684	6,890,601	-
U.S. Agency Bonds	7,253,711	29,339	2,874,919	3,369,072	980,381
Asset-Backed Securities	10,335,674	-	10,090,731	244,943	-
Certificates of Deposit	3,242,110	750,432	2,491,678	-	-
JPM Money Market Sweep	355,892	355,892	-	-	-
Total	$ 72,956,310	$ 11,920,711	$ 38,814,043	$ 16,103,869	$ 6,117,687

Credit and Concentration Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to magnitude of the University's investment in a single issuer. The University's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the University to meet all anticipated cash requirements.

The University's Cash and Investments policy states that the credit quality for positions in all tiers of the portfolio must be investment grade or higher. Investment grade is defined as equal to or better than a rating of BBB- (S&P) or BA3 (Moody's). The University's investment manager assigns average ratings as published by S&P, Moody's and Fitch when all three are available. If only two of these ratings are available, the more conservative rating of the two is used, and if only one rating is available that is the rating used.

The following table summarizes investment credit quality ratings as of June 30, 2018:

Investment Type	Quality Rating	2018
ETF U.S. Equity	NA	$ 2,824,774
ETF Non-U.S. Equity	NA	2,178,873
Corporate Bond	AAA	446,105
Corporate Bond	AA+	599,754
Corporate Bond	AA	1,621,069
Corporate Bond	AA-	2,820,902
Corporate Bond	A+	3,190,038
Corporate Bond	A	4,379,350
Corporate Bond	A-	4,677,227
Corporate Bond	BBB+	3,620,692
Corporate Bond	BBB+	3,408,942
Corporate Bond	BBB-	2,095,257
Corporate Bond	NR	336,292
U.S. Government Bond	AAA	19,569,648
US Agency Bonds	AA+	7,253,711
Asset-Backed Security	AAA	9,080,573
Asset-Backed Security	AA+	1,255,101
Certificate of Deposit	AA	799,396
Certificate of Deposit	AA-	1,131,702
Certificate of Deposit	A	1,170,790
Certificate of Deposit	BBB+	140,222
JPM Money Market Sweep	AA-	355,892
Total		$ 72,956,310

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University securities are exposed to custodial credit risk if the securities are uninsured and unregistered or held by the counterparty, or by a trust department or agent but not in the University's name. Money market funds are not subject to custodial credit risk because their existence is not evidence by securities that exist in physical or book entry form. As of June 30, 2018, the University's investments were not subject to custodial credit risk.

Foreign Currency Risk

The University's foreign investments contain currency risk (the risk that currency exchange rate fluctuations may reduce gains or increase losses on foreign investments). Exchange rate volatility also may affect the ability of an issuer to repay its foreign currency denominated debt, thereby increasing credit risk.

6. Capital Assets

Capital asset activity for the years ended June 30 is comprised of the following:

	Beginning Balance July 1, 2017	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance June 30, 2018
Depreciable assets:				
Infrastructure	$ 18,836,640	$ -	$ -	$ 18,836,640
Buildings and improvements	486,021,296	1,882,080	-	487,903,376
Equipment	41,073,311	1,214,102	(31,765)	42,255,648
Total depreciable assets	545,931,247	3,096,182	(31,765)	548,995,664
Less accumulated depreciation on:				
Infrastructure	9,555,206	519,170	-	10,074,376
Buildings and improvements	157,070,204	11,218,434	-	168,288,638
Equipment	33,416,175	1,529,286	(31,765)	34,913,696
Total accumulated depreciation	200,041,585	13,266,890	(31,765)	213,276,710
Depreciable assets, net	345,889,662	(10,170,708)	-	335,718,954
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	673,080	2,250	-	675,330
Construction in progress	30,014,139	27,583,014	(1,882,080)	55,715,073
Total nondepreciable assets	37,943,133	27,585,264	(1,882,080)	63,646,317
Total capital assets, net	$ 383,832,795	$ 17,414,556	$ (1,882,080)	$ 399,365,271

	Beginning Balance July 1, 2016	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance June 30, 2017
Depreciable assets:				
Infrastructure	$ 18,836,640	$ -	$ -	$ 18,836,640
Buildings and improvements	479,971,492	6,049,804	-	486,021,296
Equipment	45,930,887	1,043,184	(5,900,760)	41,073,311
Total depreciable assets	544,739,019	7,092,988	(5,900,760)	545,931,247
Less accumulated depreciation on:				
Infrastructure	9,036,038	519,168	-	9,555,206
Buildings and improvements	145,757,004	11,313,200	-	157,070,204
Equipment	37,184,564	2,084,561	(5,852,950)	33,416,175
Total accumulated depreciation	191,977,606	13,916,929	(5,852,950)	200,041,585
Depreciable assets, net	352,761,413	(6,823,941)	(47,810)	345,889,662
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	658,880	14,200	-	673,080
Construction in progress	9,754,822	26,309,121	(6,049,804)	30,014,139
Total nondepreciable assets	17,669,616	26,323,321	(6,049,804)	37,943,133
Total capital assets, net	$ 370,431,029	$ 19,499,380	$ (6,097,614)	$ 383,832,795

As of June 30, 2018, estimated costs to complete the projects classified as construction in progress are approximately $68.8 million. Additional costs of all projects will be funded by University revenues, capital grants, and available construction funds from Bond proceeds. For the years ended June 30, 2018 and 2017, the University capitalized interest expense of $1.7 million and $1.5 million, respectively, as construction in progress in the accompanying statement of net position. As of June 30, 2018 and 2017, the University has received capital grants of approximately $5.9 million and $0.9 million, respectively, which is recorded in capital grants and gifts on the statement of revenues, expenses, and changes in net position.

7. Accounts Payable and Accrued Expenses

As of June 30, 2018 and 2017, accounts payable and accrued expenses consist of the following:

	2018	2017
Vendors	$ 3,788,113	$ 4,255,501
Capital projects	3,759,022	3,991,969
Accrued salaries and benefits	4,409,662	4,135,652
Accrued interest	3,814,944	3,320,810
Total	$ 15,771,741	$ 15,703,932

8. Long-Term Debt

Bonds Payable

The University has financed capital assets through various revenue bonds issued through the Authority for the acquisition, construction and renovation of residence halls, the University Commons and academic facilities. As of June 30, 2018 and 2017, the following obligations to the Authority are outstanding:

	Interest Rates	2018	2017	Current Portion
New Jersey Educational Facility Authority:				
Revenue Bonds:				
Series 2008 C Revenue Bonds, due serially to 2039	3.25 - 5.00%	$ 7,620,000	$ 9,960,000	$ 2,450,000
Series 2012 C Revenue Bonds, due serially to 2043	2.00 - 5.00	31,255,000	31,745,000	505,000
Series 2012 D Revenue Bonds, due serially to 2029	2.00 - 5.00	14,075,000	15,115,000	1,090,000
Series 2015 C Revenue Bonds, due serially to 2033	2.00 - 5.00	38,400,000	42,035,000	3,750,000
Series 2016 E Revenue Bonds, due serially to 2033	2.25 - 5.00	60,755,000	60,755,000	-
Series 2017 B Revenue Bonds, due serially to 2047	3.25 - 5.00	27,065,000 *	-	355,000
		179,170,000	159,610,000	8,150,000
Add amounts representing net premiums		17,343,595	14,956,585	-
Total		$ 196,513,595	$ 174,566,585	$ 8,150,000

* On August 17, 2017, the University issued $27,065,000 in Series 2017 B Revenue Bonds. The bonds were issued at interest rates between 3.25 percent and 5.0 percent for construction of a new student residence hall.

Other Long-Term Debt

As of June 30, 2018 and 2017, the following other obligations were outstanding:

	Interest Rates	2018	2017	Current Portion
NJ Educational Facilities Authority Higher Education Equipment Leasing Fund (ELF) 2014 A	5.00%	$ 143,188	$ 210,008	$ 70,003
Higher Education Capital Improvement Fund Series 2002 A, due serially to 2023	4.522 - 5.250	27,711	27,711	-
Higher Education Capital Series 2016 A, due serially to 2023	1.48 - 3.44	2,802,695	3,295,139	549,846
Higher Education Capital Series 2016 B, due serially to 2036	3.00 - 5.50	1,362,389	1,391,899	44,665
Bank of America Public Capital Corp, due serially to 2018	1.68	-	20,883	-
Total		$ 4,335,983	$ 4,945,640	$ 664,514

Future Principal and Interest Payments

The following is a schedule of future minimum principal maturities and interest payments on the University's bonds payable and other long-term debt as of June 30, 2018:

	Principal	Interest	Total
Years ending June 30:			
2019	$ 8,814,514	$ 7,454,937	$ 16,269,451
2020	9,134,644	7,062,283	16,196,927
2021	8,410,406	6,664,320	15,074,726
2022	8,564,559	6,264,259	14,828,818
2023	8,462,214	5,855,342	14,317,556
2019 - 2023 subtotal	43,386,337	33,301,141	76,687,478
2024 - 2028	44,887,535	23,838,945	68,726,480
2029 - 2033	33,567,677	15,856,015	49,423,692
2034 - 2038	35,179,638	8,695,997	43,875,635
2039 - 2043	19,185,000	3,014,725	22,199,725
2044 - 2048	7,395,000	775,250	8,170,250
Total	$ 183,601,187	$ 85,482,073	$ 269,083,260

9. Summary of Changes in Noncurrent Liabilities

Activity in long-term liabilities for the year ended June 30, 2018 is comprised of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 174,566,585	$ 30,427,779	$ 8,480,769	$ 196,513,595	$ 8,150,000
Other long-term debt	4,945,640	-	609,658	4,335,982	664,514
Compensated absences	5,322,673	7,360,792	7,035,715	5,647,750	3,076,001
U.S. government grants refundable	1,570,910	180,834	-	1,751,744	-
Total	$ 186,405,808	$ 37,969,405	$ 16,126,142	$ 208,249,071	$ 11,890,515

Activity in noncurrent liabilities for the year ended June 30, 2017 is comprised of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 177,487,187	$ 69,577,321	$ 72,497,923	$ 174,566,585	$ 7,505,000
Other long-term debt	4,148,134	5,124,791	4,327,285	4,945,640	628,699
Compensated absences	5,239,429	7,770,671	7,687,427	5,322,673	2,827,505
U.S. government grants refundable	1,461,235	109,675	-	1,570,910	-
Total	$ 188,335,985	$ 82,582,458	$ 84,512,635	$ 186,405,808	$ 10,961,204

10. Retirement Plans

Plan Description - PERS

The State of New Jersey, Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report ("CAFR") which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provision of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

During the years ended June 30, 2018 and 2017, PERS members were required to contribute 7.5 percent and 7.34 percent, respectively, of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 13.5 percent of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Employer Contributions

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statement of revenues, expenses and changes in net position. The amount was $2,500,000.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the University reported a liability of $160,618,586 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PERS total pension liability as of June 30, 2017 to June 30, 2018. The University's proportion of the PERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the University's proportion was .6263 percent, which was an increase from its proportion measured as of June 30, 2017 of .6206 percent.

For the year ended June 30, 2018, the University recognized pension expense of $9,309,061. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 21,009,937	$ 22,739,447
Differences between expected and actual experience	3,679,890	-
Changes in proportion	1,788,930	1,111,070
Net difference between projected and actual earnings on pension plan investments	1,020,161	-
University contributions subsequent to the measurement date (prior year)	(2,859,750)	-
University contributions subsequent to the measurement date (current year)	2,500,000	-
Total	$ 27,139,168	$ 23,850,517

$2,500,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2019	$ 1,731,073
2020	1,731,073
2021	2,645,191
2022	1,678,240
2023	(2,196,790)
Thereafter	(1,940,386)
Total	$ 3,648,401

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increases: Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants . For State employees, mortality tables are set back 4 years for males and females.

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a 1-year static projection based on mortality improvement Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	5.51 %
Cash Equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment grade credit	10.00	3.78
Public high yield	2.50	6.82
Global diversified credit	5.00	7.10
Credit oriented hedge funds	1.00	6.60
Debt related private equity	2.00	10.63
Debt related real estate	1.00	6.61
Private real asset	2.50	11.83
Equity related real estate	6.25	9.23
U.S. equity	30.00	8.19
Non-U.S. developed markets equity	11.50	9.00
Emerging markets equity	6.50	11.64
Buyouts/venture capital	8.25	13.08

Discount Rate

The discount rate used to measure the total pension liability was 5.00 percent and 3.98 percent as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016 respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40 percent of the actuarially determined contributions and the local employers contributed 100 percent of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate as disclosed above, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
University's proportionate share of the net pension liability	$ 186,753,836	$ 160,618,586	$ 138,910,744

Plan Description - PFRS

The State of New Jersey, Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions and Benefits (the "Division"). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report ("CAFR") which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2 percent of final compensation for each year of creditable service, as defined, up to 30 years plus 1 percent for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65 percent (tiers 1 and 2 members) and 60 percent (tier 3 members) of final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2 percent of final compensation for each year of service.

Contributions

During the years ended June 30, 2018 and 2017, PFRS members were required to contribute 10.0 percent of their annual covered salary. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. The current percentage is 32.3 percent of annual covered payroll. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Employer Contributions

The University is charged for employer contributions through a fringe benefit charge assessed by the State which is included in operating expenses by function and in nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statement of revenues, expenses and changes in net position. The amount was $750,000.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the University reported a liability of $13,685,989 for its proportionate share of the PFRS net pension liability. The PFRS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PFRS total pension liability as of June 30, 2017 to June 30, 2018. The University's proportion of the PFRS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the University's proportion was .3113 percent, which was an increase from its proportion measured as of June 30, 2017 of .2605 percent.

For the year ended June 30, 2018, the University recognized pension expense of $1,043,651. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 819,193	$ 1,164,282
Changes in proportion	2,613,044	1,049,363
Differences between expected and actual experiences		177,428
Net difference between projected and actual earnings on pension plan investments	250,391	-
University contributions subsequent to the measurement date (prior year)	(608,268)	-
University contributions subsequent to the measurement date (current year)	750,000	-
Total	$ 3,824,360	$ 2,391,073

$750,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:		
2019	$	139,010
2020		139,010
2021		381,384
2022		361,160
2023		214,707
Thereafter		56,284
Total	$	1,291,555

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increases: Through 2026	2.10 - 8.98% based on age
Thereafter	3.10 - 9.98% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement Mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2015 projection scales.

Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits; the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00 %	5.51 %
Cash equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment grade credit	10.00	3.78
Public high yield	2.50	6.82
Global diversified credit	5.00	7.10
Credit oriented hedge funds	1.00	6.60
Debt related private equity	2.00	10.63
Debt related real estate	1.00	6.61
Private real asset	2.50	11.83
Equity related real estate	6.25	9.23
U.S. equity	30.00	8.19
Non-U.S. developed markets equity	11.50	9.00
Emerging markets equity	6.50	11.64
Buyouts/venture capital	8.25	13.08

Discount Rate

The discount rate used to measure the total pension liability was 6.14 percent and 5.55 percent as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate as disclosed above as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher that the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
University's proportionate share of the net pension liability	$ 16,197,327	$ 13,685,989	$ 11,627,421

Plan Description - TPAF

The State of New Jersey, Teachers' Pension and Annuity Fund ("TPAF") is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the "State") is responsible to fund 100 percent of the employer contributions, excluding any local employer early retirement incentive ("ERI") contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report ("CAFR") which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2 percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00 %	5.51 %
Cash equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment grade credit	10.00	3.78
Public high yield	2.50	6.82
Global diversified credit	5.00	7.10
Credit oriented hedge funds	1.00	6.60
Debt related private equity	2.00	10.63
Debt related real estate	1.00	6.61
Private real asset	2.50	11.83
Equity related real estate	6.25	9.23
U.S. equity	30.00	8.19
Non-U.S. developed markets equity	11.50	9.00
Emerging markets equity	6.50	11.64
Buyouts/venture capital	8.25	13.08

Discount Rate

The discount rate used to measure the total pension liability was 4.25 percent and 3.22 percent as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefits payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, (rates used)	At 1% Decrease	At Current Discount Rate	At 1% Increase
2017 (3.25%, 4.25%, 5.25%)	$ 80,394,331,171	$ 67,670,209,171	$ 57,188,022,171
2016 (2.22%, 3.22%, 4.22%)	$ 94,378,173,033	$ 79,028,907,033	$ 66,494,248,033

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the University. The University's portion of the nonemployer contributing entities' total proportionate share of the net pension liability was $4,129,519 as of June 30, 2018 and as of June 30, 2017 and $4,855,545. The University records their proportionate share of the pension expense as a revenue and expense in the accompanying statement of revenues, expenses, and changes in net position. The amount was $286,072 in 2018.

Alternate Benefit Program Information

ABP provides the choice of seven investment carriers, all of which are privately operated defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full time professional employees and faculty members electing to participate in this retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5 percent and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8 percent. During the year ended June 30, 2018, ABP received employer and employee contributions of $5,959,633 and $3,786,371, respectively, which were based on participating employee salaries of approximately $74,495,417. During the year ended June 30, 2017, ABP received employer and employee contributions of $5,976,296 and $3,783,096, respectively, which were based on participating employee salaries of approximately $74,703,694. Employer contributions to ABP are paid by the State of New Jersey and the University and are reflected within operating expenses by function and within nonoperating revenues as State of New Jersey paid fringe benefits in the accompanying statement of revenues, expenses, and changes in net position.

Supplemental Alternative Benefit Program

The Supplemental Alternative Benefit Program is a defined contribution, supplemental 403(b) plan, established for employees who are members of the Alternate Benefit Program and whose base salary exceeds the current plan limit of $141,000 for employer contributions. Vesting occurs immediately. Employees may not contribute to the plan and employer contributions are at the discretion of the University. Contributions of $114,549 and $105,712 were made in fiscal year 2018 and 2017, respectively.

11. Postemployment Benefits Other Than Pensions

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the "Plan").

Plan description, including benefits provided: The Plan is a single-employer defined benefit other postemployment benefit ("OPEB") plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the "State") is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System ("PERS"), the Alternate Benefit Program ("ABP") or the Police and Firemen's Retirement System ("PFRS"). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Accordingly, the University did not recognize any portion of this liability on the accompanying statement of net position.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB Statement No. 75.

Total OPEB Liability and OPEB expense

As of June 30, 2018, the State recorded a liability of $8,178,871,728, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2018, the University's share was 3.353209 percent and 0.975829 percent of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2018, the University recognized OPEB expense of $16,134,024. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of $16,134,024.

Actuarial assumptions and other inputs: The State's liability associated with (reporting entity) at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017.

Inflation	2.50%
Discount rate	3.58%
Salary increases	
Through 2026	1.55 - 8.98%
Thereafter	2.00 - 9.98%

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014) ABP (using the experience of the Teacher's Pension and Annuity Fund - July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2015).

Health Care Trend Assumptions: For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5 percent. For prescription drug benefits, the initial trend rate is 10.5 percent decreasing to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

12. Commitments and Contingencies

The University has entered into several noncancelable leases for certain computer equipment, which have been classified as operating leases. In addition, the University entered into a contract to permit a third party to install, operate and maintain solar photovoltaic facilities on certain University properties. In exchange, the University will purchase all electricity generated by the facilities at a set price. Total rent expense was $1,629,166 and $1,726,100 in 2018 and 2017, respectively.

The future estimated minimum annual commitments are as follows:

	Amount
Years ending June 30:	
2019	$ 1,361,874
2020	1,178,252
2021	705,893
2022	708,067
2023	685,063
2019 - 2023 subtotal	4,639,149
2024 - 2028	1,495,434
Total	$ 6,134,583

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will be immaterial.

Union contracts are effective until June 30, 2019, with the exception of two contracts that were effective through June 30, 2015 and are currently being renegotiated. Management believes that any adjustment from the negotiation will not have a material effect on the accompanying financial statements.

13. State of New Jersey Paid Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally pension and postretirement medical benefits and FICA taxes) on behalf of the University's employees. Such benefits were $32,083,451 and $30,797,245, for the years ended June 30, 2018 and 2017, respectively, and are included in nonoperating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statement of revenues, expenses, and changes in net position.

14. Unrestricted Net Position

As of June 30, 2018 and 2017, unrestricted net position consist of funds that have been designated as follows:

	2018	2017
Academic and other programs	$ 6,002,293	$ 16,224,491
Quasi-endowment	10,596,752	10,596,207
Capital programs:		
Renewal and replacement - nonauxiliary	24,673,199	32,883,282
Renewal and replacement - auxiliary	32,515,163	32,810,331
Net pension liability	(166,807,686)	(159,229,924)
Total	$ (93,020,279)	$ (66,715,613)

15. Risk Management

The University is exposed to various risks of loss. The University participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed $100,000 per occurrence, with a per occurrence limit of $1,500,000,000. Coverage for theft of money and securities provides for the actual loss in excess of $75,000 with a per loss limit of $5,000,000.

All liability risk and employee benefit exposure, including tort, auto and trustees and officers' liability workers' compensation, unemployment, disability, life insurance and employee retirement plans, are self-funded programs maintained and administered by the State of New Jersey (the "State"). As an agency of the State, the University's liability is subject to all provisions of the New Jersey Tort Claims Act, the New Jersey Contractual Liability Act and the availability of appropriations. The Tort Claims Act provides for payment of claims under the Act against the State or its employees for which the State is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed annually. All State self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

The University may be the subject of employment related lawsuits not covered by the Tort Claims Act. The University retains the risk for any such settlements and has not made any payments in the past three years.

16. Subsequent Event

On March 4, 2019, the University commenced refinancing Series 2008C New Jersey Educational Facilities Authority Revenue Bonds for the remaining debt principal of approximately $5,070,000 with a fixed interest (3.5 percent) bank loan with principal due annually and interest semiannually through July 1, 2038.

The William Paterson University of New Jersey

Required Supplementary Information
Schedule of University's Proportionate Share of the Net Pension Liability
Years Ended June 30, 2018 and 2017

	2018		
	PERS	PFRS	TPAF
University's proportion of the net pension liability	0.6263001971 %	0.3113464137 %	
University's proportionate share of the net pension liability	$ 160,618,586	$ 13,685,989	$ 4,129,519
University's covered-employee payroll	$ 28,126,936	$ 1,578,257	$ 382,411
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	571.05%	867.16%	1079.87%
	2017		
University's proportion of the net pension liability	0.6206249503 %	0.2604667065 %	-
University's proportionate share of the net pension liability	$ 182,405,929	$ 12,269,920	$ 4,855,545
University's covered-employee payroll	$ 26,842,842	$ 1,396,099	$ 390,095
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	679.53%	878.87%	1244.71%
	2016		
University's proportion of the net pension liability	0.6157306825 %	0.2265683030 %	-
University's proportionate share of the net pension liability	$ 146,064,467	$ 9,728,101	$ 9,575,278
University's covered-employee payroll	$ 27,512,246	$ 1,806,376	$ 389,620
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	530.91%	538.54%	2457.59%
	2015		
University's proportion of the net pension liability	0.6237086082 %	0.2596863260 %	-
University's proportionate share of the net pension liability	$ 125,534,480	$ 9,226,789	$ 10,050,848
University's covered-employee payroll	$ 27,170,262	$ 1,189,806	$ 366,714
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	462.03%	775.49%	2740.79%

The University adopted GASB 68 in 2015. No information is available prior to 2015.

The William Paterson University of New Jersey

Required Supplementary Information
Schedule of University Contributions
Year Ended June 30, 2018 and 2017

	2018	
	PERS	PFRS
Contractually required contribution	$ 2,500,000	$ 750,000
Contributions in relation to the contractually required contribution	(2,500,000)	(750,000)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 28,126,936	$ 1,578,257
Contributions as a percentage of covered-employee payroll	8.89%	47.52%
	2017	
Contractually required contribution	$ 2,859,750	$ 608,268
Contributions in relation to the contractually required contribution	(2,859,750)	(608,268)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 26,842,842	$ 1,396,099
Contributions as a percentage of covered-employee payroll	10.65%	43.57%
	2016	
Contractually required contribution	$ 1,972,328	$ 359,837
Contributions in relation to the contractually required contribution	(1,972,328)	(359,837)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 27,512,246	$ 1,806,376
Contributions as a percentage of covered-employee payroll	7.17%	19.92%
	2015	
Contractually required contribution	$ 950,516	$ 315,912
Contributions in relation to the contractually required contribution	(950,516)	(315,912)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 27,170,262	$ 1,189,806
Contributions as a percentage of covered-employee payroll	3.50%	26.55%

The University adopted GASB 68 in 2015. No information is available prior to 2015.

The William Paterson University of New Jersey

Required Supplementary Information
Schedule of University's Proportionate Share of the Total OPEB Liability
Years Ended June 30, 2018

University's proportion of the total OPEB liability		0.00%
University's proportionate share of the total OPEB liability	$	-
State of New Jersey's proportionate share of the total OPEB liability		8,178,871,728
Total OPEB liability		8,178,871,728
University covered-employee payroll	$	96,556,548
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll		0.00%

* Information provided for Required Supplementary Information will be provided for ten (10) years as the information becomes available in subsequent years.

Notes to the Schedule

For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions.*