



NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Basic Financial Statements, Management Discussion
and Analysis, Required Supplementary Information and Schedules of
Expenditures of Federal and State of New Jersey Awards

June 30, 2016

(With Independent Auditor Reports Thereon)

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State)

Independent Auditors Report

The Board of Trustees
New Jersey City University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectiing ent

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in note 1 to the financial statements, as of July 1, 2014, the University adopted Governmental

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(Unaudited)

June 30, 2016 and 2015

In fiscal year 2016, the University's net revenues remained relatively flat compared to fiscal year 2015, despite a 1.9% increase in student tuition and fees and a record increase in the incoming freshman class. Net student revenue remained flat due to softness in graduate enrollment, lower than expected transfer matriculation, and the graduation of a record senior class which was not offset by net tuition associated with the growth in the freshman class and inbound transfer students. Additionally, and consistent with the strategic plan, the institution increased its discount rate, which also softened the impact on net revenue growth.

In fiscal year 2016, auxiliary income declined primarily due to a decrease in the number of students enrolled in the summer session.

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(Unaudited)

June 30, 2016 and 2015

Statements of Net Position and Financial Highlights

As of June 30, 2016, the University's total assets decreased by \$7.6 million to \$311.6 million from \$319.2 million as of June 30, 2015. This decrease is primarily attributed to decreases of \$12 million in investments resulting from cash flow needs for operations and capital projects, and \$11.8 million in restricted deposits held with bond trustees representing the payment of the Series 2008 E Revenue Bonds. The decrease in total assets is offset by increases in several accounts, most notably an increase of \$2.8 million in grants receivables, \$7 million in net capital assets and \$12 million in cash and cash equivalents. The increase in capital assets relates to the business school renovation, renovations of existing buildings as well as continued renovation of the Science Building. This increase was offset by a \$8 million transfer of net assets relating to Vodra and Co. West Campus Housing LLC in connection with the creation of the Public Private Partnership.

NEW JERSEY CITY UNIVERSITY
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STATE OF NEW JERSEY
 DEPARTMENT OF TREASURY

(Unaudited)

June 30, 2016 and 2015

The following is the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016 and 2015, and comparative amounts for the year ended June 30, 2014. The amounts presented for 2014 were not restated as a result of the adoption of GASB 68.

	2016	2015	2014
		(In millions)	
Operating revenues:			

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(Unaudited)

June

NEW JERSEY CITY UNIVERSITY
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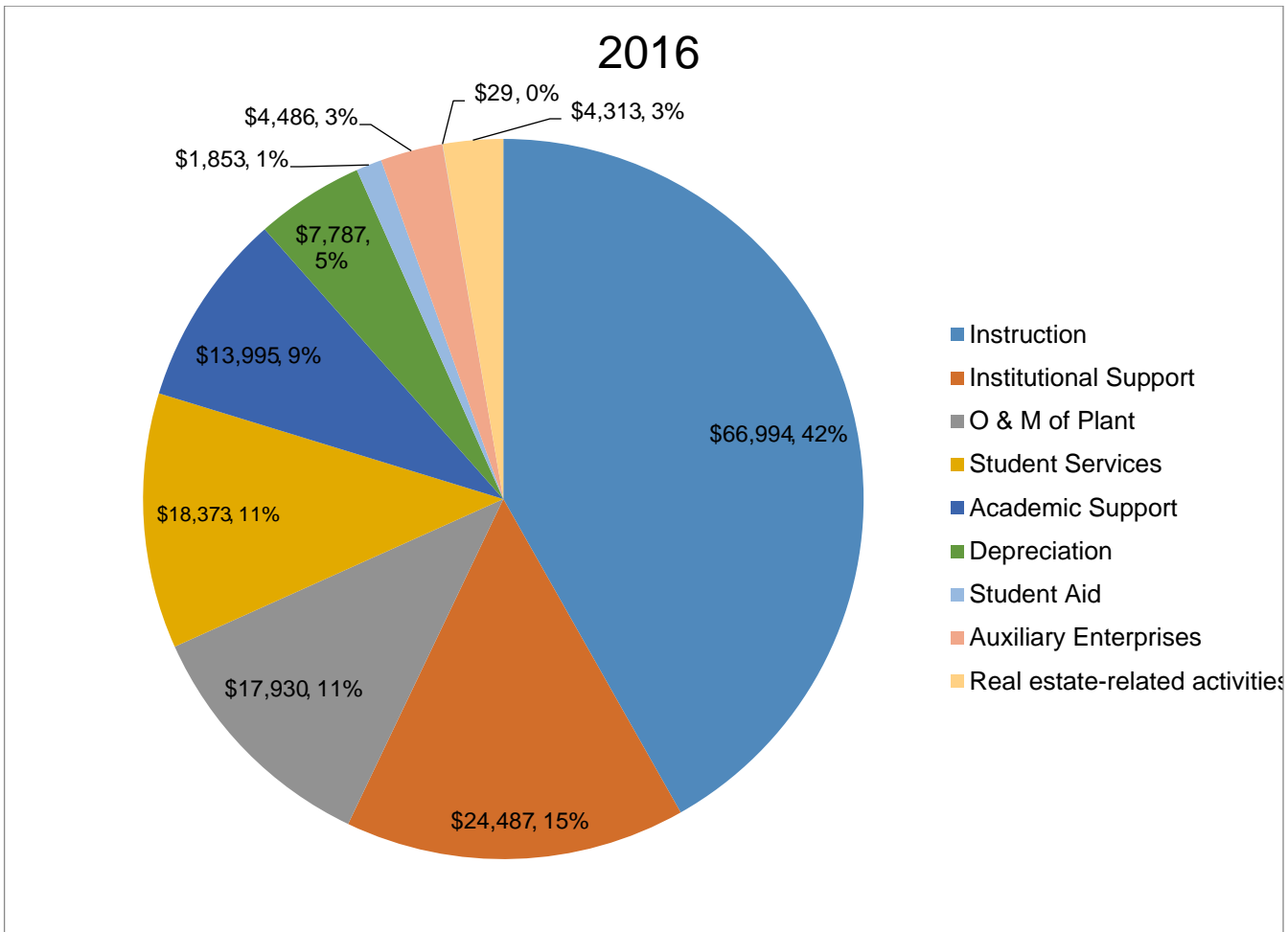
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(Unaudited)

June 30, 2016 and 2015

Financial Highlights ± Expenses

The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2016, 2015, and 2014 (in thousands):

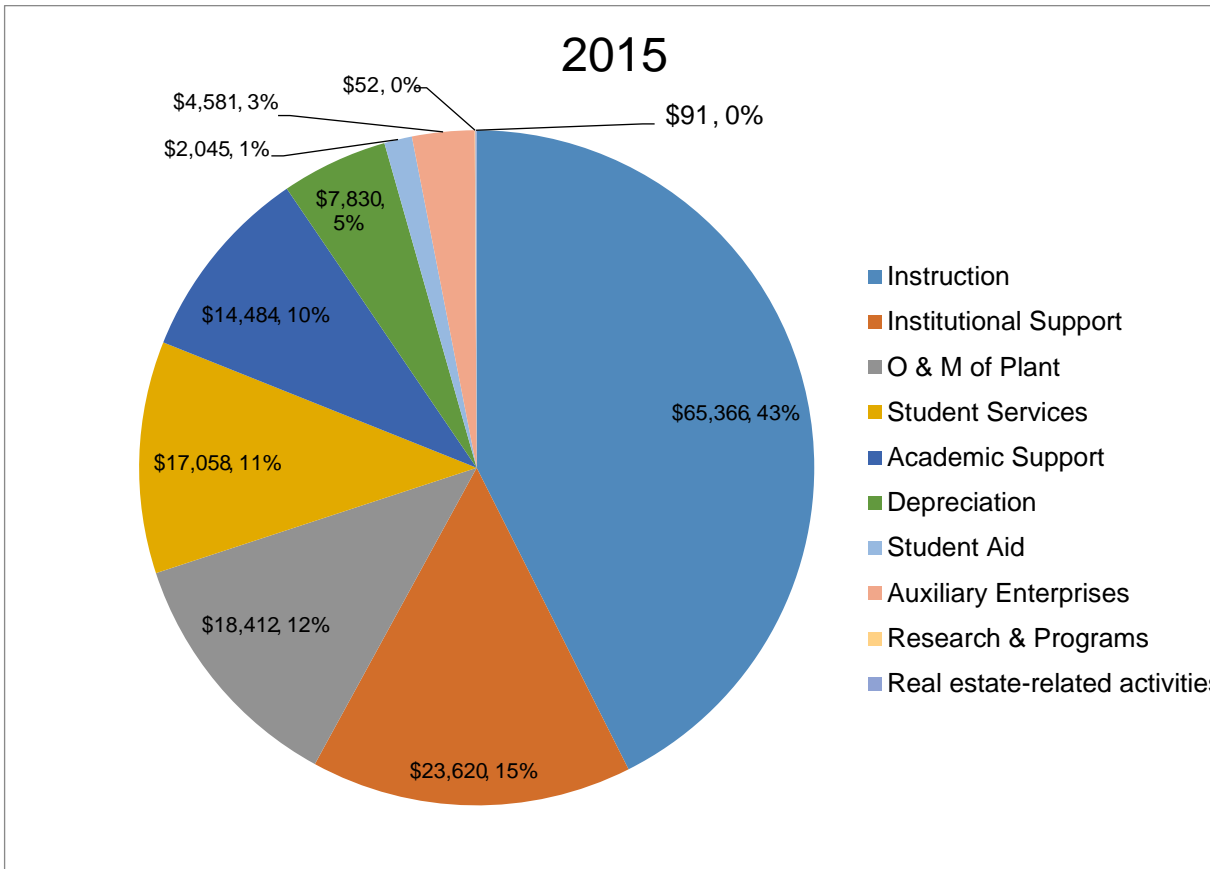


NEW JERSEY CITY UNIVERSITY
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(Unaudited)

June 30, 2016 and 2015

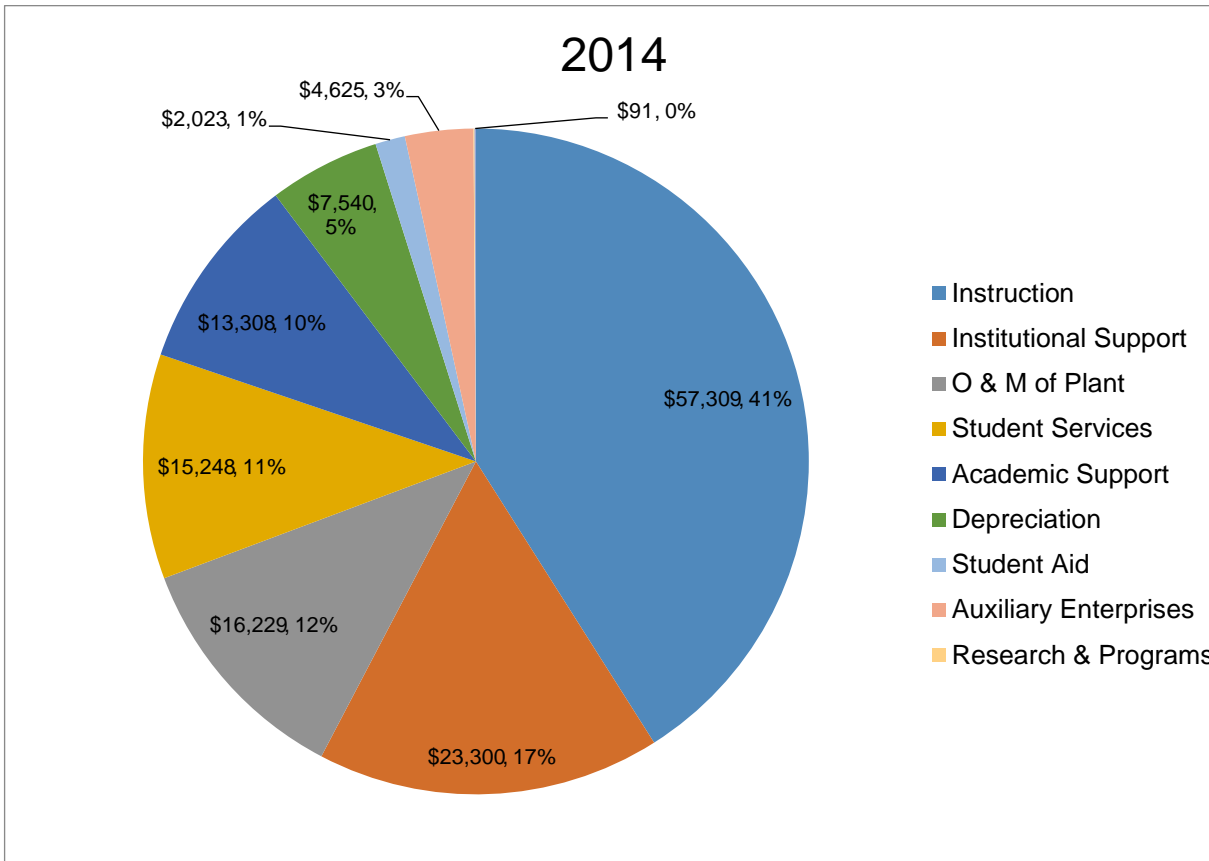


NEW JERSEY CITY UNIVERSITY
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(Unaudited)

June 30, 2016 and 2015



The University had an increase in instruction expense in the amount of \$1.6 million. This variance is largely due to the impact of pension expense resulting from the adoption of GASB 68. A concerted effort to recruit and retain students resulted in an increase of \$1 million in academic support and student services primarily due to the hiring of new staff and consultants to assist with this University priority.

In 2015, the University's largest increase in operating expenses was reflected in instruction expense, and represented the University's largest operating expense category with an increase of \$8 million primarily attributed to the impact of pension expense resulting from the first year adoption of GASB 68 and contractual salary and related fringe benefit increases.

Development related and real estate lease expense had a combined increase of approximately \$4.2 million primarily relating to the new School of Business location and project costs related to The University Place.

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(Unaudited)

June 30, 2016 and 2015

Capital Assets and Long-term Debt

A key component of the University's Transforming Lives Strategic Plan 2013-2018 (the Plan) is to enhance the environment for teaching, learning, living and working by creating a state-of-the-art academic campus. This Plan guides the University administration's strategic allocation of existing resources to academic and residential buildings, infrastructure improvement, and technological endeavors. Initiatives undertaken are geared towards enhancing student experience and enriching the surrounding neighborhood, as well as addressing State workforce and economic development goals and priorities.

In fiscal year 2016, the University had construction in progress expenditures totaling \$21 million. These investments supported efforts on the main campus as well as on the West Campus property. On the main campus, several major projects that contributed to capital additions were funded via internal capital funds as well as bonds issued through the New Jersey Educational Facilities Authority (NJEFA). During the year ended June 30, 2016, buildings and building improvements with a carrying value of \$8.9 million were transferred from the University to WCH. See note 15 for further discussion of this transfer.

As of June 30, 2016, the University had several projects under construction on the design stage. Significant projects include:

- x The Nursing facilities renovation, expansion and transformation into the Nursing Education Center (NEC) that will accommodate the new Master in Nursing (MSN) program beginning in Fall 2016, as well as provide for more state-of-the-art lab and classroom spaces dedicated to this growing program. The Nursing Program will be expanding to the entire 4th floor and portions of the 5th floor of Rossey Hall on the main campus. This project demonstrates the University's focus on meeting the State of New Jersey's current and future needs for a diverse workforce particularly in the fields of health care and life sciences.
- x Stegman Roadway and Infrastructure. This is a phase project. Phase I will extend Stegman Park to Mallory Avenue West. Phase II will extend Mallory Avenue West to South Street and Stegman Parkway to Route 440.
- x Renovation and improvement of the Science Building to include state of the art labs and classroom space, as well as a new Vivarium and Greenhouse. Approximately three quarters of the Science Building renovation project will be funded by a \$32 million State of New Jersey Higher Education Facilities Trust Fund grant awarded in conjunction with the Build Our Future Bond Act. The remaining funds required to complete the project will include bonds issued via the NJEFA, private equity, and internal university capital funds.

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NEW JERSEY CITY UNIVERSITY
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Statements of Net Position

Business-Type Activities – University Only

June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,644	13,627
Investments, current portion	14,360	17,672
Student receivables, net of allowance of \$4,179 and \$4,205 in 2016 and 2015, respectively	3,185	3,076
Grants receivables	5,472	2,625
Other receivables	5,890	4,288
Restricted deposits held with bond trustees	9,316	14,458
Total current assets	<u>63,867</u>	<u>55,746</u>
Noncurrent assets:		
Restricted deposits held with bond trustees	16,728	30,287
Investments, noncurrent portion	5,002	14,128
Student loans, net of allowance of \$920 and \$855 in 2016 and 2015, respectively	707	743
Capital assets, net of accumulated depreciation of \$118,671 and \$118,978 in 2016 and 2015, respectively	225,305	218,299
Total noncurrent assets	<u>247,742</u>	<u>263,457</u>
Total assets	<u>\$ 311,609</u>	<u>319,203</u>
Deferred Outflows of Resources		
Deferred outflows of resources:		
Deferred amounts from pensions	\$ 14,705	3,420
Deferred amounts from debt refunding	7,114	1,495
Total deferred outflows of resources	<u>\$ 21,819</u>	<u>4,915</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	\$ 8,357	10,164
Payroll	5,731	4,783
Compensated absences, current portion	4,502	4,445
Accrued interest	2,388	3,707
Total accounts payable and accrued expenses	20,978	23,099
Long-term debt, current portion, net	8,675	4,218
Unearned student tuition and fees	2,032	1,731
Total current liabilities	<u>31,685</u>	<u>29,048</u>
Noncurrent liabilities:		
Long-term debt, noncurrent portion, net	179,087	178,344
Net pension liability	136,182	114,911
Other noncurrent liabilities	5,305	2,879
Unearned grant revenue	501	548
Total noncurrent liabilities	<u>321,075</u>	<u>296,682</u>
Total liabilities	<u>\$ 352,760</u>	<u>325,730</u>
Deferred Inflows of Resources		
Deferred inflows of resources:		
Deferred amounts from pensions	\$ 1,021	3,915
Total deferred inflows of resources	<u>\$ 1,021</u>	<u>3,915</u>
Net Position		
Net investment in capital assets	\$ 57,452	60,303
Restricted for:		
Expendable:		
Renewal and replacement	—	1,358
Debt service principal	4,560	5,142
Debt service reserve	230	230
Perkins loans	229	237
Unrestricted	<u>(82,823)</u>	<u>(72,798)</u>
Total net position	<u>\$ (20,352)</u>	<u>(5,528)</u>

See accompanying notes to basic financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE
(A Component Unit of New Jersey City University)
Consolidated Statements of Financial Position
June 30, 2016 and 2015

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Revenues, Expenses, and Changes in Net Position
Business-Type Activities – University Only
Years ended June 30, 2016 and 2015
(In thousands)

	2016	2015
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 87,864	85,480
Auxiliary enterprises	6,953	7,856
Less scholarship allowance	(33,444)	(31,916)
Total student revenue, net	61,373	61,420
Federal grants	22,410	22,981
State of New Jersey grants	14,055	13,667
Private and other grants	17	133
Other operating revenues	2,461	2,358
Total operating revenues	100,316	100,559
Operating expenses:		
Instructor	66,994	65,366
Research and programs	29	52
Academic support	13,995	14,484
Student services	18,373	17,058
Institutional support	24,487	23,620
Operation and maintenance of plant	17,930	18,412
Auxiliary enterprises	4,486	4,580
Student aid	1,853	2,045
Real estate-related activity	4,313	91
Depreciation	7,787	7,829
Total operating expenses	160,247	153,537
Operating loss	(59,931)	(52,978)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	24,154	26,056
State of New Jersey fringe benefit appropriations	25,601	

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
AND AFFILIATE
(A Component Unit of New Jersey City University)

Consolidated Statement of Activities

Year ended June 30, 2015

(In thousands)

	Unrestricted	Temporarily Restricted	Permanently restricted	Total
Support and revenues:				
Support from public contributions	\$ 463	738	14	1,215
Development grants and contracts	—	353	—	353
Contributed services and facilities	1,173	—	—	1,173
Interest and dividend income	34	182	—	216
Rental income	80	—	—	80
Special events	113	—	—	113
Other income	21	1	—	22

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Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2016 and 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Student receipts	\$ 55,453	55,023
Grants and contracts	33,099	35,853
Payments for salaries and benefits	(89,129)	(89,733)
Payments to suppliers	(22,444)	(14,826)
Payments for utilities	(3,183)	(3,969)
Payments to students	(1,853)	(2,045)
Loans issued to students	(127)	(143)
Collection of loans from students	97	103

NEW JERSEY CITY UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2016 and 2015

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Jersey City University (the University), formerly Jersey City State College, is a public institution

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Notes to Basic Financial Statements

June 30, 2016 and 2015

Adoption of Accounting Pronouncements

The University adopted GASB Statement No. 72, Fair Value Measurement and Application (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of data used to measure fair value (see note 4 for the disclosures). The implementation of GASB 72 only impacted the notes to the financial statements.

Accounting Pronouncements Applicable to the University, Issued but Not Yet Effective

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). GASB 75 addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2018. The University is evaluating the impact of this new statement.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less. The University maintains portions of its cash in two funds, a money market account which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts and the funds are available upon demand.

Investments

All investments are reported at fair value based upon quoted market prices. Purchases and sales of investments are accounted for on the trade basis. Investment income is recorded on an accrual basis. Changes in fair value, including realized and unrealized gains and losses, are reported as unrealized and realized gains (losses) on investments.

Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees are recorded in the financial statements at fair value, which is based on quoted market prices and consist of cash and cash equivalents, money market accounts,

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Notes to Basic Financial Statements

June 30, 2016 and 2015

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and TPAF, please refer to the Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Net Position

The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is referred to as the Net Position in the financial statements of the University. Net position reported as restricted refers to amounts restricted for the payment of future debt service obligations and Federal Perkins Loan Program loans due back to the United States Department of Education. Net position reported as unrestricted refers to the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the aforementioned restricted components of the University's net position.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises 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 scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the school year are recorded as unearned student tuition and fees in the accompanying statements of net position.

Grant revenue is comprised mainly of funds received from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned grant revenue in the accompanying statements of net position.

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.

Classification of Revenue

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. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that primarily have the characteristics of non

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June 30, 2016 and 2015

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Notes to Basic Financial Statements

June 30, 2016 and 2015

Investment type	Fair value	2015 Investment maturities (in years)		
		Less than 1	1 to 2	2 to 5
(In thousands)				
Money market funds	\$ 6,279	6,279	2	2
Corporate notes	60,970,631.58	444,841,111.06	1	2.4

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds held by the Bond Trustees under the terms of various long-term debt agreements. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

	2016	2015
	(In thousands)	
Money market funds	\$ 9,234	9,107
U.S. Treasury notes and government securities	16,810	35,638
	26,044	44,745
Less noncurrent portion	(16,728)	(30,287)
Restricted deposits held with bond trustees, current portion	\$ 9,316	14,458

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of

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Notes to Basic Financial Statements

June 30, 2016 and 2015

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes debt securities held with bond trustees maturities June 30, 2016 and 2015:

Investment type	Fair value	2016		
		Investment maturities (in years)		
		Less than 1	1 to 2	More than 2
		(In thousands)		
Money market accounts	\$ 9,234	9,234	2	

Investment type	Fair value	2015		
		Investment maturities (in years)		
		Less than 1	1 to 2	More than 2
		(In thousands)		
Money market accounts	\$ 9,107	9,107	2	2
U.S. Treasury notes and government securities	35,638	35,638	2	2
	<u>\$ 44,745</u>	<u>44,745</u>	<u>2</u>	<u>2</u>

(4) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- x Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets available at the measurement date
- x Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly
- x Level 3 – unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

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Notes to Basic Financial Statements

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Notes to Basic Financial Statements

June 30, 2016 and 2015

NEW JERSEY CITY UNIVERSITY
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Notes to Basic Financial Statements
June 30, 2016 and 2015

The following obligations to the Authority were outstanding as of June 30, 2016 and 2015:

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Notes to Basic Financial Statements

June 30, 2016 and 2015

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Notes to Basic Financial Statements

June 30, 2016 and 2015

The deferred loss on refunding of approximately \$37,000 was capitalized and recorded in deferred outflows of resources in the accompanying statements of net position.

(a) Capital Leases

The University has entered into various capital lease purchase agreements for equipment which are principally for the duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The payments of these agreements include a 3% to 7% charge for interest. As of June 30, 2016 and 2015, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments were approximately \$2,914,000 and \$1,723,000, respectively. The fiscal year 2016 and 2015 payments for these capitalized lease obligations were approximately \$842,000 and \$520,000, respectively.

(b)

NEW JERSEY CITY UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2016 and 2015

(7) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2016 and 2015 (The net pension liability in the table below was restated June 30, 2015 as a result of the adoption of GASB 68):

	June 30, 2015	Additions	Reductions (In thousands)	June 30, 2016	Current portion
Long-term debt	\$ 182,562	61,878	(56,678)	187,762	8,675
Other noncurrent liabilities:					
U.S. government grants refundable	711	2	(24)	687	2
Compensated absences	6,613	446	(322)	6,737	4,502
Unearned grant revenue	548	1,192	(1,239)	501	2
Net pension liability	114,911	21,271	2	136,182	2
Unearned rental revenue	2	2,383	2	2,383	2
Total noncurrent liabilities	<u>\$ 305,345</u>	<u>87,170</u>	<u>(58,263)</u>	<u>334,252</u>	<u>13,177</u>
	June 30, 2014	Additions	Reductions (In thousands)	June 30, 2015	Current portion
Long-term debt	\$ 150,588	39,699	(7,725)	182,562	4,218
Other noncurrent liabilities:					
U.S. government grants refundable	697	14	2	711	2
Compensated absences	6,556	523	(466)	6,613	4,445
Unearned grant revenue	1,674	1,163	(2,289)	548	2
Net pension liability	110,688	4,223	2	114,911	2
Total noncurrent liabilities	<u>\$ 270,203</u>	<u>45,622</u>	<u>(10,480)</u>	<u>305,345</u>	<u>8,663</u>

(8) Pollution Remediation Obligation

In fiscal year 2009, the University adopted GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligation (GASB 49). GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential effects of existing pollution by participating in pollution remediation activities such as site assessments and remediation. Pollution remediation obligations exclude pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset. GASB 49 identifies the obligating events, which require the University to estimate the components of the expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability and if appropriate, capitalized when goods and services are acquired.

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Notes to Basic Financial Statements

June

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Notes to Basic Financial Statements

June 30, 2016 and 2015

(b) Plan Descriptions

Public Employees Retirement System (PERS)

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability

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recorded by the State of New Jersey for the fiscal years 2015 and 2014 were \$89.0 million and \$38.9 million, respectively. The University's proportionate share of the respective net pension liabilities for the plan as a whole for the fiscal years 2015 and 2014 were 0.062% and 0.072%, respectively. The TPAF net pension expense attributable to the University was \$1.4 million and \$2.1 million for the years ended June 30, 2016 and June 30, 2015, respectively, and has been recorded as an operating expense by functional and natural classification and related revenue in the statements of revenues, expenses and changes in net position.

- (e) Defined Benefit Plan 1125er

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Notes to Basic Financial Statements

June 30, 2016 and 2015

2015				
Target Asset Allocation and Long-Term Expected Rate of Return				
Asset Class	PERS		TPAF	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Cash	5.00%	1.04%	5.00%	0.53%
US Treasuries, Bonds	1.75%	1.64%	1.75%	1.39%
US Credit Bonds	N/A	N/A	13.50%	2.72%
Investment Grade Credit	10.00%	1.79%	N/A	N/A
Mortgages	2.10%	1.62%	2.10%	2.54%
High Yield Bonds	2.00%	4.03%	2.00%	4.57%
Inflation-Indexed Bonds	1.50%	3.25%	1.50%	1.47%
Broad U.S. Equities	27.25%	8.52%	27.25%	5.63%
Developed Foreign Equities	12.00%	6.88%	12.00%	6.22%
Emerging Market Equities	6.40%	10.00%	6.40%	8.46%
Private Equity	9.25%	12.41%	9.25%	9.15%
Hedge Funds/Absolute Return	12.00%	4.72%	N/A	N/A
Hedge Funds/MultiStrategy	N/A	N/A	4.00%	4.59%
Hedge Funds/Equity Hedge	N/A	N/A	4.00%	5.68%
Hedge Funds/Distressed	N/A	N/A	4.00%	4.30%
Real Estate (Property)	2.00%	6.83%	4.25%	3.97%
Global debt ex US	3.50%	-0.40%	N/A	N/A
Real Estate (REIT)	4.25%	5.12%	N/A	N/A
Commodities	1.00%	5.32%	1.00%	3.58%
Timber	N/A	N/A	1.00%	4.09%
Farmland	N/A	N/A	1.00%	4.61%

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Basic Financial Statements

June 30, 2016 and 2015

2014

Asset Class	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Cash	6.00%	0.80%	6.00%	0.50%
Core Fixed Income	N/A	N/A	0.00%	2.19%
Core Bonds	1.00%	2.49%	1.00%	1.38%
Short-Term bonds	N/A	N/A	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.26%	11.20%	2.60%
Long-Term bonds	N/A	N/A	0.00%	3.23%

A

NEW JERSEY CITY UNIVERSITY
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Notes to Basic Financial Statements
June 30, 2016 and 2015

Employees enrolled in the ABP pension program ~~ac~~ faculty members, administrators, and managers

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Basic Financial Statements

June 30, 2016 and 2015

contribution rate has been set at 3% of base salary. During the years ended June 30, 2016 and 2015, DCRP employer and employee contributions were the following:

	2016	2015
	(In thousands)	
Employer contribution	\$ 2	4
Employee contribution	4	7
Basis for contributions:		
Participating employee salaries	82	124

(h) Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of New Jersey provides certain health care and life insurance benefits for the University's retired employees. Full health coverage is provided to eligible employees retiring with 25 years of service credit on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credit after June 30, 1997 may share in the cost of health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employees reach 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State of New Jersey and the retired employees, the amounts are not available to the University and no expenses or liabilities for benefits are reflected in the University's financial statements.

(10) Commitments and Contingent Liabilities

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.

In December 2014, the University entered into a 20-year lease agreement in a building located at 147 Harborside Financial Center, Jersey City, NJ to house the University's School of Business. Rental expenses began in September 2015 and were approximately \$1.8 million for the year ended June 30, 2016. Future minimum annual rental commitments approximate the following in thousands:

	(In thousands)
Year ending June 30:	
2017	\$ 1,794
2018	1,829
2019	1,866
2020	1,903
2021	1,941
Thereafter	32,062
Total	\$ 41,395

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Basic Financial Statements

June 30, 2016 and 2015

(11) State of New Jersey Fringe Benefits Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, there is a current matching portion for the pension contribution for active employees, medical and dental benefits, state taxes, and FICA. For years ended June 30, 2016 and 2015, such payments amounted to approximately \$25.6 million and \$24.8 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

(12) Compensated Absences

The University recorded a liability for compensated absences in the amount of \$6.7 million and \$6.6 million as of June 30, 2016 and 2015, respectively, which is included in compensated absences, current portion and other noncurrent liabilities in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave, paid leave bank days, and accrued compensation days as of yearend, as well as an estimated vested amount for accrued sick leave. University employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Basic Financial Statements

June 30, 2016 and 2015

(b) West Campus Housing Project

Ground Lease

On March 1, 2015, the University entered into a management agreement with WCH to manage the University's two existing student residence halls (Vodra and Co Halls), and a ground lease agreement for the land located at 500 Route 440, Jersey City (the West Campus Site). The ground lease is 40 years commencing on March 17, 2015 with no right to renew or extension option on the lease. The base annual rent is equal to the surplus cash flow generated by the operation of the student housing facilities on the University campus and is paid annually upon WCH certification that the annual debt service ratio has been met. There were no payments paid by the WCH during fiscal year 2016 or 2015. During the term of the ground lease, WCH is deemed the owner of the West Campus Housing Facility as of March 17, 2015 with the exception of all rent, revenues and other amounts generated by Vodra and Co Halls through June 30, 2015. After July 1, 2015, WCH shall be deemed the owner of the two existing student resident halls such that the net book value of approximately \$8.9 million relating to the buildings and building improvements have been reflm [(r).6 1

NEW JERSEY CITY UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2016 and 2015

development costs of approximately \$46 million unless adjusted by change orders. If the development costs of the final completed project exceed the guaranteed maximum price, the Developer is solely responsible for and will pay any excess costs from its own funds. The Developer will receive a fee of \$375,204 for the Project paid as follows: fifty percent paid at the term commencement date, March 17, 2015; thirty percent is payable in installments as part of each draw request in the amount proportionate to the percentage of completion of work; ten percent is payable upon the substantial completion of the West Campus Student Housing Facility; and ten percent upon final completion of all work. The Developer fee was paid by the WCH. Per the agreement the University is entitled to reimbursement of development costs in connection with the Project up to \$250,000. During fiscal year 2016 the University has been reimbursed for the full amount of these costs.

Project Management Agreement:

A tri-party agreement was entered into March 1, 2015 between WCH (the Owner), RISE (the Manager) and the University to appoint the Manager to operate, manage and maintain the Student Housing Facilities for the benefit of the University. The term of the agreement is approximately fifteen years beginning on July 1, 2015 with respect to Vodra and Cop Halls and July 1, 2016 with respect

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Notes to Basic Financial Statements
June 30, 2016 and 2015

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions
June 30, 2016, 2015, and 2014
(Dollars in thousands)

Public Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,895	1,295	979
Contributions in relation to the contractually required contributions	<u>1,895</u>	<u>1,295</u>	<u>979</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>
University employee covered-payroll (University year end)	\$ 24,987	25,432	26,170
Contributions as a percentage of employee covered payroll	7.58%	5.09%	3.74%

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Proportionate Share of the Net Pension Liability
June 30, 2016, 2015, and 2014
(Dollars in thousands)

Public Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
University proportion of the net pension liability - State Group	0.574%	0.571%	0.574%
University proportion of the net pension liability - Total Plan	0.295%	0.296%	0.288%
University proportionate share of the net pension liability	\$ 136,182	114,911	110,688
University employee covered-payroll (measurement date)	25,432	26,170	26,097
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	535.5%	439.1%	424.1%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	40.71%

Teachers' Pension and Annuity Fund

	<u>2016</u>	<u>2015</u>	<u>2014</u>
University proportion of the net pension liability	0.000%	0.000%	0.000%
University proportionate share of the net pension liability	\$ —	—	—
State's proportionate share of the net pension liability	<u>39,065</u>	<u>38,968</u>	<u>24,071</u>
Total net pension liability	\$ 39,065	38,968	24,071
University employee covered-payroll	123	122	220
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	31760.2%	31941.0%	10941.4%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

See accompanying independent auditors' report.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA/ grant number	Pass-through entity identifying grant number	Passed- through to subrecipients	Total Federal expenditures
U.S. Department of Education:				
Student Financial Assistance cluster:				
Federal Supplemental Education Opportunity Grants	84.007		\$ —	304,479
Federal Work Study Program	84.033		—	491,039
Federal Perkins Loan Program	84.038		—	1,727,313
Federal Pell Grant Program (including administrative cost allowance of \$16,550)	84.063		—	16,963,367
Federal Direct Student Loans	84.268		—	37,496,023
Total Student Financial Assistance cluster			—	56,982,221
TRIO cluster:				
Student Support Services	84.042		—	326,655
Total TRIO cluster			—	326,655
Passed through State of New Jersey Department of Education:				
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	3600060	—	608,112
Improving Teacher Quality State Grants:				
Using Formative Assessments to Improve Teaching and Learning	84.367B	3600065	—	94,608
New Jersey City University Common Core Academy	84.367B	3600067	—	58,222

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2016

Independent Auditors Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

The Board of Trustees
New Jersey City University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 21, 2016, which contained unmodified opinions on those financial statements with an emphasis of matter paragraph regarding the University's internal control over financial reporting.

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

Independent Auditors Report on Compliance for Each Major Federal and State of New Jersey Programs; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures of Federal Awards and State of New Jersey Awards Required by the Uniform Guidance and New Jersey OMB Circular 15-08

The Board of Trustees
New Jersey City University:

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 compliance.

Opinion on Each Major Federal and State of New Jersey Program

In our opinion, New Jersey City 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of fi(a)8.995(nce)7.998(6)i(a)8.995995(r)-2(p-)-3.995(b)10.9995((a)82.998(n002()-1a)8.9-2.J -70..004(

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

- (1) 6XPPDU\ RI \$XGLWRUV¶ 5HVXOWV
- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified
 - (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - x Material weaknesses: No
 - x Significant deficiencies: None Reported
 - (c) Noncompliance material to the financial statements: No
 - (d) Internal control deficiencies over major Federal and State of New Jersey programs disclosed by the audit:
 - x Material weaknesses: No
 - x Significant deficiencies: Yes
 - (e) Type of report issued on compliance for major Federal and State of New Jersey programs: Unmodified
 - (f) Audit findings that are required to be reported in accordance with OIG 200.516(a) or New Jersey OMB Circular 1508: Yes 2016

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

(3) Findings and Questioned Costs Relating to Federal Awards

2016-001 ±Level of Effort

Federal Program: U.S. Department of Education ±Higher Education Institutional Aid (84.031)

Federal Grant Numbers P031C11000315, P031C11006715, P031S10007714

Statistically Valid Sample The sample was not intended to be, and was not, a statistically valid sample.

Prior Year Finding: No

Finding Type: Significant Deficiency, NonCompliance

Criteria

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of awards pertaining to the program.

Level of effort includes requirements for (a) specified level of service be provide from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant Federal funding of services.

Condition

The Higher Education Institutional Aid Grants have the following Level of Effort Requirements for key personnel in the award notification letter:

Federal grant number	Key personnel title	Level of Effort
P031C110003-15	Project Director	20%
P031C110067-15	Project Director	50
P031S100077-14	Project Director	33

We tested the level of effort for the Project Directors for grants P031C110067

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Cause

The grant application submitted to the Federal Agency indicated a level of effort percentage that was not commensurate with the salary requested in the budget for the grant. The salary requested budget was significantly less than what the calculated equivalent salary would be if the level of effort percentage was applied to the individual total compensation. The management review control of the grant application did not identify the disparity in the level of effort percentage as compared to the compensation of the individual. Total salaries charged to the grants in 2016 was \$987,584, which \$27,300 was for the two project directors tested. As the salaries charged to the grants and requested for reimbursement in 2016 were commensurate with the actual level of effort, we do not believe there are questioned costs.

Effect

The Project Director's level of effort on the grant is significantly below what was reported in the grant application. However, the salaries charged to the grant and requested for reimbursement are commensurate with the actual level of effort.

Questioned Costs

None

Recommendation

The University should review its policies and procedures over the grant application review process to ensure that the review includes an analysis of the level of effort reported in the grant application and the salary reimbursement being requested. In addition, the University should ensure that the level of effort analysis includes a review of the individual's total commitments, including faculty course load, office hours, administrative appointments, as well as commitments under other grants, if applicable.

View of Responsible Official

The University concurs with this finding and has already taken steps to mitigate this problem. While the current time and attendance system used by the University is not the best for determining the level of effort reported in the grant application, the process for determining the level of effort reported in the grant application will be reevaluated.

(4) Findings and Questioned Costs Relating to State Awards

None

2039 Kennedy Boulevard
Jersey City, NJ 07310-597

<http://www.njcu.edu/ow> (-)Tj 8.5/n TA/n/n T4Se/n TA
Deficiency reported in the auditors' report on the

_____ deficiency(excerpt from The Single Audit Financial Statements)

Finding:2016-001 – Level of Effort

Federal Program:U.S.Department of Education Higher Education Institutional Aid (84.031)

Federal Grant Numbers:P031C1100035, P031C1100675, P031S1000774

Estimated Date of Completion:Fall 2017

Contact: Name:Dr. Ashok Vaseashta, PhD, DSc

Cause excerpt from The Single Audit Financial Statements)

The grant application submitted to the Federal Agency indicated a level of effort percentage that was not commensurate with the salary requested in the budget for the grant. The salary requested in the budget