

Report on Financial Statements and Federal Award
Expenditures in Accordance with Uniform Guidance and State of New Jersey
Award Expenditures in Accordance with State of New Jersey Department of
Treasury Circular 2015-08

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

June 30, 2018 and 2017

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component units of Stockton University as of June 30, 2018 and 2017, and the changes in its net position and, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 7 to the financial statements, in 2018 the University adopted Governmental Accounting Standards Board Statement No. 75,

Our opinion is not modified with respect to this matter.

Other matters

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, included on pages 4 through 19, and the required supplementary information on pages 61 through 63 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures are designed to identify material misstatements of fact and fraud involving the supplementary information that, if identified, would require modification of the audit opinion. We did not identify any such material misstatements of fact and fraud. The supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures are designed to identify material misstatements of fact and fraud involving the supplementary information that, if identified, would require modification of the audit opinion. We did not identify any such material misstatements of fact and fraud.



additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with _____, we have also issued our report dated March 29, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

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STOCKTON UNIVERSITY
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Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2018 and 2017

FINANCIAL STATEMENTS

The University's comparative financial statements include three basic financial statements: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, which have been prepared following Governmental Accounting Standards Board ("GASB") principles. These statements present the University's operations as a whole, focusing on its assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses and cash flows on an entity-wide basis.

SUMMARY OF NET POSITION

The statements of net position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year. The statements of net position are point-in-time financial statements. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of the University. The statements of net position present end-of-the-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources).

Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors and lending institutions. Finally, the statements of net position provide a picture of the net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) and their availability for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the University, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows and outflows of resources related to the acquisition, construction, or improvement of those assets. The next net position category is restricted. Expendable restricted is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of those assets. Nonexpendable restricted net position is required to be maintained in perpetuity by donors and/or external entities. The final category is unrestricted. Unrestricted assets are available to the University for any lawful purpose of the University.

Effective July 1, 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* ("GASB 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement 68*. These standards require all state and local governmental employers providing defined benefit pensions to recognize their proportionate share of the actuarially determined amount of the unfunded pension benefit obligation as a liability. As required from the data provided by the State of New Jersey, the University recorded its portion of the pension liabilities and expenses from the New Jersey State-administered retirement system. The unfunded pension liability will change each year, resulting from the changes in plan assumptions about economic and demographic factors, differences between actual and expected experience, and differences between actual and expected investment earnings. The net pension liability was measured each fiscal year end starting with June 30,

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2013 to fiscal year end June 30, 2017, a one-year lag from the University's year-end reporting date (note: GASB 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's pTj-0.06912 Tc (t

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The following reflects the impact of GASB 68 on the University's financials at June 30, 2017:

	University Excluding GASB 68	Recognition of GASB 68	University Including GASB 68
Statement of net position at June 30, 2017:			
Deferred outflows of resources - pension related	\$ -	\$ 45,611,907	\$ 45,611,907
Net pension liability	-	205,993,729	205,993,729
Deferred inflows of resources - pension related	-	217,428	217,428
Net position - unrestricted	88,866,898	(160,599,250)	(71,732,352)
Total net position	195,705,564	(160,599,250)	35,106,314
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2017:			
Operating expenses			
Instruction	\$ 50,201,218	\$ 3,682,379	\$ 53,883,597
Research	1,668,790	-	1,668,790
Public service	8,911,439	175,352	9,086,791
Academic support	25,389,574	2,104,217	27,493,791
Student services	20,990,321	1,753,515	22,743,836
Institutional support	23,057,514	3,209,757	26,267,271
Operation and maintenance of plant	23,246,161	4,208,432	27,454,593
Student aid	9,513,275	-	9,513,275
Auxiliary enterprises	14,568,069	1,402,812	15,970,881
Independent operations	16,659,875	-	16,659,875
Depreciation	12,914,554	-	12,914,554
Total operating expenses	<u>\$ 207,120,790</u>	<u>\$ 16,536,464</u>	<u>\$ 223,657,254</u>

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A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2018, 2017 and 2016 is as follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current assets	\$ 41,648	\$ 70,296	\$ 42,676
Capital assets	482,464	434,423	314,291
Other non-current assets	<u>71,134</u>	<u>82,346</u>	<u>84,043</u>
Total assets	<u>595,246</u>	<u>587,065</u>	<u>441,010</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding debt	11,153	11,739	566
Deferred outflows related to pensions	<u>347,680</u>	<u>451,617</u>	<u>450,243</u>
Total deferred outflows of ee	<u>358,833</u>	<u>463,356</u>	<u>450,809</u>

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES			
Net student revenues	\$ 110,699	\$ 105,015	\$ 102,745
Governmental grants	25,235	21,959	21,110
Independent operations	14,715	17,417	17,775
Other	<u>8,225</u>	<u>8,071</u>	<u>14,404</u>
Total operating revenues	158,874	152,462	156,034
OPERATING EXPENSES			
	<u>257,024</u>	<u>223,657</u>	<u>212,035</u>
Operating loss	(98,150)	(71,195)	(56,001)
NON-OPERATING AND OTHER REVENUES			
(EXPENSES):			
State of New Jersey appropriations	48,891	40,924	39,714
State of New Jersey OPEB	14,840	-	-
Pell grants	15,534	13,181	12,799
Investment income	4,816	6,356	729
Capital grant revenue	22,570	27,811	4,973
Gain (loss) on disposal of fixed assets	4,973	-	-

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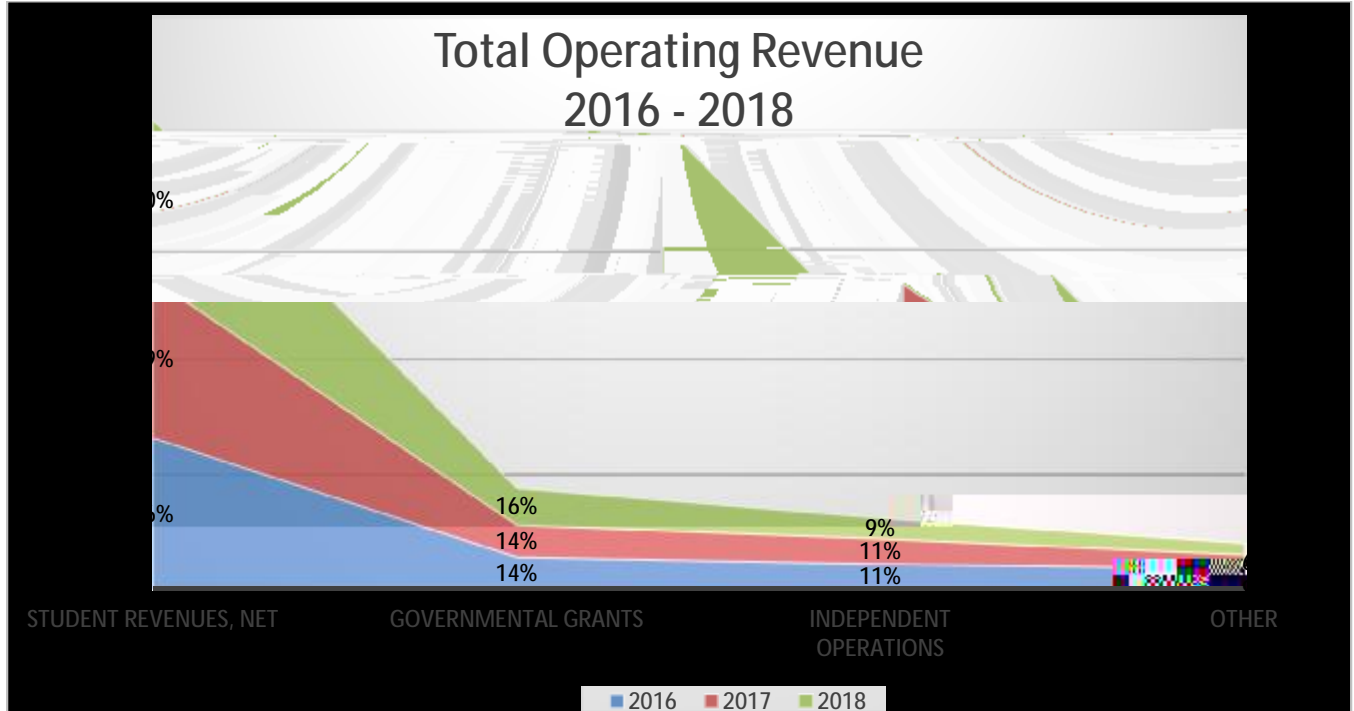
REVENUES

To fund its operation, the University receives revenues from a variety of sources including tuition and fees, grants

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Total operating revenue represented graphically for the three years is as follows:



NON-OPERATING AND OTHER REVENUES

Net non-operating and other revenues for the years ended June 30, 2018, 2017 and 2016 totaled \$97,688,486, \$79,440,827 and \$50,430,450, respectively. The primary source of non-operating revenue was the State of New Jersey appropriation, including fringe benefits of \$48,890,683, \$40,924,492 and \$39,714,278, respectively, for the years ended June 30, 2018, 2017 and 2016. The other components of net non-operating revenues were Pell grant revenues of \$15,534,505, \$13,180,908 and \$12,799,248, investment income of \$4,816,085, \$6,356,129 and \$729,091 and interest expense on plant facilities related debt of \$(9,127,259), \$(8,726,111) and \$(10,997,289) for the years ended June 30, 2018, 2017 and 2016, respectively. Included in other revenues for the years ended June 30, 2018, 2017 and 2016 was capital grant revenue of \$22,570,172, \$27,811,412 and \$4,973,370, respectively. Also, in compliance with GASB 75, the University recorded non-operating OPEB revenue from the State of New Jersey of \$14,840,154 for the year ended June 30, 2018.

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	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,750,011	\$ 2,807,740	\$ 2,870,373	\$ 2,750,034
Receivables				
Students, less allowance of \$827,601 in 2018 and \$639,953 in 2017	414,598	-	396,955	-
Perkins Loans, less allowance of \$96,418 in 2018 and \$89,646 in 2017	336,442	-	354,083	-
Federal government	1,263,005	-	895,037	-
State of New Jersey	2,761,907	-	15,112,265	-
Due from University/component units	1,609,352	442,071	1,568,638	220,294
Other receivables	6,202,179	681,777	5,551,082	628,472
Total receivables	12,587,483	1,123,848	23,878,060	848,766
Investments	12,700,000	-	18,983,672	-
Deposits held by bond trustees	12,112,512	-	22,975,842	-
Other current assets	1,498,240	822,393	1,588,523	110,734
Total current assets	41,648,246	4,753,981	70,296,470	3,709,534
Noncurrent assets:				
Investments	65,549,959	38,637,419	54,463,509	34,307,084
Deposits held by bond trustees	1,086,961	-	23,410,690	-
Loans, Perkins, less allowance of \$541,762 in 2018 and \$510,167 in 2017	1,890,430	-	2,015,056	-
Notes receivable from component units	2,606,383	-	2,456,383	-
Other receivables	-	441,870	-	656,101
Capital assets, net	482,464,328	2,114,224	434,423,228	1,878,265
Total noncurrent assets	553,598,061	41,193,513	516,768,866	36,841,450
Total assets	\$ 595,246,307	\$ 45,947,494	\$ 587,065,336	\$ 40,550,984
Deferred Outflows of Resources				
Pension related	\$ 37,809,795	\$ -	\$ 45,611,907	\$ -
Loss on refunding debt	11,153,275	-	11,738,896	-
Total deferred outfl	738,896			

2018-19 Budget - 6/1/18

	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Operating Revenues				
Student revenues:				
Tuition and fees	\$ 124,153,285	\$ -	\$ 114,587,563	\$ -
Auxiliary enterprises	26,147,900	-	24,325,563	-
Less scholarship allowances	(39,601,821)	-	(33,897,725)	-
Net student revenues	110,699,364	-	105,015,401	-
Federal grants and contracts	6,387,020	-	6,454,859	-
State and local grants and contracts	18,847,658	305,751	15,503,752	293,105
Nongovernmental grants and contracts	1,101,321	-	1,036,014	-

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	2018	2017
Cash Flows from Operating Activities		
Student revenues	\$ 99,744,806	\$ 112,101,184
Grants and contracts	60,888,561	37,973,181
Payments to suppliers	(72,545,647)	(60,128,300)
Payments for employee salaries and benefits	(139,351,707)	(131,453,179)
Other receipts	28,829,707	30,106,739
Net cash flows used in operating activities	(22,434,280)	(11,400,375)
Cash Flows from Non-capital Financing Activities		
Receipts from State of New Jersey appropriations	41,633,233	34,964,975
Pell grants	15,534,505	13,180,908
Receipts for other non-capital assets	-	-
Payments made for other non-operating expenses	(95,978)	(103,999)
Net cash flows provided by non-capital financing activities	57,071,760	48,041,884
Cash Flows from Capital and Related Financing Activities		
Capital grant proceeds	-	7,327,836
Proceeds from issuance of debt	-	28,539,348
Principal paid on capital debt	(2,183,139)	(7,477,865)
Purchases of capital assets	(56,018,420)	(50,598,890)
Proceeds from the sale of capital assets	260,124	(2,004)
Interest paid on capital debt	(10,030,666)	(9,654,335)
Change in deposits held by bond trustees	33,187,059	(25,337,288)
Net cash flows used in capital and related financing activities	(34,785,042)	(57,203,198)
Cash Flows from Investing Activities		
Proceeds from sales of investments	67,355,153	62,958,938
Purchases of investments	(68,853,289)	(48,959,318)
Earnings from investments	1,525,336	2,090,335
Net cash flows provided by investing activities	27,200	16,089,955
Net decrease in cash and cash equivalents	(120,362)	(4,471,734)
Cash and cash equivalents as of beginning of year	2,870,373	8,342,107
Cash and cash equivalents as of end of year	\$ 2,750,011	\$ 3,870,373

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Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could occur. In the near term, such changes could materially affect the amounts reported in the statements of net position.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Although legal title to certain academic buildings and equipment remains with the State of New Jersey, the University has been given exclusive use of the buildings and equipment through enabling legislation, and has included their cost in the accompanying statements of net position. The University currently does not pay any rental fees to the State of New Jersey in connection with the aforementioned buildings and equipment and has not included any amount as revenue or expense in the accompanying financial statements of the University.

Depreciation is calculated on the straight-line basis. Capital leases are depreciated by the straight-line method over the shorter of the lease Tj0.04368 Tc (r) Tj 0Tj0.05088 .05088 Tc (t) Tj0(s) Tj-0.06912 T12 Tc (da) Tj0.02544

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pension and other postretirement plans' fiduciary net position have been determined on the same basis as they are reported to the University by those plans.

Classification of Net Position

The University classifies its resources into the following net position categories:

- Net investment in capital assets contains the land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress

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programs are used to satisfy tuition and fees and other student services. Student revenues collected in advance of the fiscal year are recorded as deferred revenue in the statements of net position.

Federal, state, and local grant and contract revenue is comprised mainly of grant revenues received from the federal government and the State of New Jersey, and is recognized as the related expenses are incurred. Amounts received from grants, which have not yet been earned under the terms of the agreement, are recorded as deferred revenue in the statements of net position.

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, which are based on average cost.

Gifts and bequests are recorded upon receipt by the University. Pledges, other than endowment, are recognized as gift income and recorded at their present value. Additions to permanent endowments are recognized upon their receipt.

Risk Management

The University carries commercial insurance covering its risks of loss related to real and personal property, personal injuries, torts, errors and omissions, environmental damage, and natural and other unforeseen disasters.

Reclassifications

Certain prior year amounts have been reclassified in the accompanying financial statements to conform to the current year presentation.

Recently Adopted Accounting Standard

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). The primary objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The University has adopted this statement effective July 1, 2017. The University was not required to record activity for this Other Post Employment Benefit Obligation (“OPEB”) during the year ended June 30, 2017. For the year ended June 30, 2018, the University recognized OPEB expense of \$14,840,154. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$14,840,154.

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Pending Accounting Standards

In November 2016, GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The University has not completed the process of evaluating the impact of adopting this statement.

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Cash and Cash Equivalents

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents		

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The following tables present the University's credit and interest rate risk on its fixed income investments as of June 30, 2018 and 2017:

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June 30, 2018 Investment Maturities (in Years)

<u>Investment Type</u>	<u>S&P Ratings</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>
U.S. Treasury and agency obligations	AA to Aa	\$ 348,691	\$ -	\$ -	\$ 348,691
Corporate bonds	A to Ba	1,386,484	-	158,535	1,227,949
U.S. government bonds	AA to Aa	<u>398,405</u>	<u>114,663</u>	<u>114,949</u>	<u>168,793</u>
Total		<u>\$ 2,133,580</u>	<u>\$ 114,663</u>	<u>\$ 273,484</u>	<u>\$ 1,745,433</u>

<u>Investment Type</u>	<u>S&P Ratings</u>	<u>Fair Value</u>	<u>Less than 1</u>
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Capital asset activity for the year ended June 30, 2017 consisted of the following:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2017</u>
Nondepreciable assets:				
Land	\$ 19,369,150	\$ 24,933	\$ -	\$ 19,394,083
Construction in progress	15,264,250	131,132,934	(8,191,234)	138,205,950
Works of art	-	722,555	-	722,555
Total nondepreciable assets	<u>34,633,400</u>	<u>131,880,422</u>	<u>(8,191,234)</u>	<u>158,322,588</u>
Depreciable assets:				
Land improvements	14,711,360	3,522,108	-	18,233,468
Buildings and improvements	356,665,487	1,764,020	-	358,429,507
Infrastructure	26,127,745	1,600,503	-	27,728,248
Equipment	<u>32,367,560</u>	<u>2,484,781</u>	<u>(194,229)</u>	<u>34,658,112</u>
Total depreciable assets	<u>429,872,152</u>	<u>6,371,412</u>	<u>(194,229)</u>	<u>436,049,335</u>
Total capital assets	<u>\$ 464,505,552</u>	<u>\$ 138,251,834</u>	<u>\$ (8,385,463)</u>	<u>\$ 594,371,923</u>

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5. STATE PAID FRINGE BENEFITS

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance and FICA taxes) on behalf of University employees. Such benefits amounted to \$30,499,683 and \$22,533,492 for the years ended June 30, 2018 and 2017, respectively.

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Police and Firemen's Retirement System

PFRS is a cost-sharing multiple-employer defined benefit pension plan which provides coverage for substantially all permanent, full-time police officers and firemen in the State.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except for health care benefits, which vest after 25 years of service and disability benefits which vest after four years of service. Benefits are determined by member's tier (based on date of enrollment), as defined in the PFRS plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The current employee contribution rate is 10.0% of base salary. Employer contributions are based on an actuarially determined rate, which is 32.3% of annual covered payroll for the year ended June 30, 2018. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State contribution to PFRS for the years ended June 30, 2018 and 2017 was \$240,773 and \$13 fes

STOCKTON UNIVERSITY
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The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2013 to June 30, 2017 relative to the total contributions from all participating employers.

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2018 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 2,889,652	\$ -	\$ 2,889,652
Changes of assumptions	15,027,375	268,956	15,296,331
Net differences between projected and actual investment earnings on pension plan investments	358,976	113,759	472,735
Changes in proportionate share	11,626,198	2,572,352	14,198,550
Contributions subsequent to the measurement date	<u>4,389,336</u>	<u>563,191</u>	<u>4,952,527</u>
Total	<u>\$ 34,291,537</u>	<u>\$ 3,518,258</u>	<u>\$ 37,809,795</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	95,514	

STOCKTON UNIVERSITY
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The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2017 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 3,784,002	\$ -	\$ 3,784,002
Changes of assumptions	26,859,981	319,976	27,179,957
Changes in proportionate share	5,559,587	- ,987Tj0.263525870 1 356.28 5	
Net diffe			

STOCKTON UNIVERSITY
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Notes to Financial Statements
June 30, 2018 and 2017

Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>	<u>PFRS</u>
Inflation rate	2.25%	2.25%
Salary increases:		
Through 2026	1.65 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.65 - 5.15% based on age	3.10 - 9.98% based on age
Investment rate of return	7.00%	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females for PERS) with adjustments for mortality improvements from the base year of 2013 for PERS and 2014 for PFRS based on Projection Scale 1

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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 New Jersey Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees of each plan and the plans' actuaries. Best estimates of the arithmetic real rates of return for each major asset class included PERS's and PFRS's target asset allocations at the Measurement Date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Absolute return/risk mitigation	50.0%	0.48%

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

The following presents the net pension liability of the plans calculated using the discount rates of 5.00% for PERS and 6.14% for PFRS, as well as what 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:

	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	4.00%	\$ 216,676,132	5.14%	\$ 10,849,578
Current discount rate	5.00%	186,353,409	6.14%	9,167,389
1% increase	6.00%	161,167,467	7.14%	7,788,483

Defined Contribution Pension Plans

Alternate Benefit Program Information

ABP is a defined contribution retirement program administered by the Division for eligible full-time employees in accordance with N.J.S.A. 52:18A.

ABP provides retirement and death benefits for or on behalf of the full-time professional employees and faculty members participating 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. ABP provides the choice of seven investment carriers, all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions.

Participating University employees are required to contribute 5% of total base salary and may contribute a voluntary additional contribution of salary up to the maximum federal statutory limit, on a pretax basis. Employer contributions are 8% of base salary up to \$175,000. During the year ended June 30, 2018, ABP employer and employee contributions were \$4,620,023 and \$2,887,514, respectively, which were based on participating employee salaries of \$57,750,288. During the year ended June 30, 2017, ABP employer and employee contributions were \$4,423,536 and \$2,764,710, respectively, which were based on participating employee salaries of \$55,294,200. Employer contributions to ABP paid by the State of New Jersey are reflected in the accompanying financial statements as State of New Jersey appropriations revenue and as expenses.

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STOCKTON UNIVERSITY

(A Component Unit of The State of New Jersey)

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STOCKTON UNIVERSITY
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Notes to Financial Statements
June 30, 2018 and 2017

8. BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2018 and 2017 consisted of the following:

	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
Bonds payable:			
New Jersey Educational Facilities Authority Bonds:			
Series 2016 A (Refunded 2006F, 2007G, 2008A)	3.00-5.00%	\$ 202,445,000	\$ 202,445,000
Total		202,445,000	202,445,000
Unamortized premium		31,260,611	32,619,768
Total		233,705,611	235,064,768
Less current portion		(4,994,157)	(4,994,157)
Bonds payable, noncurrent portion		<u>\$ 228,711,454</u>	<u>\$ 230,070,611</u>
Other long-term debt:			
Higher Education Equipment Leasing Fund	5.00%	\$ 1,022,885	\$ 1,199,273
Higher Education Capital Improvement Fund	3.00 - 5.25%	13,781,210	14,437,310
Series 2015E (Current refunding of 2005F)	2.83%	16,233,597	17,563,507
Island Campus Redevelopment Urban Renewal Assoc.	12.00%	2,100,000	2,100,000
Dam Restoration Loan	2.00%	206,490	227,231
Total		33,344,182	35,527,321
Unamortized premium		485,947	530,958
Total		33,830,129	36,058,279
Less current portion		(2,407,442)	(2,228,150)
Other long-term debt, noncurrent portion		<u>\$ 31,422,687</u>	<u>\$ 33,830,129</u>
Capital lease obligations (see Note 12):			
Atlantic County Improvement Authority:			
Stockton University AC Campus	4.21%	\$ 78,980,000	\$ 78,980,000
Other	N/A	34,161	45,548
Total		79,014,161	79,025,548
Less current portion		(11,387)	(11,387)
Capital lease obligations, noncurrent portion		<u>79,06,06529</u>	<u>Tj0.11j0.92 Tm () Tj0.112258 9117</u>

STOCKTON UNIVERSITY
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June 30, 2018 and 2017

Bonds Payable

The University issued on the Series 2016A Bonds on July 13, 2016, consisting of \$176,095,000 Serial Bonds and \$26,350,000 5% Term Bonds. The Serial Bonds bear interest at rates between 3-5%, with the average being 4.71%. They are due annually each July 1 through 2037. The \$26,350,000 Term Bonds are due July 1, 2041. The Series 2016A Bonds are being issued to finance the current refunding of the outstanding Series 2006F Bonds, the advance refunding of the outstanding Series 2007G Bonds and outstanding Series 2008A Bonds, and the renovation, acquisition, installation and construction of certain capital improvements to the University's facilities. The financing included a premium of \$33,978,925, which is amortized as a component of interest expense over the life of the bond.

The Bond Series 2016A refunded Bond Series 2006F, 2007G and 2008A. \$210,219,046 was placed in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result, the refunded Series Bonds are considered to be defeased, and the related liability has been removed from the statements of net position. This transaction resulted in a loss on advance refunding of \$12,174,387. This amount is presented as a deferred outflow and is amortized as a component of interest expense over the life of the defeased Series Bonds.

Other Long-Term Debt

During 2003, the University entered into a lease agreement with the New Jersey Educational Facilities Authority (the "Authority"), along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2002A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$17,204,000 of the total proceeds of the bond issue to be used for academic campus exterior repairs, HVAC improvements, gallery safety rails, Housing II roof replacement, and F-Wing extension and renovation design. The terms of the agreement require one-third of the total allocation, or \$5,734,667, to be repaid in annual rental payments equal to the University's allocable share of the Series 2002A Bonds and related program expenses through 2022.

During 2004, the University entered into a lease agreement with the Authority, along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2004A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$3,848,250 of the total proceeds of the bond issue to be used for Housing I exterior and Housing I HVAC. The terms of the agreement require one-third of the total allocation, or \$1,282,750, to be repaid in annual rental payments equal to the University's allocable share of the Series 2004A Bonds and related program expenses through 2024.

The 2002A and 2004A bonds have since been partially advance refunded by the 2005A and 2006A bonds. The 2004A bonds were also partially advance refunded by the 2015C bonds. These transactions resulted in a loss on advance refunding of approximately \$77,005, which was a deferred outflow. On July 26, 2016, the Authority refunded 2005A and 2006A with 2016A bonds, which resulted in a loss on refunding of \$109,064 and is a component of deferred outflows.

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June 30, 2018 and 2017

During 2014, the Universit

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Notes to Financial Statements
June 30, 2018 and 2017

Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$20,703,883 subsequent to June 30, 2018 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,997,432	\$ 10,772,150	\$ 16,769,582
2020	4,144,609	10,606,607	14,751,216
2021	4,317,633	10,433,303	14,750,936
2022	7,698,381	10,109,680	17,808,061
2023	9,724,146	9,681,139	19,405,285
2024-2028	54,863,826	41,330,643	96,194,469
2029-2033	57,661,363	26,544,983	84,206,346
2034-2038	65,031,792	11,488,721	76,520,513
2039-2048	<u>26,350,000</u>	<u>1,655,500</u>	<u>28,005,500</u>
Total	<u>\$ 235,789,182</u>	<u>\$ 132,622,726</u>	<u>\$ 368,411,908</u>

Capital Lease Leapa

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2018 and 2017

10. LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2018 and 2017 follows:

<u>July 1, 2017</u>	<u>Additions</u>	Reduc.:	Current
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STOCKTON UNIVERSITY
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Notes to Financial Statements
June 30, 2018 and 2017

11. DISCRETELY PRESENTED COMPONENT UNITS

The following displays condensed combining information, which is presented in total in the accompanying statements of net position for the University's discretely presented component units as of June 30, 2018 and 2017:

	<u>Foundation</u>	<u>SASI</u>	<u>NARTP</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 91,893	\$ 2,707,923	\$ 7,924	\$ -	2,807,740

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Notes to Financial Statements
June 30, 2018 and 2017

	<u>Foundation</u>	<u>SASI</u>	<u>NARTP</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 369,679	\$ 2,248,674	\$ 131,681	\$ -	\$ 2,750,034
Due from University/component units	46,770	173,524	-	-	220,294
Other receivables	495,575	132,874	23	-	628,472
Other current assets	10,463	95,568	4,7034	9	

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2018 and 2017

The following displays condensed combining information, which is presented in total in the accompanying statements of revenues, expenses, and changes in net position for the University's discretely presented component units for the years ended June 30, 2018 and 2017:

	<u>Foundation</u>		<u>SASI</u>		<u>NARTP</u>		<u>Eliminations</u>		<u>Total</u>
Operating revenues:									
Other auxiliary enterprises	\$	-	\$	13,737,624	\$	-	\$	-	\$ 13,737,624
Grants		-		-		305,751		-	305,751
Other		354,909		41,240		2,084		(8,000)	390,233
In-kind contrib,,,									

STOCKTON UNIVERSITY
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Notes to Financial Statements
June 30, 2018 and 2017

	<u>Foundation</u>	<u>SASI</u>	<u>NARTP</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:					
Other auxiliary enterprises	\$ -	\$ 12,772,135	\$ -	\$ -	\$ 12,772,135
Grants	-	-	293,105	-	293,105
Other	339,216	58,271	25,000	(8,000)	414,487
In-kind contributions	<u>464,781</u>	-	<u>86,697</u>	-	<u>551,478</u>
Total operating revenues	803,997				

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2018 and 2017

The following amounts are presented in the statements of net position of the respective entities as due to/from the University as of June 30, 2018 and 2017:

	<u>Foundation</u>	<u>SASI</u>	<u>NARTP</u>	<u>Total</u>
Due from the University:				
Scholarships	\$ -	\$ -	\$ -	\$ -
Services provided	-	157,618	-	157,618
Overhead charge adjustment	-	279,856	-	279,856
Miscellaneous	188	4,409	-	4,597
Total due from the University	<u>\$ 188</u>	<u>\$ 441,883</u>	<u>\$ -</u>	<u>\$ 442,071</u>
Due to the University:				
Institutional support	\$ 122,500	\$ 64,534	\$ -	\$ 187,034
Services provided	20,233	-	-	20,233
Scholarships	11,302	-	-	11,302
Seaview operations	-	1,160,622	-	1,160,622
Overhead charge	-	62,601	34,075	96,676
Interest on loan	-	-	132,604	132,604
Miscellaneous	-	-	-	-

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Notes to Financial Statements
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The Foundation provided support of \$1,614,473 and \$1,426,072 to the University for scholarships, academic support and facilities support for the years ended June 30, 2018 and 2017, respectively. The University provided in-kind finance and administrative services to the Foundation of \$529,556 and \$452,731 for the years ended June 30, 2018 and 2017, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$230,257 and \$240,870 for the years ended June 30, 2018 and 2017, respectively.

The University has issued a line of credit to SASI in the amount of \$2,000,000. As of June 30, 2018 and 2017, a note receivable in the amount of \$1,314,683 was reflected in the financial statements of the University relating to this line of credit. The University charges interest on the outstanding principal balance from the date advanced until the full amount of principal has been paid at a fixed rate equal to 4.24% for fiscal 2018 and 3.80% for fiscal 2017. The interest rate will be reviewed and changed by the University, at its sole discretion, to a rate equal to 150 basis points plus the thirty-year U.S. Treasury Note rate at the time of the interest review. Interest-only payments will be made on the outstanding principal balance at the stated interest rate. Interest expense on the line of credit totaled \$53,560 and \$50,652 for the years ended June 30, 2018 and 2017, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2018 and 2017, the overhead charge was \$464,906 and \$682,162, respectively.

The University has issued a line of credit to NARTP in the amount of \$1,500,000. As of June 30, 2018 and 2017, a note receivable in the amount of \$1,291,700 and \$1,141,700, respectively, was reflected in the financial statements of the University relating to this line of credit. The University charges interest on the outstanding principal balance from the date advanced until the full amount of principal has been paid at a fixed

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f pf t-0.10176 Tc (a) Tj0.05088 Tc (t) Tj0 Tc (o) Tj-0.06912 Tc (t) Tj0 Tc (h) Tj0.05088Tj-0.12 Tc (o) Tj0 -12.6 TD

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(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2018 and 2017

The aggregate future payments of the ACDevco capital lease are as follows for the years ending June 30:

	<u>Amount</u>
2019	\$ 3,259,456
2020	3,359,456
2021	3,459,456
2022	3,559,206
2023	3,663,456
Thereafter	<u>130,276,426</u>
Less: interest	<u>(68,597,456)</u>
Total	<u>\$ 78,980,000</u>

Lease Commitments

Future minimum lease payments required under all non-cancelable operating leases are as follows for the years ending June 30:

	<u>Amount</u>
2019	\$ 195,342
2020	187,149
2021	202,078
2022	207,131
2023	100,049

Total rent expense for the years ended June 30, 2018 and 2017 was \$133,328 and \$59,701, respectively.

Power Purchase Agreement

The University entered into various agreements with Stockton Blue Sky Power, LLC (“Blue Sky”) related to the construction of a solar power plant at the University. Blue Sky owns and operates the solar power plant, and the University leases the space on campus where the solar power plant is located. The University agreed to purchase all of the energy produced by the solar power plant for a 15-year period at a fixed rate of \$0.03 per kWh. This agreement began on May 25, 2011 and will expire on May 25, 2021.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2018 and 2017

13. SUBSEQUENT EVENTS

The University evaluated subsequent events through March 29, 2019, the date the financial statements were available to be issued. The University is not aware of any subsequent events which would require recognition or disclosure in the financial statements, except as follows:

On July 31, 2018 the University sold the Seaview property to a third party for \$21,070,000. The property was originally purchased in 2010 to address an immediate need for student housing. The new Atlantic City campus (opening in September 2018) offers beachfront housing for 533 students and eliminates the need for student housing at Seaview. The transaction will be reflected in the University's 2019 financial statements as required by U.S. GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIVERSITY

(A Component Unit of The State of New Jersey)

Required Supplementary Information

Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years* - Unaudited

June 30, 2018

Public Employees' Retirement System (PERS)

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STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Required Supplementary Information
Schedules of Proportionate Share of Employer Contributions – Last 10 Years* - Unaudited
June 30, 2018

Schedules of University Contributions – Last 10 Years*

Public Employees' Retirement System (PERS)

	2018	2017	2016	2015
(1) Contractually required contribution	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	4,389,336	4,994,131	2,184,725	1,022,366
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 31,211,750	\$ 30,386,266	\$ 30,400,613	\$ 29,636,603
(5) Contributions as a percentage of covered-employee payroll	14.06%	16.44%	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2018	2017	2016	2015
(1) Contractually required contribution	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	563,191	602,447	185,988	218,158
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 1,101,089	\$ 965,938	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	5.11%	6.24%	2.10%	3.01%

STOCKTON UNIVERSITY
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Required Supplementary Information
Schedules of Proportionate Share of Other Postemployment Benefits Liability -
Last 10 Years* - Unaudited
June 30, 2018

	<u>June 30, 2018</u>
University's proportion of the total OPEB Liability*	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>28,104,795,207</u>
Total OPEB liability	<u>28,104,795,207</u>
University's covered-employee payroll	\$ 70,831,270
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%

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

* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

Stockton University
(A Component Unit of The State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Direct Loan Program	84.268	\$ 56,148,989
Federal Perkins Loan Program (including administrative costs of \$46,829)	84.038	3,458,836
Federal Supplemental Educational Opportunity Grants	84.007	258,712
Federal Work Study Program	84.033	280,852
Federal Pell Grant Program (including administrative costs of \$17,595)	84.063	15,534,505
Teacher Education Assistance for College & Higher Education Grants (Teach Grants)	84.379	<u>24,284</u>
Total Student Financial Assistance Cluster		<u>75,706,178</u>
Research and Development Cluster:		
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Passed Through State of Delaware		
Research Survey and Training	11.420	7,037
Passed Through Rutgers, The State University of NJ		
Estuarine Research Reserves	11.420	12,991
WeCrab Marine Debris Project	11.463	4,271
Habitat Conservation-Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	11.463	13,968
Passed through the Conserve Wildlife Foundation of New Jersey:		
Identification & Retrieval of Derelict Crab Pots to Reduce Bycatch of NOAA Trust Resources in Barnegat Bay, New Jersey	11.463	19,164
Passed through the New Jersey Audubon Society:		
Rounding the Bend: Ghost Trap Removal in Delaware Bay, Cape May Reef and New Jersey's Coastal Bay	11.463	1,482
U.S. Department of Health and Human Services:		
National Institutes of Health (NIH):		
Akt-mTOR Pathway Impact on Neural Stem Cell Fates	93.853	137,761
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program - Assessing the Status of Barnegat Bay Submerged Aquatic Vegetation	66.456	10,574
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	66.456	14,633
Passed Through NJ DEP: Division of Fish & Wildlife -		
Upkeep and Maintenance of On and Off Campus Deer Enclosures: 2017-2018	15.605	10,000
Wildlife Protection User Survey	15.605	202,290
Passed Through NJ DEP: Office of Coastal and Land Use -		
Establishing Protocols for New Jersey Shellfish and Submerged Aquatic Vegetation Habitat Mapping and Sampling	11.415	33,453
U.S. Department of Transportation: National Highway Traffic Safety Administration (NHTSA):		
Passed Through Institute for Water Resources		
Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems; Great Bay Boulevard, Ocean County New Jersey	20.614	<u>33,850</u>
Total Research and Development Cluster		<u>501,474</u>
Other Federal Assistance:		
U.S. Department of Health and Human Services:		
Passed Through Atlantic County Department of Human Services,		
Educational Programs and Lectures for Older Adults	93.044	18,932
Passed Through NJ Department of Children and Families,		
Foster Care Title IV-E - Child Welfare Education Institute (CWEI) - BCWEP Program	93.658	143,009
Foster Care Title IV-E - Child Welfare Education Institute (CWEI) - MCWEP Program	93.658	1,261,892
Chafee Foster Care Independence Program - Foster and Adoptive Family Services	93.674	<u>10,568</u>
Total U.S. Department of Health and Human Services		<u>1,434,401</u>
National Endowment for the Humanities:		
Passed Through New Jersey Council for the Humanities:		
Kea Tawana: Her World	45.129	<u>13,250</u>
U.S. Department of Transportation: National Highway Traffic Safety Administration (NHTSA):		
Passed Through NJ Department of Law and Public Safety Division of Highway Traffic Safety,		
Stay Safe and Graduate	20.601	<u>16,420</u>

(Continued)

Federal Grantor / Pass-through Grantor / Program or Cluster Title

Federal
CFDA
Number

Federal
Expenditures

Other Federal Assistance (continued):

Current Year

Prs of s of Sce	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Expenditures	111,968,373
N.J. Office of the Attorney General						
Municipal Planning for Safe Streets	100-066-1000-146	\$ 6,275	07/01/16-09/30/17	\$ 6,098	\$ 6,098	
Drunk Driving Enforcement	100-078-640-YYY	6,841	06/01/17-06/30/18	3,421	6,841	
N.J. Higher Education Services:						
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	282,464	07/01/17-06/30/18	282,464	282,464	
Educational Opportunity Fund Article IV-Academic Year-Atlantic City	100-074-2401-002	56,834	01/01/18-06/30/18	16,330	16,330	
NJSCA General Program Support	100-074-2530-032	101,020	07/01/17-06/30/18	101,020	101,020	
NJSCA General Program Support-Noyes Museum	100-074-2530-032	29,592	07/01/17-06/30/18	29,592	29,592	
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/17-06/30/18	200,000	200,000	
48 Blocks-A Celebration of Arts & Culture	100-074-2530-164	5,000	06/01/16-12/29/17	470	5,000	
48 Blocks-A Celebration of Arts & Culture	100-074-2530-164	15,000	06/01/16-12/29/17	14,757	14,757	
Atlantic County Awards 2017	100-074-2505-053	4,000	01/01/17-12/20/17	4,000	4,000	
Atlantic County Awards 2018	100-074-2505-053	9,700	01/01/18-12/20/18	7,450	7,450	
N.J. Commission on Higher Education:						
Higher Education Equipment Leasing Fund Program	100-082-2155-036	4,800,000	01/01/14-05/02/23	95,039	4,767,929	
Higher Education Capital Improvement Fund	100-082-2155-079	19,711,952	03/01/14-03/01/34	11,597,041	19,248,184	
Higher Education General Obligation Fund	586-074-2400-014	34,987,950	03/01/14-12/31/XX	10,878,091	34,816,566	
N.J. Higher Education Services:						
N.J. Department of State:						
State of New Jersey Appropriation	100-074-2480-001	18,391,000	07/01/17-06/30/18	18,391,000	18,391,000	
Interdepartmental Accounts:						
State Fringe Benefits other than FICA	100-094-9410-134	18,622,002	07/01/17-06/30/18	18,622,002	18,622,002	
FICA-State Colleges and Universities Reimbursement Program	100-094-9410-137	7,257,450	07/01/17-06/30/18	7,257,450	7,257,450	
Alternate Benefits Program	100-094-9410-132	4,620,023	07/01/17-06/30/18	4,620,023	4,620,023	
Total Other State of N.J. Assistance				75,354,578	111,968,373	
Total Expenditures of State of New Jersey Awards				\$ 93,091,317	\$ 129,706,762	

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STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Schedules of Expenditures of Federal and State of New Jersey Awards
June 30, 2018

4. SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2018:

Federal Program	Subrecipient		
Research and Development Cluster:			
Habitat Conservation - Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ		11.463	\$ 3,378
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts		66.456	527
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	American Littoral Society	66.456	3,035
National Highway Traffic Safety Administration - Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems		20.614	<u>4,368</u>
Total Research and Development Cluster			<u>11,308</u>
Other Federal Assistance:			
		84.366	18,000
		17.258	158,921
National Endowment for the Humanities - Kea Tawana: Her World	Ocean County College	20.614	<u>13,250</u>
Total Other Federal Assistance			<u>190,101</u>

Compliance and other matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under

Intended purpose

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



New York, New York
March 29, 2019

Department of Treasury Circular 2015-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal program and State of New Jersey program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and State of New Jersey programs for the year ended June 30, 2018.

Report on internal control over compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and State of New Jersey program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and State of New Jersey program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Department of Treasury Circular 2015-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

As described in our Report on Compliance for Each Major Federal and State of New Jersey Program, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or State of New Jersey program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or a State of New Jersey program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or a State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Federal and State of New Jersey Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or State of New Jersey Department of Treasury Circular 2015-08? _____ yes X no

Identification of major programs:

Program or Cluster Title **Federal CFDA Number or NJ State Identifying Number**

Federal:
 Student Financial Assistance Cluster 84.007, 84.033, 84.038
84.063, 84.268, 84.379

State of New Jersey:
 Student Financial Assistance Various

Dollar threshold used to distinguish

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Section II - Financial Statement Findings

No matters required to be reported.

Section III - Federal and State of New Jersey Award Findings and Questioned Costs

No matters required to be reported.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Summary of Prior Year Findings
Year ended June 30, 2018

No matters required to be reported.