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, 2017 and 2016

BAKER TILLY

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Independent Auditors' Report

Board of Trustees
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, 2017 and 2016, 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, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17, Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Iselin, New Jersey
November 27, 2017

Introduction

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of William Paterson University of New Jersey (the "University") at June 30, 2017 and 2016, and its changes in financial position for the fiscal years then ended with selected comparative information for the year ended June 30, 2015. 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.

The University adopted Governmental Accounting Standards ("GASB") Statement No. 72 which provided fair value application guidance and related disclosures. In 2017, GASB Statement No.82 was adopted, which addressed certain pension implementation issues.

Financial Highlights

The University's financial position remains strong with total assets of $506.0 million as of June 30, 2017, a decrease of $11.4 million from fiscal year 2016 and a net cumulative increase of $1.9 million from fiscal year 2015. Total liabilities were $400.8 million as of June 30, 2017, an increase of $34.2 million from fiscal year 2016 and a cumulative increase of $65.8 million from fiscal year 2015. As of June 30, 2017, net position was $145.2 million, $14.3 million less than fiscal year 2016 and $22.1 million less than fiscal year 2015. The unfavorable changes to liabilities and net position relate primarily to entries required under GASB 68 and 71 for the University's proportionate share of State pension liability and expense.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"); and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date ("GASB 71") - These impactful accounting pronouncements were 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 $194.7 million of net pension liability as of June 30, 2017, an increase of $38.9 million from fiscal year 2016 and a cumulative increase of $59.9 million from fiscal year 2015. 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 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, 2017 was $194.7 million, an increase of $38.9 million from June 30, 2016.

- *Deferred outflows and inflows of resources:* Cumulative balances were $38.9 million and $3.1 million, respectively as of June 30, 2017. The amortization of these balances will increase pension expense roughly $6.0 to $7.0 million for each of the next five to six years.

- *Current year operating expense:* Fiscal year 2017 includes $12.1 million for pension expense associated with State pension plan. This expense is allocated amongst 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 is (deficit) ($159.2) million.

The investment in capital assets portion of net position, $204.3 million as of June 30, 2017, decreased $1.1 million or 0.5% from the prior year. This near-flat change 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 is scheduled for completion by Fall 2018.

Other capital projects that were underway during fiscal years 2017 and 2016 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, and re-paving projects at several locations.

The final cost of University Hall was $34.5 million, 75% 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. The University was notified September 1, 2016 of a funding award in the amount of $7.1 million to go 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 is also being used to fund the Hunziker renovations, with the remaining $2.9 million coming from Campus Facilities fees.

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, 2017, 2016 and 2015 follows:

Statements of Net Position

	2017	2016	2015
Assets:			
Current assets	$ 121,841	$ 146,653	$ 137,854
Noncurrent assets:			
Capital assets, net	383,833	370,431	365,877
Other	335	319	382
Total assets	$ 506,009	$ 517,403	$ 504,113
Deferred outflows	$ 43,122	$ 18,157	$ 4,222
Liabilities:			
Current liabilities	$ 30,707	$ 33,384	$ 35,278
Noncurrent liabilities	370,121	333,180	299,734
Total liabilities	$ 400,828	$ 366,564	$ 335,012
Deferred inflows	$ 3,138	$ 9,514	$ 6,010
Net position:			
Net investments in capital assets	$ 204,329	$ 205,371	$ 199,084
Restricted for:			
Student loans	47	56	169
Debt service	7,505	7,400	6,575
Unrestricted	(66,716)	(53,346)	(38,514)
Total net position	$ 145,165	$ 159,481	$ 167,314

Assets

Current assets consist primarily of cash and cash equivalents, restricted deposits held by bond trustees, 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.

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).

At June 30, 2016, the University had total assets of $517.4 million, an increase of $13.3 million from $504.1 million at June 30, 2015. Primary components of the increase were higher capital assets ($4.6 million) mainly due to completion of University Hall, and increased balance of restricted deposits held by bond trustees ($15.9 million) for bond proceeds held in a construction cash account relating to the Hunziker Hall and Hunziker Wing renovations. These increases were offset by reduction of the year-end operating cash balance ($3.0 million) and reduced grants receivable ($5.0 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, 2017, the deferred outflows of resources and deferred inflows of resources were $43.1 million and $3.1 million, respectively.

The deferred outflows and deferred inflows of resources reported in fiscal years 2016 and 2015 are specifically related to the GASB 68 and 71 pension reporting rules. The University had no other deferred outflows or deferred inflows in these years. In fiscal year 2017 however, the total $43.1 deferred outflows includes $4.5 million relating to the advance refunding of the 2008C bond issue.

Liabilities

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, tolling $14.2 million over the repayment period.

At June 30, 2016, the University had total liabilities of $366.6 million, an increase of $31.6 million from $335.0 million at June 30, 2015. Decreases in accounts payable ($1.7 million) and deferred revenue ($1.1 million) were offset by increased bonds payable ($12.9 million) and net pension liability ($21.0 million). The bonds payable increase reflects new money borrowed ($20.0 million) in the 2015C bond series, and pay-down of bond principle ($7.1 million) via regularly scheduled debt service. Increase to the net pension liability directly reflects the University's proportionate share of increased State pension liability.

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.

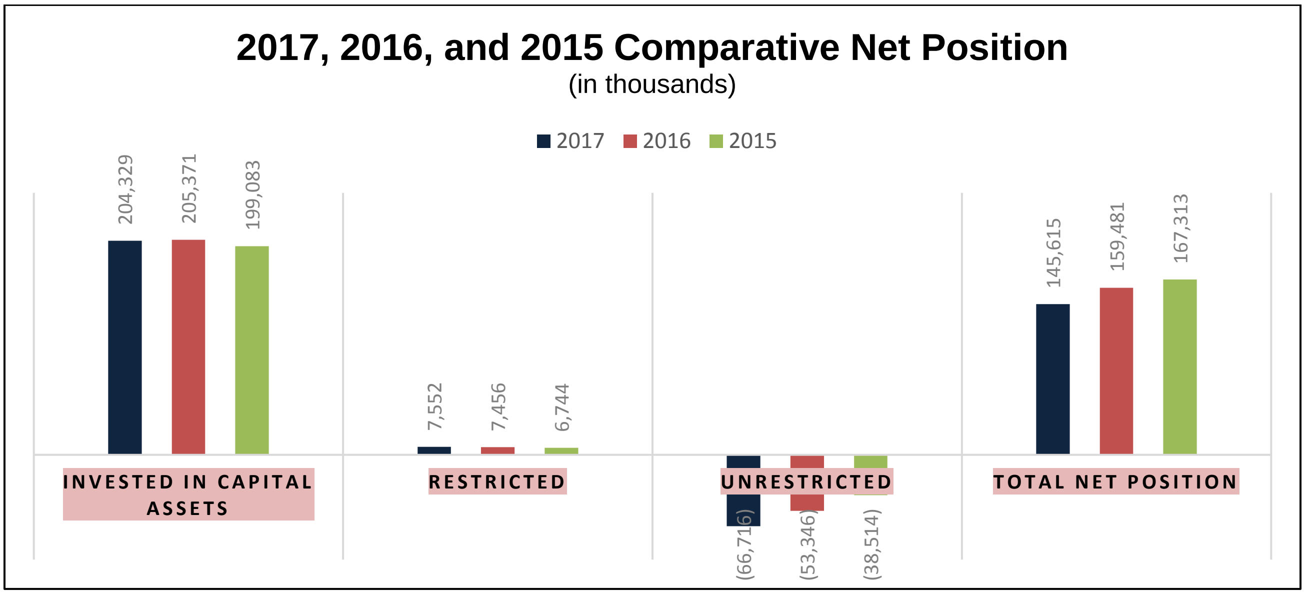
Unrestricted net position - Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the institution and include resources that may be designated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

Components of Net Position	**2017**	**2016**	**2015**
Invested in capital assets	$ 204,329,334	$ 205,370,812	$ 199,083,493
Expendable restricted:			
Student loans	46,599	56,311	169,358
Debt service	7,505,000	7,400,000	6,575,025
	7,551,599	7,456,311	6,744,383
Unrestricted:			
University unrestricted	92,514,311	93,804,525	98,035,323
Proportionate share of NJ pension liability	(159,229,924)	(147,150,097)	(136,549,210)
	(66,715,613)	(53,345,572)	(38,513,887)
Total net position	$ 145,165,320	$ 159,481,551	$ 167,313,989

Net position at June 30, 2017, 2016, and 2015 was $145.2, $159.5, and $167.3 million, respectively. From fiscal year 2016 to 2017, net position decreased $14.3 million and from fiscal year 2015 to 2016 it decreased $7.8 million.

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 charge of $12.1 million and net decrease from normal 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.

The FY16 overall decrease in net position of $7.8 million, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, consists of the positive financial results during fiscal year 2016 of $2.8 million offset by $10.6 million of current year GASB 68 expense. The $2.8 million financial results (net of GASB 68) during fiscal year 2016 reflects $6.9 million capital grant revenue offset by a $4.1 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 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, 2017, 2016 and 2015 follows:

Summary of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues:			
Net student revenue	$ 109,659	$ 110,489	$ 110,231
Other	40,469	41,213	40,445
Total operating revenues	150,128	151,702	150,676
Operating expenses	224,109	221,923	216,332
Operating loss	(73,981)	(70,221)	(65,656)
Nonoperating revenues (expenses):			
State appropriations	61,154	60,759	62,520
Other	2,619	2,427	2,824
Interest expense	(5,020)	(7,664)	(6,926)
Net total nonoperating revenues	58,753	55,522	58,418
Capital grants and gifts	912	6,867	15,214
(Decrease) increase in net position*	(14,316)	(7,832)	7,976
Net position, beginning of year	159,482	167,314	290,779
Less: Effect of adoption of GASB No. 68	-	-	(131,441)
Net position, beginning of year as restated	-	-	159,338
Net position, end of year	$ 145,166	$ 159,482	$ 167,314

*Categories of (decrease) increase in net position:

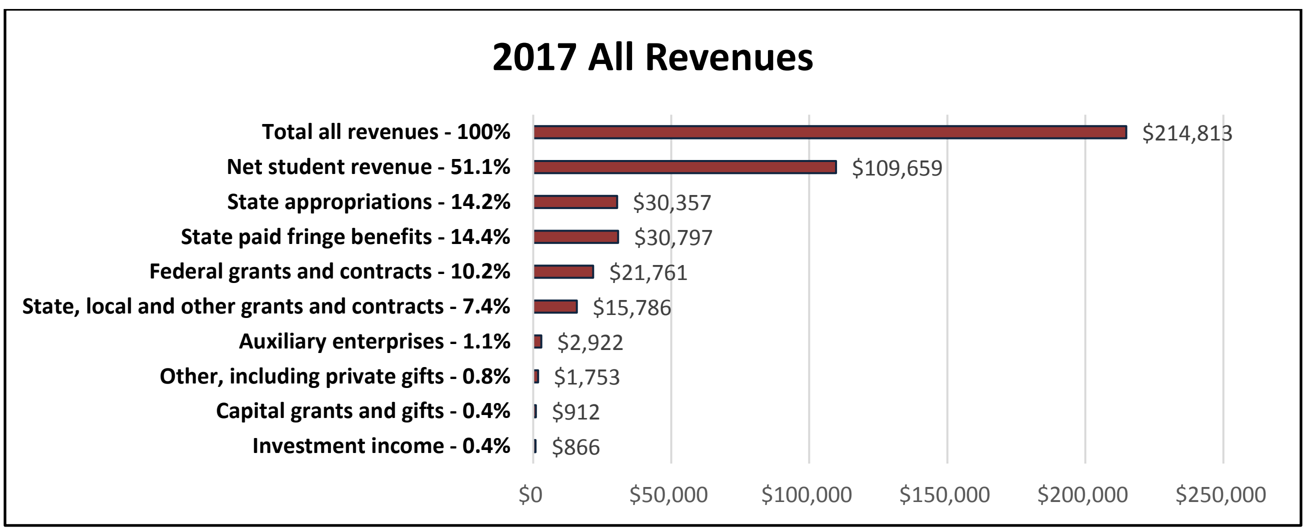
	2017	2016	2015
Operating and non-operating net total expenses	$ (3,148)	$ (4,099)	$ (2,130)
GASB 68 pension expense	(12,080)	(10,600)	(5,108)
Capital grants and gifts	912	6,867	15,214
Net total (decrease) increase in net position	$ (14,316)	$ (7,832)	$ 7,976

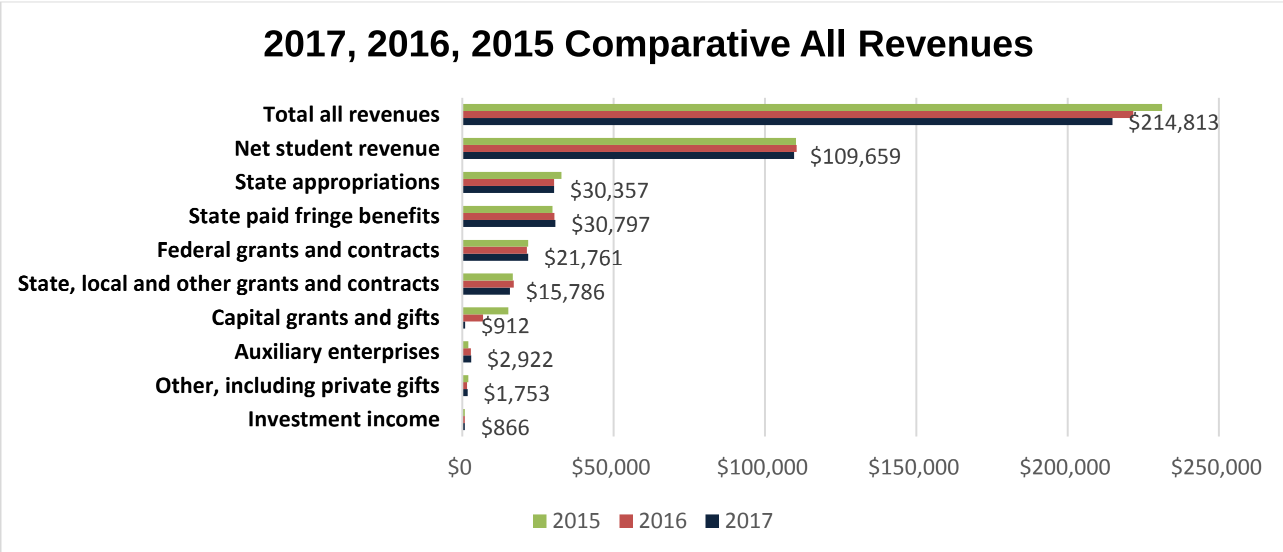
Revenues

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, 2017, 2016 and 2015 follows:

Operating, Non-operating, and Capital Revenues:

	2017	2016	2015
Operating revenues:			
Net student revenue	$ 109,659	$ 110,489	$ 110,231
Federal grants and contracts	21,761	21,314	21,801
State local and other grants and contracts	15,786	17,057	16,647
Auxiliary enterprises	2,922	2,843	1,997
Total operating revenues	150,128	151,703	150,676
Non-operating revenues:			
State appropriations	30,357	30,357	32,748
State paid fringe benefits	30,797	30,402	29,772
Investment income	866	825	822
Other, including private gifts	1,753	1,601	2,002
Total non-operating revenues	63,773	63,185	65,344
Capital grants and gifts	912	6,867	15,214
Total operating, non-operating, and capital revenues	$ 214,813	$ 221,755	$ 231,234





Operating Revenues

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

Gross student tuition and fees were $124.9 million, $125.1 million and $124.8 million for the years ended June 30, 2017, 2016, and 2015, respectively. This revenue was generated by the following number of students, resident students and meal plan participants:

Student Enrollment:
Total Enrollment (FTE's):

	2017	2016	2015
Annualized Fall and Spring	7,998	8,218	8,296
Summer II (July-August 2016, 2015, 2014)	321	313	314
Summer I (May-June 2017, 2016, 2015)	326	348	354
Winter	81	88	90
Total enrollment	8,726	8,967	9,054
Residential students	2,009	1,993	2,105
Meal plan participants	1,861	1,911	1,965

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. For the year ended June 30, 2016, net student revenue was $110.5 million, an increase of $0.3 million from fiscal year 2015 representing increased student related revenues of $1.2 million offset by increased student aid and scholarship allowance of $0.9 million.

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. Tuition revenue in fiscal year 2016 was $125.1 million and was $0.3 million higher than fiscal year 2015.

Revenues from federal grants and contracts increased $0.5 million during fiscal year 2017 to $21.8 million, while decreasing during fiscal year 2016 by $0.5 million to $21.3.

State, 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 million and decreased local schools and other grants of $0.4 million. During fiscal year 2016, state, local and other grants and contracts increased by $0.4 million, reflecting increases in multiple funding streams by the state of New Jersey.

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 $2.9 million for the year ended June 30, 2017, an increase of $0.1 million from fiscal year 2016 reflecting slightly changed hospitality revenues. For the fiscal year 2016, auxiliary enterprises revenue was $2.8 million, up $0.8 million from fiscal year 2015 reflecting increases in revenue from professional development-schools ($0.6 million), parking garage revenue ($0.1 million), and hospitality revenues ($0.2 million).

Nonoperating Revenues

The University's primary source of non-operating revenue is State of New Jersey appropriations for general operations and fringe benefits. The general operations appropriation remained the same in fiscal year 2017 as 2016 at $30.4 million. The fringe benefits appropriation was $30.8 million, $30.4 million, and $29.8 million for the years ended June 30, 2017, 2016, and 2015, respectively.

Capital Grants and Gifts

For the years ending June 30, 2017 and June 30, 2016, $0.9 million and $6.9 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

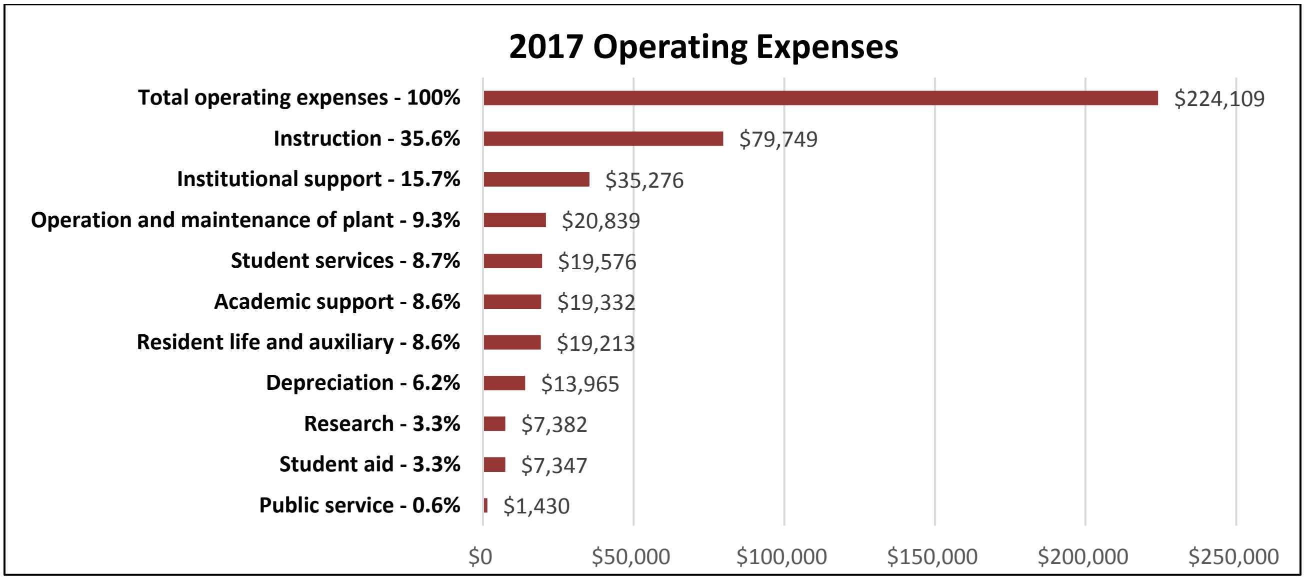
Operating expenses are reported by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. Total operating expenses for the year ended June 30, 2017 was $224.1 million, an increase of $2.2 million from fiscal year 2016. Operating expenses include GASB 68 pension expense of $12.1 million in fiscal year 2017 and $10.6 million in fiscal year 2016.

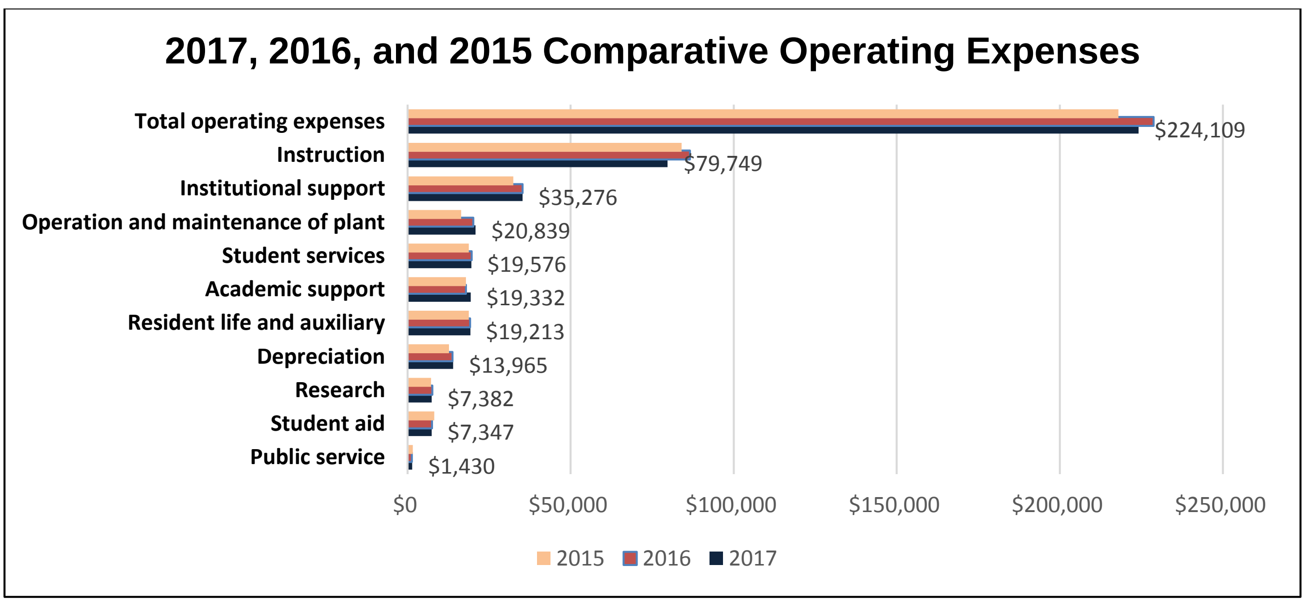
During fiscal year 2017, salaries decreased $0.3 million while benefits increased $2.0 due to the increased pension expense associated with GASB 68. Other increases were in administration and maintenance ($0.9 million), accounts receivable write-offs ($0.6 million), and depreciation ($0.3 million). These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

During fiscal year 2016, the largest increase was due to the GASB 68 increase of $5.5 million. Otherwise in personnel costs, salaries expense was $1.1 lower than 2015 and other benefits (non-GASB 68) were $0.5 higher than in 2015. During fiscal year 2016, there were increases in equipment expense (non-capitalized) of $2.1 million and depreciation of $1.0 million, offset by decreases in accounts receivable write-offs ($1.2 million), grant expenses ($.5 million), and utilities ($.5 million).

Functionally, for fiscal year 2016, $5.6 million increase in operating expenses is primarily associated with instruction ($1.9 million), institutional support ($1.1 million), operating and maintenance of plant ($2.5 million), and depreciation ($1.0 million); offset by smaller decreases in academic support, public service, student aid, and residence life and auxiliary enterprises.





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

Exclusive of the impact of GASB 68, the allocation of operating expenses to natural classifications has remained proportionately constant over the years ended June 30, 2017, 2016, and 2015, with salaries at 53-56%, fringe benefits at 16-20%, supplies and services at 21-22% and depreciation at 6-7%. In fiscal year 2017, salaries and fringe benefits (non-GASB 68 related) increased $0.2 million and in fiscal year 2016 decreased $0.6 million.

Operating Expenses: Functional vs. Natural Classifications

	2017		2016		2015	
Functional Classification						
Instruction	$ 77,237	36.3 %	$ 77,685	36.7 %	$ 83,977	39.8 %
Research	7,382	3.5	7,546	3.6	533	0.3
Academic support	18,256	8.6	17,060	8.1	17,895	8.5
Public service	1,395	0.7	1,309	0.6	1,564	0.7
Student services	18,342	8.7	18,725	8.9	18,816	8.9
Institutional support	31,812	15.0	31,420	14.9	32,383	15.3
Operation and maintenance of plant	17,990	8.5	17,999	8.5	16,444	7.8
Student aid	7,347	3.5	7,467	3.5	8,131	3.8
Residence life and auxiliary	18,303	8.6	18,386	8.7	18,756	8.9
Depreciation	13,965	6.6	13,726	6.5	12,725	6.0
Total operating expenses	212,029	100.0 %	211,323	100.0 %	211,224	100.0 %
GASB 68 impact	12,080		10,600		5,108	
	$ 224,109		$ 221,923		$ 216,332	

	2017		2016		2015	
Natural Classification						
Salaries and wages	$ 118,301	55.8 %	$ 118,564	56.1 %	$ 119,706	56.7 %
Fringe benefits	33,161	15.6	32,747	15.5	32,205	15.2
Supplies and services	46,602	22.0	46,286	21.9	46,588	22.1
Depreciation	13,965	6.6	13,726	6.5	12,725	6.0
Total operating expenses	212,029	100.0 %	211,323	100.0 %	211,224	100.0 %
GASB 68 impact	12,080		10,600		5,108	
	$ 224,109		$ 221,923		$ 216,332	

Non-operating Expense

Non-operating expense consists of interest on capital asset-related debt of $5.0 million, $7.7 million, and $6.9 million for the years ended June 30, 2017, 2016 and 2015, respectively. 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. The $0.8 million increase in fiscal year 2016 reflects issuance of the 2015C bond series which included $20 million of new money borrowed for the Hunziker renovations.

Capital Assets and Debt Activities

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.

At June 30, 2016, the University's investment in capital assets was $370.4 million, net of accumulated depreciation of $191.9 million. Debt related to these capitalized assets was $181.6 million. During the year then ended, the University had total capital additions of $18.3 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 issued a new rating of 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 preparing to move forward with a new housing and renovation project to upgrade its 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, 2017, 2016 and 2015 follows:

Capital Assets

	2017	2016	2015
Land	$ 7,256	$ 7,256	$ 7,256
Construction in progress	30,014	9,755	28,099
Infrastructure	18,837	18,837	18,338
Buildings and improvements	486,021	479,971	447,614
Equipment	41,073	45,931	42,252
Artwork	673	659	570
Total	583,874	562,409	544,129
Less accumulated depreciation	200,041	191,978	178,252
Total capital assets, net	$ 383,833	$ 370,431	$ 365,877

Economic Factors that Could Affect the Future

The University continues to demonstrate sound, conservative fiscal management as evidenced by the consistent and significant increase of net position over a long term period. Leveling off of enrollment 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 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, 2017 were $30.4 million, the same as the prior year. The fiscal year 2017 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% or less for each of the past five 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 2011 about $7.0 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 dashboard 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. New revenue opportunities have been created with the rental of rooftops for telecommunications equipment, leasing of property to the local utility company and billing insurance companies for the Health and Wellness Center services provided to our students. The University has also hired investment advisors to manage and increase the yield on our liquid operating cash. 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. The University has expanded and improved its capital facilities 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, 2017 and 2016

	2017	2016
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	$ 94,152,962	$ 105,410,987
Restricted deposits held by bond trustees	10,834,574	27,606,526
Receivables:		
Students, less allowance for doubtful accounts of $1,973,123 in 2017 and $1,991,501 in 2016	7,401,941	8,212,277
Loans, less allowance for doubtful loans of $163,600 in 2017 and 2016	1,033,222	948,344
State of New Jersey	4,083,118	1,122,801
Gifts, grants, and contracts	2,924,409	2,376,617
Other receivables	1,294,277	808,442
Total receivables	16,736,967	13,468,481
Prepaid expenses	116,053	167,317
Total current assets	121,840,556	146,653,311
Noncurrent assets:		
Loans, less allowance for doubtful loans of $57,400 in 2017 and 2016	335,569	318,865
Capital assets, net	383,832,795	370,431,029
Total noncurrent assets	384,168,364	370,749,894
Total assets	506,008,920	517,403,205
Deferred outflow of resources	43,121,679	18,156,707
Total assets and deferred outflow of resources	549,130,599	535,559,912
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	15,703,932	17,762,029
Compensated absences	2,827,505	2,939,592
Bonds payable	7,505,000	7,400,000
Other long-term debt	628,699	608,686
Unearned revenue	4,042,096	4,673,542
Total current liabilities	30,707,232	33,383,849
Noncurrent liabilities:		
Bonds payable	167,061,585	170,087,187
Other long-term debt	4,316,941	3,539,448
Compensated absences	2,495,168	2,299,837
U.S. government grants refundable	1,570,910	1,461,235
Net pension liability	194,675,849	155,792,568
Total noncurrent liabilities	370,120,453	333,180,275
Total liabilities	400,827,685	366,564,124
Deferred inflow of resources - pension	3,137,594	9,514,237
Net Position		
Net investment in capital assets	204,329,334	205,370,812
Restricted for:		
Student loans	46,599	56,311
Debt service reserves	7,505,000	7,400,000
Unrestricted	(66,715,613)	(53,345,572)
Total net position	$ 145,165,320	$ 159,481,551

See notes to financial statements

(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, 2017 and 2016

	2017	2016
Operating Revenues		
Student revenues:		
Student tuition and fees	$ 124,927,074	$ 125,126,897
Residence life	21,596,115	20,952,687
Less scholarship allowances	(36,864,055)	(35,590,926)
Net student revenues	109,659,134	110,488,658
Federal grants and contracts	21,761,422	21,313,898
State, local, and other grants and contracts	15,785,995	17,056,855
Auxiliary enterprises	2,922,132	2,842,619
Total operating revenues	150,128,683	151,702,030
Operating Expenses		
Instruction	79,749,191	79,744,044
Research	7,382,443	7,547,912
Academic support	19,332,215	17,873,044
Public service	1,430,441	1,334,239
Student services	19,576,192	19,654,897
Institutional support	35,275,530	35,269,604
Operating and maintenance of plant	20,838,844	20,187,875
Student aid	7,346,773	7,466,760
Residence life and auxiliary enterprises	19,213,081	19,119,057
Depreciation	13,964,739	13,726,022
Total operating expenses	224,109,449	221,923,454
Net operating loss	(73,980,766)	(70,221,424)
Nonoperating Revenues (Expenses)		
State of New Jersey appropriations	30,357,000	30,357,000
State of New Jersey paid fringe benefits	30,797,245	30,402,005
Private gifts	939,045	1,053,869
Investment income	866,293	825,557
Interest on capital asset-related debt	(5,020,491)	(7,663,571)
Other nonoperating revenues, net	813,699	546,826
Net nonoperating revenues	58,752,791	55,521,686
Loss before other revenues	(15,227,975)	(14,699,738)
Other Revenues		
Capital grants and gifts	911,744	6,867,300
Decrease in net position	(14,316,231)	(7,832,438)
Net Position, Beginning of Year	159,481,551	167,313,989
Net Position, End of Year	$ 145,165,320	$ 159,481,551

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Student tuition and fees	$ 88,292,149	$ 87,630,669
Federal, state, and local grants and contracts	36,035,130	45,890,425
Payments to suppliers	(39,609,447)	(40,839,772)
Payments to employees	(120,466,285)	(117,931,655)
Payments for employee benefits	(21,826,691)	(16,075,251)
Payments for student aid	(7,101,430)	(7,270,250)
Residence life	21,596,115	20,952,687
Auxiliary enterprise	2,922,131	2,842,618
Net cash used in operating activities	(40,158,328)	(24,800,529)
Cash Flows from Noncapital Financing Activities		
Private gifts	941,043	1,062,169
State of New Jersey appropriations	41,284,899	43,899,596
Other receipts	813,699	546,826
Net cash provided by noncapital financing activities	43,039,641	45,508,591
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(26,201,571)	(18,663,486)
Capital appropriations, grants and gifts received	1,876,238	4,319,561
Principal payments on asset related capital debt	(7,312,213)	(4,479,187)
Interest payments on capital asset-related debt	(5,329,156)	(7,467,145)
Increase in restricted deposits held by bond trustees	(42,220,054)	(34,916,982)
Decrease in restricted deposits held by bond trustees	58,992,006	19,058,159
Proceeds from issuance of capital asset related debt	5,189,119	17,581,734
Net cash used in capital and related financing activities	(15,005,631)	(24,567,346)
Cash Flows Provided by Investing Activities		
Interest received	866,293	825,557
Net decrease in cash and cash equivalents	(11,258,025)	(3,033,727)
Cash and Cash Equivalents, Beginning of Year	105,410,987	108,444,714
Cash and Cash Equivalents, End of Year	$ 94,152,962	$ 105,410,987
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (73,980,766)	$ (70,221,424)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Provision for doubtful accounts	18,378	(16,631)
State appropriations for fringe benefits	15,920,845	16,671,547
Depreciation expense	13,916,929	13,726,022
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
Receivables	(1,260,568)	6,674,707
Deferred outflow of resources	(24,964,972)	(13,934,210)
Accounts payable and accrued expenses	(1,766,610)	(1,285,848)
Compensated absences	83,244	128,491
Unearned revenue	(631,446)	(1,078,281)
Net pension liability	38,883,281	21,031,299
Deferred inflow of resources - pension	(6,376,643)	3,503,799
Net cash used in operating activities	$ (40,158,328)	$ (24,800,529)
Supplemental Disclosure of Noncash Financing Activities		
Purchases of property and equipment in accounts payable	$ 3,991,969	$ 2,874,844
Debt issue cost	$ 608,202	$ 293,392
Payment for current refunding	$ 63,780,000	$ 29,360,927

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, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 5,085,823	$ 3,941,457
Investments	19,075,958	16,530,909
Promises to give, net	1,751,857	2,499,547
Interest receivable	41,346	38,863
Prepaid expenses and other assets	2,357	1,255
Total assets	$ 25,957,341	$ 23,012,031
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 54,705	$ 197,555
Accrued expenses	14,463	13,275
Grants payable	83,719	31,737
Annuities payable	366,223	289,631
Deferred revenue	21,750	18,325
Refundable advances	350,000	350,000
Total liabilities	890,860	900,523
Net Assets		
Unrestricted	4,326,850	3,392,230
Temporarily restricted	10,080,732	9,123,229
Permanently restricted	10,658,899	9,596,049
Total net assets	25,066,481	22,111,508
Total liabilities and net assets	$ 25,957,341	$ 23,012,031

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, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets		
Support:		
Scholarship	$ 32,597	$ 6,510
Fund-raising	140,191	158,565
Campus activities	20,314	107,424
Development	1,400,299	1,348,151
Capital projects	975	1,350
Investment activities	975,738	(471,856)
Net assets released from restrictions	2,100,336	2,088,106
Total support	4,670,450	3,238,250
Grants and Expenses:		
Scholarships/grants	1,180,284	1,065,904
Fund-raising	87,887	115,438
Campus activities	970,761	1,184,296
Development	1,470,561	1,401,793
Community activities	6,446	13,836
Capital projects	19,891	1,838
Total expenses and other deductions	3,735,830	3,783,105
Change in unrestricted net assets	934,620	(544,855)
Changes in Temporarily Restricted Net Assets		
Scholarship	676,025	565,533
Fund-raising	216,119	257,687
Campus activities	824,967	778,712
Development	24,725	-
Community activities	2,500	19,200
Capital projects	(1,977)	1,570
Investment activities	1,315,480	18,351
Net assets released from restrictions	(2,100,336)	(2,088,106)
Change in temporarily restricted net assets	957,503	(447,053)
Change in Permanently Restricted Net Assets		
Scholarship	1,062,850	643,387
Increase (decrease) in net assets	2,954,973	(348,521)
Net Assets, Beginning	22,111,508	22,460,029
Net Assets, Ending	$ 25,066,481	$ 22,111,508

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase (decrease)in net assets	$ 2,954,973	$ (348,521)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized (gain) loss on sale of investments	(550,675)	23,891
Unrealized (gain) loss on investments	(1,540,620)	768,297
Bad debts expense	60,013	-
Change in operating assets and liabilities:		
Promises to give	687,677	(314,833)
Interest receivable	(2,483)	22,010
Prepaid expenses and other assets	(1,102)	730
Accounts payable	(142,850)	175,667
Accrued expenses	1,188	275
Grants payable	51,982	(59,358)
Annuities payable	76,592	(54,627)
Deferred revenue	3,425	4,225
Net cash provided by operating activities	1,598,120	217,756
Cash Flows from Investing Activities		
Purchase of investments	(4,743,135)	(4,058,018)
Proceeds from disposition of investments	4,289,381	3,667,032
Net cash used in investing activities	(453,754)	(390,986)
Net increase (decrease) in cash and cash equivalents	1,144,366	(173,230)
Cash and Cash Equivalents, Beginning of Year	3,941,457	4,114,687
Cash and Cash Equivalents, End of Year	$ 5,085,823	$ 3,941,457

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 52 undergraduate, 24 masters, 2 doctoral and 3 post baccalaureate certificate programs in five colleges: Arts and Communication; Business; Education; Humanities and Social Sciences; and Science and Health. For the fall semester of the 2016 - 2017 and 2015 - 2016 academic years, approximately 9,100 and 9,400, respectively, part time and full time undergraduate students attended the University, and approximately 1,500 part time and full time graduate students attended in both years. 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, 2017 and 2016, the University has a receivable of $184,548 and $219,992, respectively, from the Foundation. For the years ended June 30, 2017 and 2016, the University recognized revenue of $2,136,300 and $2,291,108, 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 Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board. 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 Governmental Accounting Standards Board ("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 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.

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 $3,300,770 at June 30, 2017 and $3,866,988 at June 30, 2016.

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 $741,325 at June 30, 2017 and $806,554 at June 30, 2016.

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 statements 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% 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 $145,034 and $144,476 in sick leave payments for employees who retired during the years ended June 30, 2017 and 2016, respectively.

New Accounting Pronouncements

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The University adopted Statement No. 82 for its fiscal year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability equal to the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information ("RSI") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements. The University is assessing the impact this standard will have on its 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.

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.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2017 and 2016:

	2017	2016
Cash and money market accounts	$ 92,897,975	$ 104,162,909
State of New Jersey Cash Management Fund	1,254,987	1,248,078
Total	$ 94,152,962	$ 105,410,987

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, 2017 and 2016 were partially insured by the Federal Depository Insurance Corporation ("FDIC") in the amount of $250,000. Bank balances in excess of insured amounts of $92.6 million in 2017 and $103.9 million in 2016, 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 and $1.2 million, respectively, as of June 30, 2017 and 2016, 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 ninety 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:

	2017	2016
Project and construction fund	$ 8,764	$ 16,575,104
Debt service fund for principal and interest	9,510,638	11,029,476
Excess rental pledge	1,315,172	1,946
	$ 10,834,574	$ 27,606,526

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, 2017 and 2016, restricted deposits held by bond trustees were invested in the following, all of which have maturity dates of less than one year:

	2017	2016
Money market accounts	$ 2,579,260	$ 4,522,003
U.S. treasury bills and government obligations	8,255,314	23,084,523
Total	$ 10,834,574	$ 27,606,526

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.

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, 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

	June 30, 2016			
Investment type:				
Money market accounts	$ 4,522,003	$ -	$ -	$ 4,522,003
U.S. treasury bills	19,583,578	3,500,945	-	23,084,523
Total	$ 24,105,581	$ 3,500,945	$ -	$ 27,606,526

5. Capital Assets

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

	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

	Beginning Balance July 1, 2015	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balance June 30, 2016
Depreciable assets:				
Infrastructure	$ 18,338,025	$ 498,615	$ -	$ 18,836,640
Buildings and improvements	447,613,673	32,582,819	(225,000)	479,971,492
Equipment	42,252,020	3,453,867	225,000	45,930,887
Total depreciable assets	508,203,718	36,535,301	-	544,739,019
Less accumulated depreciation on:				
Infrastructure	8,521,024	515,014	-	9,036,038
Buildings and improvements	135,009,040	10,747,964	-	145,757,004
Equipment	34,721,520	2,463,044	-	37,184,564
Total accumulated depreciation	178,251,584	13,726,022	-	191,977,606
Depreciable assets, net	329,952,134	22,809,279	-	352,761,413
Nondepreciable assets:				
Land	7,255,914	-	-	7,255,914
Artwork	569,880	89,000		658,880
Construction in progress	28,098,818	14,737,438	(33,081,434)	9,754,822
Total nondepreciable assets	35,924,612	14,826,438	(33,081,434)	17,669,616
Total capital assets, net	$ 365,876,746	$ 37,635,717	$ (33,081,434)	$ 370,431,029

As of June 30, 2017, estimated costs to complete the projects classified as construction in progress are approximately $14.0 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, 2017 and 2016, the University capitalized interest expense of $1.5 million and $-0-, respectively, as construction in progress in the accompanying statements of net position. As of June 30, 2017 and 2016, the University has received capital grants of approximately $0.9 million and $6.9 million, respectively, which is recorded in capital grants and gifts on the statement of revenues, expenses, and changes in net position.

6. Accounts Payable and Accrued Expenses

As of June 30, 2017 and 2016, accounts payable and accrued expenses consist of the following:

	2017	2016
Vendors	$ 4,255,501	$ 4,056,928
Capital projects	3,991,969	2,874,844
Accrued salaries and benefits	4,135,652	7,200,782
Accrued interest	3,320,810	3,629,475
Total	$ 15,703,932	$ 17,762,029

7. 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, 2017 and 2016, the following obligations to the Authority are outstanding:

	Interest Rates	2017	2016	Current Portion
New Jersey Educational Facility Authority:				
Revenue Bonds:				
Series 2008 C Revenue Bonds, due serially to 2039	3.25 - 5.00%	$ 9,960,000	$ 76,000,000	$ 2,340,000
Series 2012 C Revenue Bonds, due serially to 2043	2.00 - 5.00	31,745,000	32,225,000	490,000
Series 2012 D Revenue Bonds, due serially to 2029	2.00 - 5.00	15,115,000	16,115,000	1,040,000
Series 2015 C Revenue Bonds, due serially to 2033	2.00 - 5.00	42,035,000	45,695,000	3,635,000
Series 2016 E Revenue Bonds, due serially to 2033	2.25 - 5.00	60,755,000 *	-	-
		159,610,000	170,035,000	7,505,000
Add amounts representing net premiums		14,956,585	7,452,187	-
Total		$ 174,566,585	$ 177,487,187	$ 7,505,000

* On August 9, 2016, the University issued $60,755,000 in series 2016 E revenue refunding bonds. The bonds were issued at interest rates between 2.25% and 5.0% for an advance refunding of $63,780,000 of outstanding series 2008C E revenue bonds with an average interest rate of 4.125%. The refunding was undertaken to reduce total debt service payments by $11,411,397 over the next 21 years with net present value of $8,747,602.

Relating to this transaction, the University has defeased indebtedness by depositing funds into escrow accounts sufficient to provide for the subsequent payment of principal and interest on the defeased debt. The defeased bonds totaling $63,780,000 are not considered outstanding obligations of the University and, therefore, neither the assets of the escrow accounts nor the defeased debt are included in the accompanying statements of net position.

Other Long-Term Debt

As of June 30, 2017 and 2016, the following other obligations were outstanding:

	Interest Rates	2017	2016	Current Portion
NJ Educational Facilities Authority Higher Education Equipment Leasing Fund (ELF) 2014A	5.00%	$ 210,008	$ 273,647	$ 66,821
Higher Education Capital Improvement Fund Series 2005A, due serially to 2020	3.00 - 5.00	-	1,598,728	-
Higher Education Capital Improvement Fund Series 2006A, due serially to 2023	4.00 - 4.50	-	2,144,503	-
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	3,295,139	-	511,485
Higher Education Capital Series 2016 B, due serially to 2036	3.00 – 5.50	1,391,899	-	29,510
Bank of America Public Capital Corp, due serially to 2018	1.68	20,883	103,545	20,883
Total		$ 4,945,640	$ 4,148,134	$ 628,699

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, 2017:

	Principal	Interest
Years ending June 30:		
2018	$ 8,133,699	$ 6,536,330
2019	8,459,514	6,201,512
2020	8,679,644	5,831,608
2021	7,930,406	5,457,645
2022	8,064,559	5,082,584
2018 - 2022 subtotal	41,267,822	29,109,679
2023 – 2027	40,702,043	20,2213,000
2028 – 2032	33,391,853	12,578,506
2033 – 2037	29,388,168	6,2233,893
2038 – 2042	18,805,000	1,063,575
2043 – 2047	1,115,000	-
Total	$ 164,669,887	$ 69,198,653

8. Summary of Changes in Noncurrent Liabilities

Activity in long-term 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	7,678,427	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	$ 10,961,504

Activity in noncurrent liabilities for the year ended June 30, 2016 is comprised of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 163,733,594	$ 47,236,053	$ 33,482,460	$ 177,487,187	$ 7,400,000
Other long-term debt	4,799,180	-	651,046	4,148,134	608,686
Compensated absences	5,110,938	7,556,010	7,427,519	5,239,429	2,939,592
U.S. government grants refundable	1,380,228	81,007	-	1,461,235	-
Total	$ 175,023,940	$ 54,873,070	$ 41,561,025	$ 188,335,985	$ 10,948,278

9. 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, 2017 and 2016, PERS members were required to contribute 7.20% and 7.06%, 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 11.9% 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 Statements of Revenues, Expenses and Changes in Net Position. The amount was $2,859,750.

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

At June 30, 2017, the University reported a liability of $182,405,929 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2016, 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, 2016 to June 30, 2017. 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, 2017, the University's proportion was .6206%, which was an increase from its proportion measured as of June 30, 2016 of .6157%.

For the year ended June 30, 2017, the University recognized pension expense of $15,730,794. At June 30, 2017, 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	$ 27,264,356	$ -
Differences between expected and actual experience	3,882,240	-
Changes in proportion	871,357	1,533,945
Net difference between projected and actual earnings on pension plan investments	3,013,625	-
University contributions subsequent to the measurement date (prior year)	(1,972,328)	-
University contributions subsequent to the measurement date (current year)	2,859,750	-
Total	$ 35,919,000	$ 1,533,945

$2,859,750 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:	
2018	$ 6,094,035
2019	6,094,035
2020	6,094,035
2021	7,008,153
2022	6,041,202
Thereafter	2,166,173
Total	$ 33,497,633

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate	3.08%
Salary increases: Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.65%

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, 2015 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.87 %
U.S. treasuries	1.50	1.74
Investment grade credit	8.00	1.79
Mortgages	2.00	1.67
High yield bonds	2.00	4.56
Inflation-indexed bonds	1.50	3.44
Broad US equities	26.00	8.53
Developed foreign equities	13.25	6.83
Emerging market equities	6.50	9.95
Private equity	9.00	12.40
Hedge funds/absolute return	12.50	4.68
Real estate (property)	2.00	6.91
Commodities	0.50	5.45
Global debt ex US	5.00	-0.25
REIT	5.25	5.63

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% 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 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015 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 30% of the actuarially determined contributions and the local employers contributed 100% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
University's proportionate share of the net pension liability	$ 213,636,803	$ 182,405,929	$ 156,686,540

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% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% 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% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% 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% of final compensation for each year of service.

Contributions

During the years ended June 30, 2017 and 2016, PFRS members were required to contribute 10.0% 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 22.8% 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 Statements of Revenues, Expenses and Changes in Net Position. The amount was $608,268.

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

At June 30, 2017, the University reported a liability of $12,269,920 for its proportionate share of the PFRS net pension liability. The PFRS net pension liability was measured as of June 30, 2016, 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, 2016 to June 30, 2017. 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, 2017, the University's proportion was .2605%, which was an increase from its proportion measured as of June 30, 2016 of .2266%.

For the year ended June 30, 2017, the University recognized pension expense of $954,519. At June 30, 2017, 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	$ 955,519	$ -
Changes in proportion	1,077,965	1,497,484
Differences between expected and actual experiences	-	106,165
Net difference between projected and actual earnings on pension plan investments	382,603	-
University contributions subsequent to the measurement date (prior year)	(359,837)	-
University contributions subsequent to the measurement date (current year)	608,268	-
Total	$ 2,664,518	$ 1,603,649

$608,268 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, 2017.

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:	
2018	$ 45,369
2019	45,369
2020	45,369
2021	287,744
2022	267,519
Thereafter	121,067
Total	$ 812,438

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate	3.08%
Salary increases: Through 2026	2.10 - 8.98% based on age
Thereafter	3.10 - 9.98% based on age
Investment rate of return	7.65%

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 2014 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, 2015 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.87 %
U.S. treasuries	1.50	1.74
Investment grade credit	8.00	1.79
Mortgages	2.00	1.67
High yield bonds	2.00	4.65
Inflation-indexed bonds	1.50	3.44
Broad US equities	26.00	8.53
Developed foreign equities	13.25	6.83
Emerging market equities	6.50	9.95
Private equity	9.00	12.40
Hedge funds/absolute return	12.50	4.68
Real estate (property)	2.00	6.91
Commodities	0.50	5.45
Global debt ex US	5.00	-0.25
REIT	5.25	5.63

Discount Rate

The discount rate used to measure the total pension liability was 5.55% and 5.79% 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 7.65%, and a municipal bond rate of 2.85% and 3.80% 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 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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 (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
University's proportionate share of the net pension liability	$ 14,618,239	$ 12,269,920	$ 10,360,890

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% 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% 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.

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases:	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

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, 2015 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.39 %
U.S. government bonds	1.50	1.28
U.S. credit bonds	13.00	2.76
U.S. mortgages	2.00	2.38
U.S. inflation-indexed bonds	1.50	1.41
U.S. high yield bonds	2.00	4.70
U.S. equity market	26.00	5.14
Foreign-developed equity	13.25	5.91
Emerging markets equity	6.50	8.16
Private real estate property	5.25	3.64
Timber	1.00	3.86
Farmland	1.00	4.39
Private equity	9.00	8.97
Commodities	0.50	2.87
Hedge funds - multi-strategy	5.00	3.70
Hedge funds - equity hedge	3.75	4.72
Hedge funds - distressed	3.75	3.49

Discount Rate

The discount rate used to measure the total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefits payments through 2029, 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, 2016 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
2016 (2.22%, 3.22%, 4.22%)	$ 94,378,173,033	$ 79,028,907,033	$ 66,494,248,033
2015 (3.13%, 4.13%, 5.13%)	$ 75,559,915,440	$ 63,577,864,440	$ 53,254,610,440

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 $4,855,545 as of June 30, 2016 and $9,575,278 as of June 30, 2015. 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 $364,827 in 2017.

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% and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8%. 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. During the year ended June 30, 2016, ABP received employer and employee contributions of $5,696,663 and $3,624,718, respectively, which were based on participating employee salaries of approximately $71,208,292. 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 Statements 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 $105,712 and $115,866 were made in fiscal year 2017 and 2016, respectively.

Other Post-employment Benefits (OPEB) Plans

The State of New Jersey provides post-employment health benefits to retirees, covering medical and prescription drug benefits. Benefits for retirees with at least 25 years of service before July 1, 1977 (effective date of Chapter 8, P.L. 1996) are fully paid by the State regardless of age. After July 1, 1977, the cost is shared between the State and the retiree based on date of retirement, age, and coverage elections. Retirees reaching 25 years of service on or after June 28, 2011, or retiring on an approved disability retirement, are eligible for State-paid OPEB and contribute to the cost based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the monthly retirement allowance is required.

The State of New Jersey is responsible for funding the liability representing future OPEB plan payments and paying the actual benefits.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires governments to report OPEB liability in its financial statements and is effective for fiscal periods beginning after June 15, 2017. The University is assessing the impact this standard will have on its financial statements.

10. 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 $1,726,100 and $1,617,070 in 2017 and 2016, respectively.

The future estimated minimum annual commitments are as follows:

	Amount
Years ending June 30:	
2018	$ 1,418,133
2019	889,516
2020	705,893
2021	705,893
2022	708,067
2018 - 2022 subtotal	4,427,503
2023 - 2027	2,155,917
2028	24,580
Total	$ 6,608,000

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.

11. 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 $30,797,245 and $30,402,005, for the years ended June 30, 2017 and 2016, respectively, and are included in nonoperating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses, and changes in net position.

12. Unrestricted Net Position

As of June 30, 2017 and 2016, unrestricted net position consist of funds that have been designated as follows:

	2017	2016
Academic and other programs	$ 16,224,491	$ 19,894,130
Quasi-endowment	10,596,207	10,594,310
Capital programs:		
Renewal and replacement - nonauxiliary	32,883,282	33,181,366
Renewal and replacement - auxiliary	32,810,331	30,134,719
Net pension liability	(159,229,924)	(147,150,097)
Total	$ (66,715,613)	$ (53,345,572)

13. 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.

14. Subsequent Event

On August 9, 2017, the University issued Series 2017B New Jersey Educational Facilities Authority Revenue Bonds for par value of $27,065,000 and premium of $3,362,779. Total proceeds of $30,000,000 will be used to fund construction of a new residence hall.

The William Paterson University of New Jersey

Schedule of the University's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2017 and 2016

	2017		
	PERS	PFRS	TPAF
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%

The William Paterson University of New Jersey

Schedule of University Contributions
Year Ended June 30, 2017 and 2016

	2017	
	PERS	**PFRS**
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%