

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, 2016 and 2015

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees

Stockton University:

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Stockton 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 collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and State of New Jersey Department of Treasury Circular 2015-08. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2016 and 2015, 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.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, included on pages 3 through 16, and the Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years on pages 55 and 56 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The accompanying Schedules of Expenditures of Federal Awards and State of New Jersey Awards for the year ended June 30, 2016, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 *Government Auditing Standards* and State of New Jersey Department of Treasury Circular 2015-08, we have also issued our report, dated November 1, 2016, 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 *Government Auditing Standards* and State of New Jersey Department of Treasury Circular 2015-08 in considering the University's internal control over financial reporting and compliance.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 1, 2016

STOCKTON UNIVERSITY

(A Component Unit of The State of New Jersey)

Management's Discussion and Analysis (Unaudited)

Years ended June 30, 2016 and 2015

INTRODUCTION

Stockton University (the “University” or “Stockton”), which was formerly known as The Richard Stockton College of New Jersey, is proud to present its comparative financial statements for fiscal years 2016 and 2015, and its changes in financial position for the fiscal years then ended with fiscal year 2014 data presented for comparative purposes. This section of the University’s financial statements presents our discussion and analysis of the University’s financial performance. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University’s basic financial statements, which follow this section.

At Stockton, we seek to help our students develop the capacity for continuous learning and the ability to adapt to changing circumstances in a multicultural and interdependent world by insisting on breadth, as well as depth, in our curriculum. We believe that the breadth inherent in an interdisciplinary approach to liberal education both prepares students for inevitable career changes, and enriches their lives. Stockton is committed to the positive development of southern New Jersey. Through research and community service, we actively seek to take advantage of and to improve the unique physical and human environment in which the University is located.

UNIVERSITY OVERVIEW

The University is located in Galloway, New Jersey, an area that is growing rapidly. Stockton’s Galloway holdings include a total of approximately 2,000 acres, much of which is pristine forest and wetlands. The University owns the historic Stockton Seaview Hotel and Golf Club located on nearly 300 acres in Galloway, a premier vacation and golfing destination that also provides residences for over 240 students.

The University owns an 8-acre Marine and Environmental Field Station along the Nacote Creek in nearby Port Republic City, along with over 100 acres of wooded property in Hamilton Township and an additional 200 acres in Galloway.

The University is expanding, with two new academic buildings and a distinctive Quad entrance being built on the main Galloway campus, and a residential campus being developed as part of a public-private partnership in Atlantic City.

The Unified Science Center 2 in Galloway will provide an additional 56,700 square feet in a three-story structure, with science labs, classrooms, a greenhouse, a vivarium, a gross anatomy lab and faculty offices. The \$28.6 million expansion of Stockton’s Unified Science Center will enable the continued growth of the School of Natural Sciences and Mathematics, which currently graduates 22% of the math and science majors at New Jersey’s senior public colleges and universities. The Unified Science Center 2 is supported by \$21.465 million in funding from the Building Our Future Bond Act approved by voters in 2012.

The 36,000-square-foot classroom building in Galloway will house a sustainability lab, health science simulation space, exercise science space and offices. The \$18 million facility will receive \$13.5 million in funding from the bond issue.

The first classes in both facilities are expected to be held in Spring 2018.

In Atlantic City, a new campus with 535 residences overlooking the beach and boardwalk is being developed in partnership with the Atlantic City Development Corp., or “AC Devco”. The campus includes a parking garage topped by new offices for South Jersey Gas, with 879 parking spaces for use by the University, South Jersey Gas

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and the public. An academic building will accommodate up to 1,800 students. The University plans to open the Atlantic City campus in 2018 with about 1,000 students, with room for future growth.

Funding sources for the Atlantic City campus include \$48 million in bonds from the Atlantic County Improvement Authority from proceeds of almost \$70 million in tax credits issued by the N.J. Economic Development Authority, \$22 million from a Capital Improvement Fund ("CIF") grant awarded in July 2016 by the N.J. Secretary of Higher Education, an \$8.3 million contribution from South Jersey Gas, \$2.1 million in developer's equity and \$18 million from Stockton, along with \$79 million in Atlantic County Improvement Authority bonds secured by lease payments from the University.

Also in Atlantic City, the University's Carnegie Center is a 17,335-square-foot historical building which hosts undergraduate and graduate courses, continuing professional education programming, and special events.

Three instructional sites have been added to provide academic offerings that range from continuing education and professional opportunities to undergraduate and graduate courses. In September 2012, Stockton extended its reach into southern Ocean County with the Manahawkin instructional site, a 3,200-square-foot facility that hosts classes and community events. In January 2013, Stockton formally opened Kramer Hall in downtown Hammonton, which provides students with state-of-the-art classrooms, computer labs and seminar rooms, as well as providing the local community with use of the facility. In April 2013, Anne Azeez Hall in Woodbine opened, allowing Stockton to offer students in Cape May County more flexibility and access.

A significant percentage of the student body is from Atlantic, Cape May and Ocean counties, but the University is expanding its reach, attracting more students from northern New Jersey and other areas. Stockton continues to experience impressive growth, with a record headcount of 8,728 students enrolled for Fall 2016, compared with 8,674 in 2015.

Full-time equivalent ("FTE") students increased by 1.38% to 8,388 in 2016 from 8,274 in 2015, which was a 1.98% increase over 2014's FTE of 8,113.

The University offers undergraduate degrees in Bachelor of Arts, Bachelor of Science and Bachelor of Science in Nursing, as well as 12 Master's level programs and two doctoral programs in Physical Therapy and Organizational Leadership.

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-of-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

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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 68, *Accounting and Financial Reporting for Pensions*, and Statement 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. Changes in accounting for pensions are designed to improve transparency regarding pension obligations and require the recognition of pension expense using a systematic method, designed to match the cost of pension benefits with service periods for eligible employees. 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 as of June 30, 2013, June 30, 2014 and June 30, 2015, a one-year lag from the University's year-end reporting date (note: GASB Statement 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year).

As a result of this change in reporting, the University has recorded its proportionate share of the net pension liability, pension expense, deferred outflows and deferred inflows of resources in the June 30, 2016 and 2015 financial statements presented; however, the State of New Jersey did not provide the necessary data to present such balances in the June 30, 2014 financial statements, and accordingly, this MD&A that follows is not comparative relative to the pension related balances. Further, the note disclosures regarding the pension benefit have changed to include a discussion of both the net pension liability and pension expense. Finally, as part of required supplemental information, the University has included certain schedules of data that have not previously

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been required. These accounting changes do not impact the University's funding requirements for the pension plans.

An illustration of the impact of adopting these accounting pronouncements on the University's beginning net position at July 1, 2014 is as follows:

Net position at June 30, 2014, as previously reported		\$ 173,194,060
Net pension liability at June 30, 2014	\$ (129,745,039)	
Fiscal year 2014 contributions made subsequent to measurement date	<u>1,232,254</u>	
Cumulative effect of the adoption of new accounting principle		<u>(128,512,785)</u>
Restated net position at July 1, 2014		<u>\$ 44,681,275</u>

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The effect of the adoption of GASB 68 was the recording of a cumulative effect of change in accounting principle at July 1, 2014; the recognition of net pension expense in fiscal year 2015; and increases in deferred outflows of resources, net pension liability and deferred inflows of resources at June 30, 2015, as follows:

	Prior to Adoption of GASB 68	Adoption of GASB 68	Subsequent to Adoption of GASB 68
Statement of net position at June 30, 2015:			
Deferred outflows of resources - pension related	\$ -	\$ 6,375,090	\$ 6,375,090
Net pension liability	-	135,883,399	135,883,399
Deferred inflows of resources - pension related	-	5,833,309	5,833,309
Net position - unrestricted	82,848,861	(135,341,618)	(52,492,757)
Total net position	167,773,518	(135,341,618)	32,431,900
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2015:			
Operating expenses			
Instruction	\$ 63,899,179	\$ 1,443,502	\$ 65,342,681
Research	1,282,436	-	1,282,436
Public service	6,530,380	68,738	6,599,118
Academic support	9,240,305	824,858	10,065,163
Student services	14,201,801	618,645	14,820,446
Institutional support	25,876,608	1,604,730	27,481,338
Operation and maintenance of plant	18,489,536	1,237,287	19,726,823
Student aid	7,912,309	-	7,912,309
Auxiliary enterprises	21,566,308	1,031,073	22,597,381
Independent operations	17,146,078	-	17,146,078
Depreciation	12,845,539	-	12,845,539
Total operating expenses	<u>\$198,990,479</u>	<u>\$ 6,828,833</u>	<u>\$205,819,312</u>

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The effect of GASB 68 was the recognition of net pension expense in fiscal year 2016; and increases in deferred outflows of resources, net pension liability and deferred inflows of resources at June 30, 2016, as follows:

	Prior to Adoption of GASB 68	Adoption of GASB 68	Subsequent to Adoption of GASB 68
Statement of net position at June 30, 2016:			
Deferred outflows of resources - pension related	\$ -	\$ 21,345,740	\$ 21,345,740
Net pension liability	-	163,839,503	163,839,503
Deferred inflows of resources - pension related	-	1,569,023	1,569,023
Net position - unrestricted	75,350,533	(144,062,786)	(68,712,253)
Total net position	170,923,858	(144,062,786)	26,861,072
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2016:			
Operating expenses			
Instruction	\$ 64,397,098	\$ 1,926,766	\$ 66,323,864
Research	1,411,754	-	1,411,754
Public service	6,789,856	91,751	6,881,607
Academic support	8,492,174	1,101,009	9,593,183
Student services	19,302,905	917,509	20,220,414
Institutional support	28,521,017	1,748,111	30,269,128
Operation and maintenance of plant	22,111,917	2,202,016	24,313,933
Student aid	8,977,397	-	8,977,397
Auxiliary enterprises	14,156,379	734,006	14,890,385
Independent operations	16,396,906	-	16,396,906
Depreciation	12,756,381	-	12,756,381
Total operating expenses	<u>\$203,313,784</u>	<u>\$ 8,721,168</u>	<u>\$212,034,952</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, 2016, 2015 and 2014 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current assets	\$ 42,676	\$ 40,718	\$ 43,479
Other current assets	-	19,621	-
Capital assets	314,291	313,695	315,056
Other non-current assets	84,043	73,847	107,944
Total assets	<u>441,010</u>	<u>447,881</u>	<u>466,479</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding debt	566	606	645
Deferred outflows related to pensions	21,346	6,375	-
Total deferred outflows of resources	<u>21,912</u>	<u>6,981</u>	<u>645</u>
LIABILITIES			
Current liabilities	42,299	44,789	51,129
Noncurrent liabilities	392,061	371,664	242,801
Total liabilities	<u>434,360</u>	<u>416,453</u>	<u>293,930</u>
DEFERRED INFLOWS OF RESOURCES			
Gain on refunding debt	133	144	-
Deferred inflows related to pensions	1,569	5,833	-
Total deferred inflows of resources	<u>1,702</u>	<u>5,977</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	84,597	78,977	74,517
Restricted for:			
Renewal and replacement	301	301	300
Debt service reserve	10,675	5,647	6,375
Unrestricted	(68,712)	(52,493)	92,002
Total net position	<u>\$ 26,861</u>	<u>\$ 32,432</u>	<u>\$ 173,194</u>

The University's statements of net position reflect a prudent utilization of financial resources and management of investments, the utilization of debt, and development of the capital plan.

Current assets consist primarily of cash and cash equivalents, assets held by trustees under bond agreements for capital activities, investments and receivables. Noncurrent assets consist primarily of investments, assets held by trustees, and capital assets. Current liabilities consist primarily of accounts payable and accrued expenses, accrued compensation absences and the current portion of long-term debt. Noncurrent liabilities consist primarily of long-term debt and net pension liability per the implementation of GASB 68.

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Other current assets decreased in fiscal year 2016 due to the sale of the former Showboat Casino. The University, in fiscal year 2015, had purchased the former Showboat Casino, a 1.73 million-square-foot property, for \$18 million with plans to develop a residential campus in Atlantic City. Use restrictions placed on the Showboat property through previous transactions prevented the University's efforts. Consequently, the University sold this property on January 15, 2016.

Total assets decreased by \$6,870,473 in fiscal 2016. The decrease is primarily due to a \$2.6 million decrease in deposits held by bond trustees. The decrease in total assets in fiscal 2015 was primarily due to an investment draw for operations of \$8 million, of which \$5 million was for expenses incurred from the Island Campus (former Showboat property) and \$3 million for a State receivable subsequently received in fiscal year 2016. The decrease is also due to the paying down of the University's line of credit of \$5 million and principal long-term debt payments of \$7 million.

The increase in deferred outflows is attributed to GASB 68 pensions and represents the fiscal year 2016 contribution made on behalf of the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other components of the pension related deferred outflows include changes in assumption and the University's proportionate share of the liability from the previous year and will be recognized as a component of pension expense in future years.

Total liabilities increased by \$17,907,250 in fiscal 2016. This net increase is primarily due to a combination of an increase in net pension liability of \$28 million with a reduction in outstanding debt made by principal payments of \$6.3 million and the recognition of unearned State grant revenue of \$3.2 million. Total liabilities increased by \$122,522,107 in fiscal 2015 due to an increase in net pension liability of \$136 million from the implementation of GASB 68 and a decrease of \$13 million primarily due to the reduction in outstanding debt made by principal payments and the paying down of the University's line of credit.

The decrease in deferred inflows of resources is attributable to GASB 68 pensions. These deferred inflows are related to net difference between projected and actual investment earnings on pension plan investments and changes in the share of the University's net pension liability. These deferred inflows will be recognized as a component of pension expenses in future years.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituents of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided in exchange. For example, State of New Jersey appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in exchange for those revenues.

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The statements of revenues, expenses, and changes in net position present the University's results of operations. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2016, 2015 and 2014 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES			
Net student revenues	\$ 102,745	\$ 100,574	\$ 95,169
Governmental grants	21,110	20,556	19,408
Independent operations	17,775	18,657	18,596
Other	<u>14,404</u>	<u>6,853</u>	<u>5,815</u>
Total operating revenues	156,034	146,640	138,988
OPERATING EXPENSES			
	<u>212,035</u>	<u>205,819</u>	<u>185,277</u>
Operating loss	(56,001)	(59,179)	(46,289)
NONOPERATING AND OTHER REVENUE			
(EXPENSES):			
State of New Jersey appropriations	39,714	41,812	39,757
Pell grants	12,799	12,128	11,344
Investment income	729	713	10,678
Capital grant revenue	4,973	4,084	3,122
Gain on disposal of capital assets, net	3,392	-	(1)
Interest on capital asset related debt	(10,997)	(11,625)	(11,850)
Other nonoperating expenses, net	<u>(180)</u>	<u>(182)</u>	<u>(181)</u>
Net nonoperating and other revenues	50,430	46,930	52,869
(Decrease) increase in net position	(5,571)	(12,249)	6,580
Net position - beginning of year, as previously reported	32,432	173,194	166,614
Cumulative effect of change in accounting principle	<u>-</u>	<u>(128,513)</u>	<u>-</u>
Net position - beginning of year as restated	32,432	44,681	166,614
Net position - end of year	<u>\$ 26,861</u>	<u>\$ 32,432</u>	<u>\$ 173,194</u>

REVENUES

To fund its operation, the University receives revenues from a variety of sources including tuition and fees, grants and contracts, auxiliary services, independent operations, State of New Jersey appropriations, and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities.

OPERATING

Operating revenues for the years ended June 30, 2016, 2015 and 2014 totaled \$156,033,674, \$146,640,303 and \$138,987,713, respectively. Student revenues net of scholarships were \$102,744,865, governmental grants were \$21,109,731, independent operations were \$17,774,803 and other revenue totaled \$14,404,275 for the year ended June 30, 2016. For the year ended June 30, 2015, student revenues net of scholarships were \$100,573,479,

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governmental grants were \$20,556,694, independent operations were \$18,657,136 and other revenue totaled \$6,852,994.

Student revenues, which include tuition and fees, are the primary source of operating revenue for the University. These tuition and fee revenues have increased from fiscal year 2015 to fiscal year 2016 by approximately 3.8%. Auxiliary activities include housing, which is responsible for an approximate 2.5% increase in revenue from the prior year. Total operating revenues increased by approximately 6.4% from fiscal 2015 to fiscal 2016. Total operating revenues increased by approximately 5.5% from fiscal 2014 to fiscal 2015.

Operating revenues for 2016, 2015 and 2014 were as follows (in thousands):

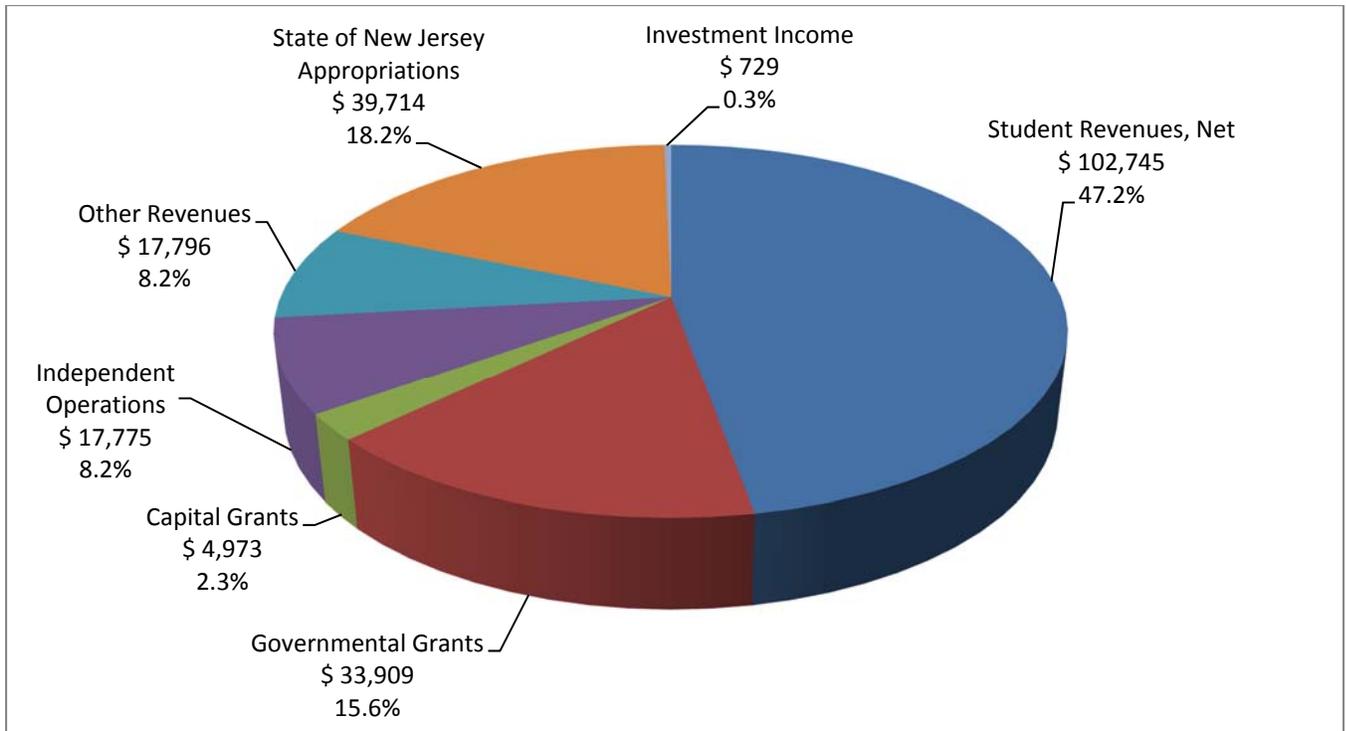
	<u>2016</u>	%	<u>2015</u>	%	<u>2014</u>	%
		<u>Total</u>		<u>Total</u>		<u>of Total</u>
Student revenues, net	\$ 102,745	66 %	\$ 100,574	69 %	\$ 95,169	69 %
Governmental grants	21,110	14	20,556	14	19,408	14
Independent operations	17,775	11	18,657	13	18,596	13
Other	<u>14,404</u>	<u>9</u>	<u>6,853</u>	<u>4</u>	<u>5,815</u>	<u>4</u>
Total operating revenues	<u>\$ 156,034</u>	<u>100 %</u>	<u>\$ 146,640</u>	<u>100 %</u>	<u>\$ 138,988</u>	<u>100 %</u>

NONOPERATING AND OTHER REVENUES

Net nonoperating and other revenue for the years ended June 30, 2016, 2015 and 2014 totaled \$50,430,450, \$46,929,634 and \$52,869,917, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriation, including fringe benefits of \$39,714,278, \$41,812,067 and \$39,757,617, respectively, for the years ended June 30, 2016, 2015 and 2014. The other components of net nonoperating revenues were Pell grant revenues of \$12,799,248, \$12,128,023 and \$11,344,510, investment income of \$729,091, \$712,378 and \$10,677,601 and interest expense on plant facilities related debt of \$(10,997,289), \$(11,625,024) and \$(11,849,937) for the years ended June 30, 2016, 2015 and 2014, respectively. Included in other revenues for the years ended June 30, 2016, 2015 and 2014 was capital grant revenue of \$4,973,370, \$4,084,271 and \$3,122,154, respectively, and for June 30, 2016, \$4.6 million revenue related to the Showboat property.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2016 and 2015

Categories of both operating, nonoperating, and other revenues that support the University's core activities in 2016 are as follows (in thousands of dollars):



OPERATING EXPENSES

Operating expenses are defined as expenses paid by the University to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2016, 2015 and 2014, the University incurred operating expenses totaling \$212,034,952 (\$203,313,784 excluding the affects of GASB 68), \$205,819,312 (\$198,990,479 excluding GASB 68) and \$185,277,617, respectively. Operating revenues for these periods totaled \$156,033,674, \$146,640,303 and \$138,987,713, respectively, causing a loss from operations of \$(56,001,278), \$(59,179,009) and \$(46,289,904), respectively, prior to State appropriations and other nonoperating revenue.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2016 and 2015

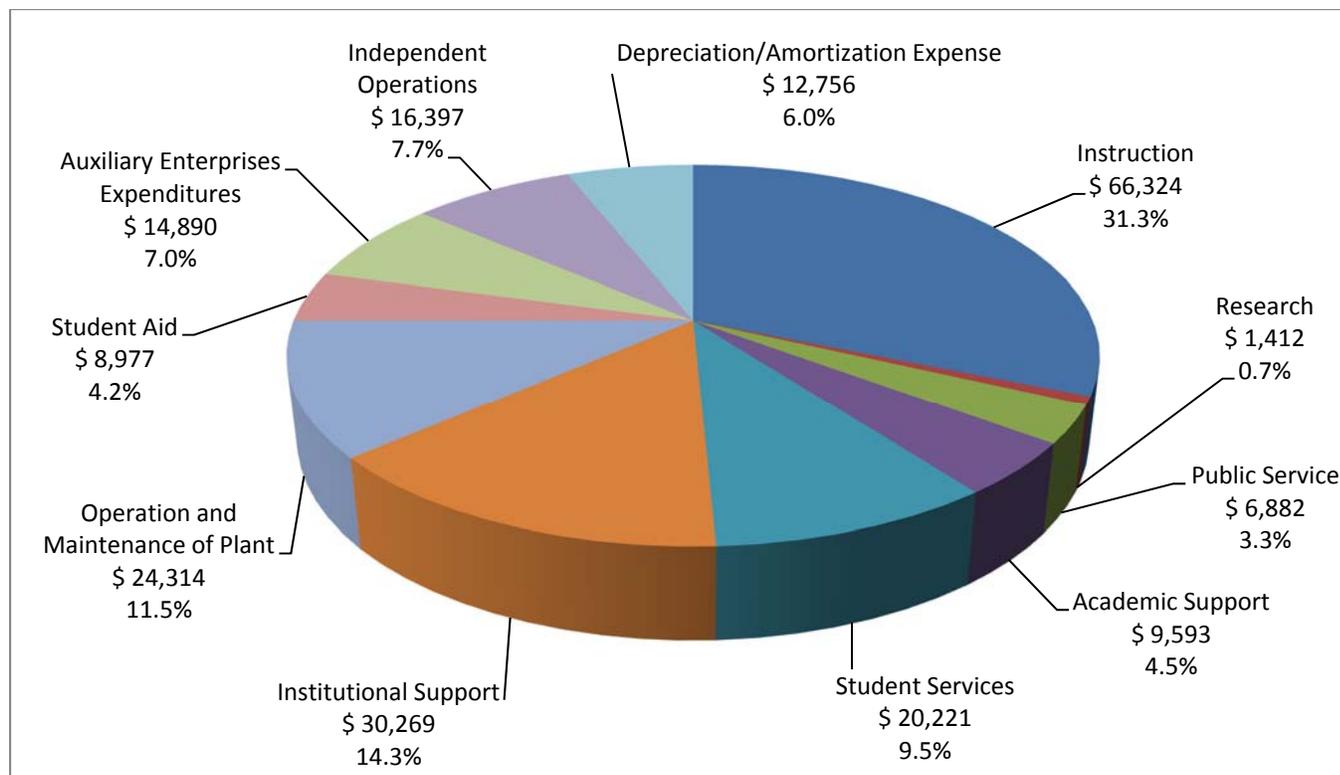
A summary of operating expenses for the years ended June 30, 2016, 2015 and 2014 is as follows (in thousands):

	2016	% of Total	2015	% of Total	2014	% of Total
Instruction	\$ 66,324	31 %	\$ 65,343	32 %	\$ 60,481	33 %
Research	1,412	1	1,282	1	1,268	1
Public Service	6,882	3	6,599	3	6,056	3
Academic Support	9,593	5	10,065	5	8,860	5
Student Services	20,221	10	19,275	9	17,538	9
Institutional Support	30,269	14	26,851	13	21,210	11
Operation and Maintenance of Plant	24,314	11	23,657	12	20,354	12
Student Aid	8,977	4	7,912	4	5,762	3
Auxiliary Enterprises Expenditures	14,890	7	14,843	7	13,235	7
Independent Operations	16,397	8	17,146	8	17,524	9
Depreciation/Amortization	<u>12,756</u>	<u>6</u>	<u>12,846</u>	<u>6</u>	<u>12,989</u>	<u>7</u>
Total Operating Expense	<u>\$ 212,035</u>	<u>100 %</u>	<u>\$ 205,819</u>	<u>100 %</u>	<u>\$ 185,277</u>	<u>100 %</u>

As the full-time equivalent and student headcount numbers increase, so do expenses University wide. Based on the amounts reported above, expenses have remained fairly consistent for each of the categories over the past years.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2016 and 2015

Categories of both operating and nonoperating expenses related to Stockton's core activities in 2016 are as follows (in thousands of dollars):



CHANGE IN NET POSITION

The University had a decrease in net position of \$5,570,828 for fiscal year 2016. This is primarily due to net revenue of \$3.5 million for the Island Campus (former Showboat property), which the University sold on January 15, 2016, and \$8.7 million GASB 68 pension expense. The University had a \$12,249,375 decrease in net position for fiscal year 2015 primarily due to \$5 million additional operational expenses incurred for the Island Campus (former Showboat property), which the University acquired in December 2014, and \$6.8 million due to the affects of GASB 68.

CAPITAL ASSETS AND DEBT ACTIVITIES

The University continues to manage its financial resources so as to ensure adequate financial flexibility to access the capital markets as needed. The University has a debt rating from Moody's Investor Services and Fitch Rating Ltd. of Baa1 and A, respectively.

The University has been advancing a master plan consistent with its strategic and Middle States reaccreditation plans, where the University intends to keep the existing campus in good repair and to ensure that it is prepared to meet the needs of future students. Included in those plans are numerous renovation and site improvement projects, as well as the newly completed science building.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2016 and 2015

ECONOMIC OUTLOOK

The populations of Atlantic and Ocean counties are growing, and while these counties provide the majority of our student body, the University's reputation for providing quality, value and distinction attracts applicants from throughout New Jersey and elsewhere.

Stockton is ranked at #14 among public Regional Universities of the North by *U.S. News & World Report* in its 2017 edition of "America's Best Colleges." Stockton also is rated as "Best for Vets" among Northern Regional Universities by *U.S. News & World Report*. *The Military Times* ranked Stockton as sixth in the nation in its rankings of Best Colleges for Veterans. Stockton has been named one of the "2017 Best Colleges: Region by Region" for the Northeast and cited on its list of "Green Colleges" by *The Princeton Review*.

Stockton's tuition and fees are competitive with New Jersey's seven other public master's and doctoral colleges and universities – and a great value compared with private institutions. Stockton's flat-rate tuition program enables full-time students to take between 12 and 20 credits and pay the same rate. Students who take 20 credits can graduate sooner and potentially save thousands of dollars in the cost of classes and housing or commuting.

Over the past three years, the average number of freshman applicants was 5,325 for approximately 1,100 available seats. In Fall 2016, 1,190 new freshmen are enrolled. For these and many more reasons, Stockton is never at a loss to fill our classrooms; we can afford to be very selective.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, Stockton University, 101 Vera King Farris Drive - N119, Galloway, NJ 08205.

Stockton University
(A Component Unit of The State of New Jersey)

Statement of Net Position
June 30, 2016 and 2015

	2016		2015	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,342,107	\$ 2,068,641	\$ 7,822,619	\$ 2,265,845
Receivables				
Students, less allowance of \$557,597 in 2016 and \$886,537 in 2015	357,555	-	610,238	-
Perkins Loans, less allowance of \$90,613 in 2016 and \$88,057 in 2015	317,673	-	283,212	-
Federal government	1,142,488	-	563,208	-
State of New Jersey	2,031,958	-	4,469,360	-
Due from University/component units	930,279	154,776	909,188	302,628
Other receivables	4,641,750	544,933	3,424,818	1,101,818
Total receivables	9,421,703	699,709	10,260,024	1,404,446
Investments	13,449,074	-	10,080,539	-
Deposits held by bond trustees	10,975,124	-	11,061,425	-
Other current assets	1,487,810	125,524	21,114,422	79,285
Total current assets	42,675,818	2,893,874	60,339,029	3,749,576
Noncurrent assets:				
Investments	69,696,134	28,948,376	57,504,201	28,123,425
Deposits held by bond trustees	10,074,121	-	12,548,664	-
Loans, Perkins, less allowance of \$565,249 in 2016 and \$615,918 in 2015	1,981,651	-	1,980,948	-
Note receivable from component units	2,291,383	-	1,812,683	-
Other receivables	-	411,186	-	478,913
Capital assets, net	314,291,186	1,996,698	313,695,239	1,898,193
Total noncurrent assets	398,334,475	31,356,260	387,541,735	30,500,531
Total assets	\$ 441,010,293	\$ 34,250,134	\$ 447,880,764	\$ 34,250,107
Deferred Outflows of Resources				
Pension related	\$ 21,345,740	\$ -	\$ 6,375,090	\$ -
Loss on refunding debt	566,421	-	605,524	-
Total deferred outflows of resources	21,912,161	-	6,980,614	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 21,908,656	\$ 782,635	\$ 22,109,066	\$ 673,236
Due to University/component units	154,776	930,279	302,628	909,188
Unearned revenue	9,427,277	6,340	12,657,842	65,379
Compensated absences	3,289,146	20,904	3,325,459	14,167
Bonds payable	5,601,102	-	5,492,102	-
Other long-term debt	1,962,252	-	901,453	-
Total current liabilities	42,343,209	1,740,158	44,788,550	1,661,970
Noncurrent liabilities:				
Compensated absences	862,252	-	902,412	-
U.S. Government grants refundable	2,498,131	-	2,498,131	-
Bonds payable, noncurrent portion	198,301,709	-	203,902,811	-
Other long-term debt, noncurrent portion	26,514,836	2,291,383	28,477,087	1,812,683
Net pension liability	163,839,503	-	135,883,399	-
Total noncurrent liabilities	392,016,431	2,291,383	371,663,840	1,812,683
Total liabilities	\$ 434,359,640	\$ 4,031,541	\$ 416,452,390	\$ 3,474,653
Deferred Inflows of Resources				
Pension related	\$ 1,569,023	\$ -	\$ 5,833,309	\$ -
Gain on refunding debt	132,719	-	143,779	-
Total deferred inflows of resources	1,701,742	-	5,977,088	-
Net Position				
Net investment in capital assets	\$ 84,597,863	\$ 682,015	\$ 78,976,916	\$ 583,510
Restricted:				
Nonexpendable	-	19,441,971	-	18,073,859
Expendable:				
Scholarships	-	8,265,003	-	8,814,490
Renewal and replacement	300,568	-	300,404	-
Debt service and debt service reserves	10,674,894	-	5,647,337	-
Unrestricted	(68,712,253)	1,829,604	(52,492,757)	3,303,595
Total net position	\$ 26,861,072	\$ 30,218,593	\$ 32,431,900	\$ 30,775,454

The accompanying notes are an integral part of these financial statements.

Stockton University
(A Component Unit of The State of New Jersey)
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2016 and 2015

	2016		2015	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Operating Revenues				
Student revenues:				
Tuition and fees	\$ 111,655,232	\$ -	\$ 107,554,443	\$ -
Auxiliary enterprises	24,636,971	-	24,041,783	-
Less scholarship allowances	(33,547,338)	-	(31,022,747)	-
Net student revenues	102,744,865	-	100,573,479	-
Federal grants and contracts	5,138,727	-	5,746,263	-
State and local grants and contracts	15,971,004	-	14,810,431	326,000
Nongovernmental grants and contracts	1,072,505	-	879,010	-
Other auxiliary enterprises revenues	125,580	12,666,670	128,897	11,688,159
Independent operations	17,774,803	-	18,657,136	-
Other operating revenues	13,206,190	360,267	5,845,087	409,895
In-kind contributions	-	496,134	-	360,094
Total operating revenues	156,033,674	13,523,071	146,640,303	12,784,148
Operating Expenses				
Instruction	66,323,864	-	65,342,681	-
Research	1,411,754	-	1,282,436	-
Public service	6,881,607	-	6,599,118	-
Academic support	9,593,183	-	10,065,163	-
Student services	20,220,414	-	19,275,272	-
Institutional support	30,269,128	5,015,506	26,850,765	4,687,250
Operation and maintenance of plant	24,313,933	-	23,656,518	-
Student aid	8,977,397	663,814	7,912,309	631,573
Auxiliary enterprises	14,890,385	10,269,426	14,843,433	8,951,874
Independent operations	16,396,906	-	17,146,078	-
Depreciation	12,756,381	150,443	12,845,539	139,474
In-kind expense	-	496,134	-	360,094
Total operating expenses	212,034,952	16,595,323	205,819,312	14,770,265
Operating loss	(56,001,278)	(3,072,252)	(59,179,009)	(1,986,117)
Nonoperating Revenues (Expenses)				
State of New Jersey appropriations	18,391,000	-	19,839,000	-
State of New Jersey appropriations - fringe benefits	21,323,278	-	21,973,067	-
Pell grants	12,799,248	-	12,128,023	-
Gifts and contributions	-	840,597	-	550,621
Investment income	729,091	222,577	712,378	1,337,923
Gain on disposal of capital assets, net	3,391,941	-	302	-
Interest on capital related debt	(10,997,289)	(57,202)	(11,625,024)	(60,616)
University and Foundation support	-	190,307	-	224,457
Other nonoperating expense	(180,189)	-	(182,383)	-
Total nonoperating revenues (expenses), net	45,457,080	1,196,279	42,845,363	2,052,385
Other Revenues				
Capital grant revenue	4,973,370	-	4,084,271	-
Additions to permanent endowments	-	1,319,112	-	957,014
Total other revenues	4,973,370	1,319,112	4,084,271	957,014
Change in net position	(5,570,828)	(556,861)	(12,249,375)	1,023,282
Net position at beginning of year, as previously reported	32,431,900	30,775,454	173,194,060	29,752,172
Cumulative effect of change in accounting principle	-	-	(128,512,785)	-
Net position as of beginning of year, as restated (Note 1)	32,431,900	30,775,454	44,681,275	29,752,172
Net position at end of year	\$ 26,861,072	\$ 30,218,593	\$ 32,431,900	\$ 30,775,454

The accompanying notes are an integral part of these financial statements.

Stockton University
(A Component Unit of The State of New Jersey)

Statements of Cash Flows

(Business-Type Activities - College Only)

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Student revenues	\$ 99,857,399	\$ 100,831,622
Grants and contracts	29,013,728	21,905,550
Payments to suppliers	(64,716,869)	(59,081,604)
Payments for employee salaries and benefits	(127,234,604)	(124,466,628)
Other receipts	36,263,161	28,480,962
	<u>(26,817,185)</u>	<u>(32,330,098)</u>
Net cash flows used in operating activities		
Cash Flows from Noncapital Financing Activities		
Receipts from State of New Jersey appropriations	33,953,410	35,922,712
Pell grants	12,799,248	12,128,023
Payment of demand note payable	-	(5,000,000)
Receipts for other noncapital assets	19,620,988	(19,620,988)
Payments made for other nonoperating expenses	(180,189)	(182,383)
	<u>66,193,457</u>	<u>23,247,364</u>
Net cash flows provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of debt	-	18,830,826
Principal paid on capital debt	(6,314,608)	(26,716,454)
Purchases of capital assets	(13,724,580)	(12,290,140)
Proceeds from the sale of capital assets	3,389,329	1,432
Interest paid on capital debt	(10,909,328)	(12,279,076)
Change in deposits held by bond trustees	2,560,844	5,629,837
	<u>(24,998,343)</u>	<u>(26,823,575)</u>
Net cash flows used in capital and related financing activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	73,156,898	153,698,346
Purchases of investments	(88,596,099)	(122,901,153)
Earnings from investments	580,760	635,304
	<u>(14,858,441)</u>	<u>31,432,497</u>
Net cash flows (used in) provided by investing activities		
Net decrease in cash and cash equivalents	(480,512)	(4,473,812)
Cash and cash equivalents as of beginning of year	<u>7,822,619</u>	<u>12,296,431</u>
Cash and cash equivalents as of end of year	<u>\$ 7,342,107</u>	<u>\$ 7,822,619</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (56,001,278)	\$ (59,179,010)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	5,760,868	5,889,355
Depreciation	12,756,381	12,845,539
Change in assets and liabilities:		
Receivables	864,682	(3,537,165)
Note receivable from component units	(478,700)	(340,000)
Other assets	5,624	(87,042)
Accounts payable and accrued expenses	(112,262)	2,535,930
Deferred revenues	1,742,805	1,841,455
Compensated absences	(76,473)	354,748
Net pension liability	8,721,168	6,828,833
U.S. Government grants refundable	-	517,259
	<u>(26,817,185)</u>	<u>(32,330,098)</u>
Net cash used in operating activities		
Supplemental Disclosure of Noncash Capital Financing Activity		
Capital asset additions in accounts payable	<u>1,281,619</u>	<u>1,713,418</u>

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2016 and 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stockton University (the “University”), which was formerly known as The Richard Stockton College of New Jersey, is primarily an undergraduate university of arts, sciences, and professional studies that provides undergraduate programs, including traditional and alternative approaches to education. The operations of management are vested in the University’s Board of Trustees. In 1986, State College Autonomy legislation was enacted, which granted certain fiscal and financial responsibility to the University Board of Trustees. In 1994, the Higher Education Restructuring Act further expanded the role of the Board of Trustees. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, for financial reporting purposes, the University is considered a discretely presented component unit of the State of New Jersey. Accordingly, the University’s financial statements are included in the State of New Jersey’s Comprehensive Annual Financial Report. The University is exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described under Section 501(c)(3).

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an Amendment of GASB 14, and GASB Statement No. 14, *The Financial Reporting Entity*, the University has determined that The Stockton University Foundation (the “Foundation”), Stockton Affiliated Services, Inc. (“SASI”), and Stockton Aviation Research and Technology Park (“SARTP”) should be included in the University’s financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or to which the primary institution is closely related.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the University in support of its programs. The board of directors of the Foundation, which consists of at least five and no more than 40 persons, is self-perpetuating and consists of qualified persons elected by majority vote of the board of directors of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, the Foundation holds investments that are used exclusively for the benefit, support, and promotion of the University for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements.

SASI was established in accordance with New Jersey’s Public College Auxiliary Organization Act (N.J.S.A. 18A:64-26, et seq.) in July 2008. SASI is a legally separate, tax-exempt 501(c)(3) organization. SASI’s purpose is to support the mission of the University by expanding and improving the level of services provided by the University. The University has contracted with SASI to manage programs and services, which support the University’s mission of teaching, research, scholarship, and public services. Because of its relationship with the University, SASI is considered a component unit of the University and is discretely presented in the University’s financial statements. SASI contributed \$1,273,080 and \$1,273,080, respectively in fiscal 2016 and 2015 to the University as auxiliary services revenues.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2016 and 2015

SARTP was established in accordance with New Jersey's Public College Auxiliary Organization Act (N.J.S.A. 18A:64-26, et seq.) in September 2013. SARTP is a legally separate, tax-exempt 501(c)(3) organization. SARTP's purpose is to conduct research and development and to promote concept and product development using emerging technologies in a laboratory and operational environment. SARTP is a focal point for interaction and innovation among researchers, academia, government and private industry in developing the next generation air traffic control system ("NextGen"), which is critical to the nation's aviation system.

Separately issued financial statements are available for the Foundation, SASI and SARTP and are available by contacting the University controller's office.

Basis of Presentation

The University's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as promulgated by GASB.

Use of Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the statements of net position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Significant estimates include but are not limited to depreciation, allowance for doubtful accounts, pension liabilities, and investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in three months or less from the date of purchase.

The University invests a certain portion of its cash in the State of New Jersey Cash Management Fund, which permits the overnight sweep of available cash balances directly into a common fund for short-term investments. This is an interest-bearing account from which funds are available upon demand.

Investments and Deposits Held With Trustees

The University follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments traded in active markets are recorded in the financial statements at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

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.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Notes to Financial Statements
June 30, 2016 and 2015

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 term or estimated useful life of the equipment. The University's capital assets policy establishes the following capitalization thresholds and estimated useful lives:

Asset Category	Useful Life	Capital Threshold
Buildings	40 to 60 Years	\$ 100,000
Infrastructure	20 to 40 Years	10,000
Land Improvements	10 to 25 Years	10,000
Equipment	3 to 15 Years	5,000

The University discontinued capitalizing library books in accordance with its capitalization policy adopted in fiscal 2007. Library books placed into service prior to 2007 are fully depreciated as of June 30, 2016, and current library book purchases are expensed annually.

Other Current Assets

In December 2014, the University purchased the former Showboat Casino, a 1.73 million-square-foot property, for \$18 million with plans to develop a residential campus in Atlantic City. Use restrictions placed on the Showboat property through previous transactions prevented the University's efforts. Consequently, the University sold this property on January 15, 2016, and recognized a gain of \$3,379,011. As of June 30, 2015, this asset was recorded within other current assets in the accompanying statement of net position.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets that are applicable to a future reporting period. Deferred inflows and deferred outflows of resources include differences between expected or projected results related to the University's proportionate share of net pension liability and contributions made to the pension systems subsequent to the measurement date. Deferred outflows and inflows of resources also include gain and losses resulting from refinancing of debt, which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

STOCKTON UNIVERSITY
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Net Pension Liability

The University is required to report its proportionate share of the pension plan activity for the plans in which it participates. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, and additions and deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by those pension plans.

Classification of Net Position

The University classifies its resources into three 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 of the University, net of depreciation, and the indebtedness incurred to finance their acquisition and construction, as well as capital assets acquired through research grants and contracts whose title remains with the University at the conclusion of the grant or contract period with the permission of the grantor.
- Restricted nonexpendable net position is comprised of donor-restricted endowment funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity.
- Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes.
- Unrestricted net position is derived principally from student tuition and fees, gifts and bequests, and investment income, and is spent to meet the objectives of the University.

The University's policy is to first utilize available restricted expendable, and then unrestricted, resources in the conduct of its operations.

Classification of Revenue and Expense

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and Stockton Seaview Hotel and Golf Club ("Seaview") resort operations, and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating and capital appropriations from the State of New Jersey, Pell grants, and investment income. Other revenues arise from nonexchange transactions which provide funding for acquisitions of capital assets and additions to permanent endowments.

Interest expense is reported as a nonoperating activity.

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Revenue Recognition

Student revenues are presented in the statements of revenues, expenses, and changes in net position, net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid expenses and are recognized in the period earned. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf to the extent revenues from such 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.

New Accounting Standards

In February 2015, GASB issued Statement No. 72, *Fair Value Measurements and Application* ("GASB 72"). This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement became effective for fiscal periods beginning after June 15, 2015. As a result of the adoption of GASB 72, the University has determined and disclosed all fair value measurements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). The objective of this statement is to improve the usefulness

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of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The University is required to adopt Statement No. 73 for its fiscal year ending June 30, 2017 and is evaluating the potential effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits, or “OPEB”) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The University is required to adopt Statement No. 74 for its fiscal year ending June 30, 2017 and is evaluating the potential effect on the financial statements.

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 Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for OPEB. 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 not completed the process of evaluating the impact of adopting this statement.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”). The primary objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (“GAAP”). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 reduces the GAAP hierarchy from four to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting for a transaction or other event is not specified within a source of authoritative GAAP. This statement replaces the requirements of Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The University adopted this standard for the year ended June 30, 2016. The adoption of this statement did not result in any significant changes to the University’s financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The University is required to adopt Statement No. 77 for its fiscal year ending June 30, 2017 and is evaluating the potential effect on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (“GASB 79”). This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The University

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adopted this standard for the year ended June 30, 2016. The adoption of this statement did not result in any significant changes to the University's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* ("GASB 80"). The primary objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The University has not completed the process of evaluating the impact of adopting this statement.

2. CASH AND CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS HELD BY BOND TRUSTEES

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, the University has assessed the custodial credit risk, concentration of credit risk, credit risk and interest rate risk of its cash and cash equivalents and investments.

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents:		
Cash (bank accounts)	\$ 6,638,570	\$ 7,121,660
New Jersey Cash Management Fund	<u>703,537</u>	<u>700,959</u>
Total	<u>\$ 7,342,107</u>	<u>\$ 7,822,619</u>

Cash balances maintained by banks amounted to \$9,187,292 and \$8,252,338 as of June 30, 2016 and 2015, respectively, of which \$250,000 and \$250,000, respectively, are FDIC (Federal Deposit Insurance Corporation) insured. Bank balances in excess of insured amounts of \$8,937,292 and \$8,002,338 as of June 30, 2016 and 2015, respectively, were collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The cash management fund is unrated. Statutes of the State of New Jersey ("Statutes") and Regulations of the State Investment Council ("Regulations") authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies and municipal or political subdivisions of the State, commercial paper, bankers' acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other

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common types of investment securities. Investee institutions and organizations are prescribed by the Statutes and Regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

Investments

Investments, at fair value, consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money market accounts	\$ 6,640,478	\$ 2,060,558
U.S. Treasury and agency obligations	491,141	482,447
Corporate bonds	1,713,409	1,748,208
U.S. government bonds	416,793	429,014
Stocks	7,800,127	14,860,097
Mutual funds	53,734,380	34,315,157
Alternative investments	<u>12,348,880</u>	<u>13,689,259</u>
Total	<u>\$ 83,145,208</u>	<u>\$ 67,584,740</u>

The University's investments are subject to custodial credit risk, credit risk, concentration of credit risk and interest rate risk. Each one of these risks is described in more detail below.

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. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2016 and 2015, the University's investments were either insured, registered, or held by the University's investment custodian in the University's name and, accordingly, not subject to custodial credit risk.

Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill its obligations. GASB 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's and Fitch or Standard and Poor's ("S&P").

Concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer or agreement with a counterparty that exceeds five percent or more of its total investments. The University's investment policy provides guidance pertaining to the diversification of the investment portfolio. The University's investment policy requires each investment manager to develop and propose a diversification strategy to the University's Investment Committee. The Investment Committee's agreement to the proposed strategy will not alter the investment manager's responsibility for the results of pursuing that diversification strategy.

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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities and composition of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The following tables present the University's credit and interest rate risk on its fixed income investments as of June 30, 2016 and 2015:

Investment Type	June 30, 2016 Investment Maturities (in Years)				
	S&P Ratings	Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 491,141	\$ -	\$ -	\$ 491,141
Corporate bonds	A to Ba	1,713,409	53,990	168,555	1,490,864
U.S. government bonds	AA to Aa	416,793	-	135,608	281,185
Total		<u>\$ 2,621,343</u>	<u>\$ 53,990</u>	<u>\$ 304,163</u>	<u>\$ 2,263,190</u>

Investment Type	June 30, 2015 Investment Maturities (in Years)				
	S&P Ratings	Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AAA	\$ 482,447	\$ -	\$ -	\$ 482,447
Corporate bonds	A3 to BAA3	1,748,208	-	140,718	1,607,490
U.S. government bonds	AAA	429,014	-	209,954	219,060
Total		<u>\$ 2,659,669</u>	<u>\$ -</u>	<u>\$ 350,672</u>	<u>\$ 2,308,997</u>

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques require maximization of observable inputs and minimization of unobservable inputs. The levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are

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investments measured using Net Asset Value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the University has generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that cannot be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The financial instruments’ level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement and does not necessarily correspond to the University’s perceived risk of such investment.

The following table sets forth, by level, the University’s investments at fair value within the fair value hierarchy as of June 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 491,141	\$ 491,141	\$ -	\$ -
U.S. Government Bonds	416,793	416,793	-	-
Debt Mutual Funds	20,612,038	20,612,038	-	-
Money Market Accounts	6,640,478	6,640,478	-	-
Domestic Corporate Bonds	1,438,208	1,438,208	-	-
Foreign Corporate Bonds	275,201	275,201	-	-
Total Debt Securities	29,873,859	29,873,859	-	-
Other Securities				
Balanced Mutual Funds	28,697,322	28,697,322	-	-
International Mutual Funds	363,865	363,865	-	-
Equity Mutual Funds	4,061,155	4,061,155	-	-
Domestic Stocks	4,053,624	4,053,624	-	-
Foreign Stocks	3,746,503	3,746,503	-	-
Total Investments by Fair Value Level	70,796,328	70,796,328	-	-
Investments Measured at the NAV				
Hedge Funds - Diversifying	8,639,942	-	-	8,639,942
Hedge Funds - Systematic CTA	2,271,356	-	-	2,271,356
Other Limited Partnerships	1,437,583	-	-	1,437,583
Total Investments Measured at the NAV	12,348,881	-	-	12,348,881
Total Investments Measured at Fair Value	\$ 83,145,209	\$ 70,796,328	\$ -	\$ 12,348,881

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The following table lists investments in alternative investments by major investment category as of June 30, 2016 as follows:

	2016 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	\$ 8,639,942	\$ -	Monthly & Quarterly	5 to 65 days
Hedge Funds - Systematic CTA	2,271,356	-	Monthly	10 days
Other Limited Partnerships	1,437,583	-	N/A	
Total Investments Measured at the NAV	\$ 12,348,881	\$ -		

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2015:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 482,447	\$ 482,447	\$ -	\$ -
U.S. Government Bonds	429,014	429,014	-	-
Debt Mutual Funds	5,327,878	5,327,878	-	-
Money Market Accounts	2,060,558	2,060,558	-	-
Domestic Corporate Bonds	1,395,130	1,395,130	-	-
Foreign Corporate Bonds	353,078	353,078	-	-
Total Debt Securities	10,048,105	10,048,105	-	-
Other Securities				
Balanced Mutual Funds	28,674,134	28,674,134	-	-
Equity Mutual Funds	313,145	313,145	-	-
Domestic Stocks	8,807,496	8,807,496	-	-
Foreign Stocks	6,052,601	6,052,601	-	-
Total Investments by Fair Value Level	53,895,481	53,895,481	-	-
Investments Measured at the NAV				
Hedge Funds - Diversifying	9,672,244	-	-	9,672,244
Hedge Funds - Systematic CTA	2,209,185	-	-	2,209,185
Other Limited Partnerships	1,807,830	-	-	1,807,830
Total Investments Measured at the NAV	13,689,259	-	-	13,689,259
Total Investments Measured at Fair Value	\$ 67,584,740	\$ 53,895,481	\$ -	\$ 13,689,259

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The following table lists investments in alternative investments by major investment category as of June 30, 2015 as follows:

	2015		Redemption	
	Fair	Unfunded	Frequency (If	Redemption
	Value	Commitments	Currently	Notice Period
			Eligible)	
Hedge Funds - Diversifying	\$ 9,672,244	\$ -	Monthly & Quarterly	5 to 65 days
Hedge Funds - Systematic CTA	2,209,185	-	Monthly	10 days
Other Limited Partnerships	1,807,830	-	N/A	
Total Investments Measured at the NAV	<u>\$ 13,689,259</u>	<u>\$ -</u>		

The investments held by trustees are held in U.S. Treasury bills for debt service requirements and are considered Level 1 inputs.

Deposits Held by Bond Trustees

Deposits held by bond trustees include restricted funds held by board-approved trustees. Deposits held by bond trustees are carried in the accompanying financial statements at fair value, as determined by quoted market prices, and consist primarily of cash and cash equivalents. As of June 30, 2016 and 2015, deposits held by bond trustees included the following:

	2016	2015
Cash and cash equivalents - cash held by trustees	\$ 20,969,253	\$ 23,143,256
Investments - government bonds and agency obligations	<u>79,992</u>	<u>466,833</u>
Total	<u>\$ 21,049,245</u>	<u>\$ 23,610,089</u>

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. The University's deposits held with bond trustees are held in the University's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The above investments are current in nature, and interest rate risk is minimal, if any.

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As of June 30, 2016 and 2015, deposits held by bond trustees were composed of funds held for the following purposes:

	<u>2016</u>	<u>2015</u>
State capital grant programs	\$ 10,074,121	\$ 12,548,665
Renewal and replacement	300,569	300,404
Debt service and debt service reserves	<u>10,674,555</u>	<u>10,761,020</u>
Total	<u>\$ 21,049,245</u>	<u>\$ 23,610,089</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2016</u>
Nondepreciable assets:				
Land	\$ 19,225,547	\$ 143,603	\$ -	\$ 19,369,150
Construction in progress	<u>7,867,757</u>	<u>12,149,280</u>	<u>(4,752,787)</u>	<u>15,264,250</u>
Total nondepreciable assets	27,093,304	12,292,883	(4,752,787)	34,633,400
Depreciable assets:				
Land improvements	13,665,542	1,045,818	-	14,711,360
Buildings and improvements	353,659,237	3,006,250	-	356,665,487
Infrastructure	26,127,745	-	-	26,127,745
Library books	1,570,789	-	(1,570,789)	-
Equipment	<u>30,838,306</u>	<u>1,780,551</u>	<u>(251,297)</u>	<u>32,367,560</u>
Total depreciable assets	425,861,619	5,832,619	(1,822,086)	429,872,152
Less accumulated depreciation:				
Land improvements	7,155,701	405,035	-	7,560,736
Buildings and improvements	98,986,388	8,477,688	-	107,464,076
Infrastructure	12,588,637	896,643	-	13,485,280
Library books	1,482,238	88,551	(1,570,789)	-
Equipment	<u>19,046,720</u>	<u>2,888,464</u>	<u>(230,910)</u>	<u>21,704,274</u>
Total accumulated depreciation	<u>139,259,684</u>	<u>12,756,381</u>	<u>(1,801,699)</u>	<u>150,214,366</u>
Depreciable assets, net	<u>286,601,935</u>	<u>(6,923,762)</u>	<u>(20,387)</u>	<u>279,657,786</u>
Capital assets, net	<u>\$ 313,695,239</u>	<u>\$ 5,369,121</u>	<u>\$ (4,773,174)</u>	<u>\$ 314,291,186</u>

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Capital asset activity for the year ended June 30, 2015 consisted of the following:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2015</u>
Nondepreciable assets:				
Land	\$ 19,124,447	\$ 101,100	\$ -	\$ 19,225,547
Construction in progress	<u>1,904,250</u>	<u>9,297,230</u>	<u>(3,333,723)</u>	<u>7,867,757</u>
Total nondepreciable assets	21,028,697	9,398,330	(3,333,723)	27,093,304
Depreciable assets:				
Land improvements	13,147,590	-	517,952	13,665,542
Buildings and improvements	350,796,153	108,562	2,754,522	353,659,237
Infrastructure	26,127,745	-	-	26,127,745
Library books	1,835,506	-	(264,717)	1,570,789
Equipment	<u>29,272,360</u>	<u>2,067,667</u>	<u>(501,721)</u>	<u>30,838,306</u>
Total depreciable assets	421,179,354	2,176,229	2,506,036	425,861,619
Less accumulated depreciation:				
Land improvements	6,790,111	365,590	-	7,155,701
Buildings and improvements	90,599,348	8,387,040	-	98,986,388
Infrastructure	11,691,994	896,643	-	12,588,637
Library books	1,589,876	157,079	(264,717)	1,482,238
Equipment	<u>16,481,100</u>	<u>3,039,187</u>	<u>(473,567)</u>	<u>19,046,720</u>
Total accumulated depreciation	<u>127,152,429</u>	<u>12,845,539</u>	<u>(738,284)</u>	<u>139,259,684</u>
Depreciable assets, net	<u>294,026,925</u>	<u>(10,669,310)</u>	<u>3,244,320</u>	<u>286,601,935</u>
Capital assets, net	<u>\$ 315,055,622</u>	<u>\$ (1,270,980)</u>	<u>\$ (89,403)</u>	<u>\$ 313,695,239</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2016 and 2015, accounts payable and accrued expenses consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts payable, construction	\$ 1,281,619	\$ 1,713,418
Accounts payable, other	8,240,576	7,957,913
Accrued salaries, fringe benefits and withholdings	6,901,518	7,148,591
Accrued interest on bonds payable and other long-term debt	<u>5,428,008</u>	<u>5,289,144</u>
Total	<u>\$ 21,851,721</u>	<u>\$ 22,109,066</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 \$21,323,278 and \$21,973,067 for the years ended June 30, 2016 and 2015, respectively, and are included in both the State of New Jersey appropriations revenue and operating expenses in the accompanying financial statements.

The State of New Jersey is also required to fund postretirement medical benefits for those University employees who retire with 25 years of credited service or retire on disability regardless of years of service. These expenses are not included in the University's financial statements.

The University is not required to record a liability for Other Post Employment Benefits ("OPEB"), because this is an obligation of the State of New Jersey. This expense and related liability for OPEB is recorded in the financial statements of the State of New Jersey.

6. RETIREMENT PROGRAMS

General Information about Pension Plans

The University participates in several retirement plans covering its employees – the Public Employees' Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS"), and the Alternate Benefit Program ("ABP"), which are administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). PERS and PFRS are defined benefit pension plans, and ABP is a defined contribution pension plan. Generally, all employees, except certain part-time employees, participate in one of these plans.

The State issues a publicly available Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits, which includes financial statements and required supplementary information for PERS and PFRS. These reports can be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295, or obtained at www.nj.gov/treasury/pensions/.

Defined Benefit Plans

Public Employees' Retirement System

PERS is a cost-sharing multiple-employer defined benefit pension plan which provides coverage to substantially all full-time employees and certain part-time employees of the State or public agencies who are not members of another State-administered retirement system.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS 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 or under the disability provisions of PERS. Benefits are determined by member's tier (based on date of enrollment), as defined in the PERS plan documents, member's age, years of service, and final compensation.

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The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The current employee contribution rate is 7.06% of base salary. Employer contributions are based on an actuarially determined rate, which was 8.40% of annual covered payroll for the year ended June 30, 2016. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State's contribution on behalf of the University ("State Contribution") to PERS for the years ended June 30, 2016 and 2015 was \$2,431,228 and \$2,414,969, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

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% of base salary. Employer contributions are based on an actuarially determined rate, which is 17.70% of annual covered payroll for the year ended June 30, 2016. 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, 2016 and 2015 was \$152,092 and \$134,728, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2015 ("Measurement Date").

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The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2016, are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Proportionate share of the net pension liability (\$)			
2015	\$ 157,129,973	\$ 6,709,530	\$ 163,839,503
2014	129,367,998	6,515,401	135,883,399
Proportionate share of the net pension liability (%)			
2015	0.662%	0.156%	
2014	0.643%	0.183%	
2013	0.630%	0.245%	
Deferred outflows of resources	20,479,182	866,558	21,345,740
Deferred inflows of resources	(205,867)	1,774,890	1,569,023
Net pension expense (income)	9,175,075	(453,907)	8,721,168

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, 2015 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, 2016 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 2,196,173	\$ -	\$ 2,196,173
Changes of assumptions	11,453,398	662,473	12,115,871
Changes in proportionate share	4,644,886	-	4,644,886
Net differences between projected and actual investment earnings on pension plan investments	-	18,097	18,097
Contributions subsequent to the measurement date	<u>2,184,725</u>	<u>185,988</u>	<u>2,370,713</u>
Total	<u>\$ 20,479,182</u>	<u>\$ 866,558</u>	<u>\$ 21,345,740</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 50,870	\$ 50,870
Net differences between projected and actual investment earnings on pension plan investments	(205,867)	(40,246)	(246,113)
Changes in proportionate share	<u>-</u>	<u>1,764,266</u>	<u>1,764,266</u>
Total	<u>\$ (205,867)</u>	<u>\$ 1,774,890</u>	<u>\$ 1,569,023</u>

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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, 2015 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Changes of assumptions	\$ 2,853,028	\$ 132,460	\$ 2,985,488
Changes in proportionate share	2,149,078	-	2,149,078
Contributions subsequent to the measurement date	<u>1,022,366</u>	<u>218,158</u>	<u>1,240,524</u>
Total	<u>\$ 6,024,472</u>	<u>\$ 350,618</u>	<u>\$ 6,375,090</u>
Deferred Inflows of Resources:			
Net differences between projected and actual investment earnings on pension plan investments	\$ 3,926,323	\$ 160,984	\$ 4,087,307
Changes in proportionate share	<u>-</u>	<u>1,746,002</u>	<u>1,746,002</u>
Total	<u>\$ 3,926,323</u>	<u>\$ 1,906,986</u>	<u>\$ 5,833,309</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$2,184,725 for PERS and \$185,988 for PFRS will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense in the statement of revenues, expenses, and changes in net position as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>TOTAL</u>
Years ending:			
2017	\$ 3,736,562	\$ (408,620)	\$ 3,327,942
2018	3,736,562	(408,620)	3,327,942
2019	3,736,562	(408,618)	3,327,944
2020	4,718,144	68,127	4,786,271
2021	<u>2,572,494</u>	<u>63,411</u>	<u>2,635,905</u>
	18,500,324	(1,094,320)	17,406,004
Contributions paid subsequent to Measurement Date	<u>2,184,725</u>	<u>185,988</u>	<u>2,370,713</u>
	<u>\$ 20,685,049</u>	<u>\$ (908,332)</u>	<u>\$ 19,776,717</u>

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Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>	<u>PFRS</u>
Inflation rate	3.04%	3.04%
Salary increases:		
2012-2021	2.15 - 4.40% based on age	2.60 - 9.48% based on age
Thereafter	3.15 - 5.40% based on age	3.60 - 10.48% based on age
Investment rate of return	7.90%	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for females for PERS) with adjustments for mortality improvements from the base year of 2012 for PERS and 2011 for PFRS based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuations were based on the results of actuarial experience studies for the periods July 1, 2008 to June 30, 2011 for PERS and July 1, 2010 to June 30, 2013 for PFRS.

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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	PERS and PFRS	
	Target Allocation	Long-term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. treasuries	1.75%	1.64%
Investment grade credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%
Broad U.S. equities	27.25%	8.52%
Developed foreign equities	12.00%	6.88%
Emerging market equities	6.40%	10.00%
Private equity	9.25%	12.41%
Hedge funds/absolute return	12.00%	4.72%
Real estate (property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rates

The discount rates used to measure the total pension liabilities were 4.90% and 5.79% for PERS and PFRS at the Measurement Date and 5.39% and 6.32% at June 30, 2014, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% at the Measurement Date based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for PERS and PFRS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2033 for PERS and 2045 for PFRS, and the municipal bond rate was applied to the projected benefit payments after those dates in determining the total pension liabilities.

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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 4.90% for PERS and 5.79% for PFRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	3.90%	\$ 184,154,872	4.79%	\$ 8,078,206
Current discount rate	4.90%	157,129,973	5.79%	6,709,530
1% increase	5.90%	134,560,359	6.79%	5,597,135

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 six 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 \$141,000. During the year ended June 30, 2016, ABP employer and employee contributions were \$4,119,569 and \$2,574,731, respectively, which were based on participating employee salaries of \$51,494,618. During the year ended June 30, 2015, ABP employer and employee contributions were \$4,071,132 and \$2,544,457, respectively, which were based on participating employee salaries of \$50,889,150. 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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7. BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2016 and 2015 consisted of the following:

	<u>Interest Rate</u>	<u>2016</u>	<u>2015</u>
Bonds payable:			
New Jersey Educational Facilities			
Authority Bonds:			
Housing I and II Renovations Series 1988A	3.00%	\$ 79,000	\$ 239,000
Housing V and Academic, Series 2006F	3.65 - 5.00%	43,710,000	44,940,000
Housing and College, Series 2007G	4.00 - 4.50%	34,695,000	35,650,000
Housing, College, and College Center Series 2008A (Refunded 2005C)	4.00 - 5.00%	<u>124,560,000</u>	<u>127,665,000</u>
Total		203,044,000	208,494,000
Unamortized discount		(235,039)	(245,642)
Unamortized premium		<u>1,093,850</u>	<u>1,146,555</u>
Total		203,902,811	209,394,913
Less current portion		<u>(5,601,102)</u>	<u>(5,492,102)</u>
Bonds payable, noncurrent portion		<u>\$ 198,301,709</u>	<u>\$ 203,902,811</u>
Other long-term debt:			
Higher Education Dormitory Safety Trust Fund	4.50%	\$ -	\$ 236,022
Higher Education Equipment Leasing Fund	5.00%	1,367,251	1,527,221
Higher Education Capital Improvement Fund	3.00 - 5.25%	7,622,233	8,070,917
Series 2015E (Current refunding of 2005F)	2.83%	18,830,826	18,830,826
Dam Restoration Loan	2.00%	<u>247,565</u>	<u>267,499</u>
Total		28,067,875	28,932,485
Unamortized premium		<u>409,213</u>	<u>446,055</u>
Total		28,477,088	29,378,540
Less current portion		<u>(1,962,252)</u>	<u>(901,453)</u>
Other long-term debt, noncurrent portion		<u>\$ 26,514,836</u>	<u>\$ 28,477,087</u>

Bonds Payable

Series 1988A Housing I and II Renovations bonds are a 3.00% federal loan for housing improvements and are due serially each July 1 through 2016. These bonds are collateralized by a pledge of and first lien on the net revenues derived from Housing I and II. The University is required to maintain a debt service reserve fund, a renewal and replacement reserve fund, and a sinking fund reserve.

Series 2006F Bonds consist of \$26,560,000 Serial Bonds, \$9,395,000 5% Term Bonds, and \$14,410,000 4.250% Term Bonds. The Serial Bonds bear interest rates between 3.65-5.00%, with the average being 4.40%.

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They are due serially each July 1 through 2027. The \$9,395,000 Term Bonds are due July 1, 2031, and the \$14,410,000 Term Bonds are due July 1, 2036. These bonds were paid off by the Series 2016A Bonds that were issued in fiscal year 2017.

Series 2007G Bonds consist of \$27,300,000 Serial Bonds, \$6,005,000 5% Term Bonds, and \$6,945,000 5% Term Bonds. The Serial Bonds bear interest rates between 4.0-4.5%, with the average being 4.11%. They are due serially each July 1 through 2031. The \$6,005,000 Term Bonds are due July 1, 2034, and the \$6,945,000 Term Bonds are due July 1, 2037. These bonds were paid off by the Series 2016A Bonds that were issued in fiscal year 2017.

Series 2008A Bonds consist of \$22,360,000 Serial Bonds, \$20,010,000 5.5% Term Bonds, \$25,695,000 5.125% Term Bonds and \$68,845,000 5.375% Term Bonds. The Serial Bonds bear interest rates between 4-5%, with the average being 4.25%. They are due serially each July 1 through 2018. The \$20,010,000 Term Bonds are due July 1, 2023, the \$25,695,000 Term Bonds are due July 1, 2028 and the \$68,845,000 Term Bonds are due July 1, 2038. These bonds were paid off by the Series 2016A Bonds that were issued in fiscal year 2017.

The Bond Series 2008A refunded Bond Series 2005C. \$31,290,097 was placed in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result, the 2005C 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 approximately \$711,000. This amount is a deferred outflow and is amortized as a component of interest expense over the life of the defeased 2005C Series Bonds.

For fiscal year ending 2017, the University issued on July 13, 2016, Series 2016A Bonds consisting of \$176,095,000 Serial Bonds and \$26,350,000 5% Term Bonds. The Serial Bonds bear interest rates between 3-5%, with the average being 4.71%. They are due serially 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.

For fiscal year ending 2017, the University issued on September 22, 2016, General Obligation Lease Revenue Series 2016A Bonds consisting of \$26,950,000 Serial Bonds and \$18,905,000 3.25% Term Bonds, \$22,650,000 4% Term Bonds, and \$10,475,000 5% Term Bonds. The Serial Bonds bear interest rates between 2.125-5%, with the average being 4.4%. They are due serially each July 1 through 2036. The \$18,905,000 Term Bonds are due July 1, 2041, the \$22,650,000 Term Bonds are due July 1, 2046 and the \$10,475,000 Term Bonds are due July 1, 2048. These bonds are being issued to finance a portion of the costs of the development and construction in connection with the establishment of the University's new Atlantic City campus, New Jersey.

Other Long-Term Debt

On August 14, 2001, the New Jersey Educational Facilities Authority ("Authority") issued bonds to finance the University's loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University's loan under this Act was \$3,453,000 and was fully repaid on January 15, 2016. This was a non-interest bearing note and interest expense was inputted at a rate of 4.5%.

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During 2003, 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 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.

During 2014, 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 2014A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$10,600,000 of the total proceeds of the bond issue to be used for the Arts and Science Renovations and an Energy Management Project. The terms of the agreement require one-third of the total allocation, or \$3,287,691, to be repaid in annual rental payments equal to the University's allocable share of the Series 2014A Bonds through 2034. The financing included a premium of \$245,288 and is amortized as a component of interest expense over the life of the bond.

During 2014, 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 2014 Revenue Bonds to provide funding for the Higher Education Equipment Leasing Fund. The University was allocated \$7,595,000 of the total proceeds of the bond issue to be used for the Science Building Teaching Laboratory Equipment and the Education Technology Project. The terms of the agreement require one-quarter of the total allocation, or \$1,652,956, to be repaid in annual rental payments equal to the University's allocable share of the Series 2014 Bonds through 2023. The financing included a premium of \$241,699 and is amortized as a component of interest expense over the life of the bond.

On June 12, 2015, the University issued \$18,830,826 of Tax-Exempt Series 2015E Revenue Refunding Bonds issued through the New Jersey Educational Facilities Authority. The 2015E issuance was issued as a direct loan with a fixed interest rate of 2.83% and a final maturity of July 1, 2028. The proceeds of the 2015E Bonds were used to currently refund Series 2005F Bonds originally issued October 27, 2005 including issuance costs of \$123,222, which was expenses. This transaction resulted in a gain on refunding of \$143,779. The gain is a deferred inflow and amortized as a component of interest expense over the life of the 2015E Series Bonds.

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Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$858,811 subsequent to June 30, 2016 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,484,409	\$ 10,719,923	\$ 18,204,332
2018	7,734,086	10,408,920	18,143,006
2019	8,052,330	10,086,568	18,138,898
2020	8,345,311	9,712,309	18,057,620
2021	8,734,283	9,319,094	18,053,377
2022-2026	49,316,898	39,902,671	89,219,569
2027-2031	52,345,329	27,947,994	80,293,323
2032-2036	61,199,228	13,685,098	74,884,326
2037-2041	<u>27,900,000</u>	<u>1,235,738</u>	<u>29,135,738</u>
Total	<u>\$ 231,111,874</u>	<u>\$ 133,018,315</u>	<u>\$ 364,130,189</u>

8. LINE OF CREDIT

The University had available a \$15,000,000 revolving line of credit with Credit Suisse AG, which was closed March 1, 2016 and had \$-0- outstanding as of June 30, 2015. Interest was payable monthly at a rate of 1-month LIBOR (London InterBank Offered Rate) plus 1.00% per annum (1.43% per annum as of December 31, 2015 and 1.19% per annum as of June 30, 2015). The note payable was available for all purposes with the exception of the purchase of additional securities, was fully collateralized by the investments of the University, and was due on demand. Interest expense was \$32,518 and \$19,817 for the years ended June 30, 2016 and 2015, respectively.

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9. LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2016 and 2015, follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Compensated absences	\$ 4,227,871	\$ 3,248,986	\$ 3,325,459	\$ 4,151,398	\$ 3,289,146
Net pension liability	135,883,399	27,956,104	-	163,839,503	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	209,394,913	-	5,492,102	203,902,811	5,601,102
Other long-term debt	<u>29,378,540</u>	<u>-</u>	<u>901,452</u>	<u>28,477,088</u>	<u>1,962,252</u>
Total	<u>\$ 381,382,854</u>	<u>\$ 31,205,090</u>	<u>\$ 9,719,013</u>	<u>\$ 402,868,931</u>	<u>\$ 10,852,500</u>

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Compensated absences	\$ 3,873,123	\$ 3,284,843	\$ 2,930,095	\$ 4,227,871	\$ 3,325,459
Net pension liability	129,745,039	6,138,360	-	135,883,399	-
U.S. Government grants refundable	1,980,872	517,259	-	2,498,131	-
Bonds payable	235,611,064	-	26,216,151	209,394,913	5,492,102
Other long-term debt	<u>11,281,009</u>	<u>18,830,826</u>	<u>733,295</u>	<u>29,378,540</u>	<u>901,453</u>
Total	<u>\$ 382,491,107</u>	<u>\$ 28,771,288</u>	<u>\$ 29,879,541</u>	<u>\$ 381,382,854</u>	<u>\$ 9,719,014</u>

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10. 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, 2016 and 2015:

	2016				
	Foundation	SASI	SARTP	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 291,793	\$ 1,642,819	\$ 134,029	\$ -	\$ 2,068,641
Due from University/component units	-	154,776	-	-	154,776
Other receivables	395,222	128,657	21,054	-	544,933
Other current assets	14,621	106,255	4,648	-	125,524
Noncurrent assets:					
Investments	28,948,376	-	-	-	28,948,376
Other receivables	411,186	-	-	-	411,186
Capital assets, net	-	1,996,698	-	-	1,996,698
Total assets	<u>\$ 30,061,198</u>	<u>\$ 4,029,205</u>	<u>\$ 159,731</u>	<u>\$ -</u>	<u>\$ 34,250,134</u>
Current liabilities					
Due to University/component units	\$ 30,446	\$ 739,862	\$ 39,571	\$ -	\$ 809,879
Long-term liabilities to University	59,275	741,079	129,925	-	930,279
Total liabilities	<u>\$ 89,721</u>	<u>\$ 2,795,624</u>	<u>\$ 1,146,196</u>	<u>\$ -</u>	<u>\$ 4,031,541</u>
Net position:					
Net investment in capital assets	\$ -	\$ 682,015	\$ -	\$ -	\$ 682,015
Restricted - nonexpendable	19,441,971	-	-	-	19,441,971
Restricted - expendable	8,265,003	-	-	-	8,265,003
Unrestricted	2,264,503	551,566	(986,465)	-	1,829,604
Total net position	<u>\$ 29,971,477</u>	<u>\$ 1,233,581</u>	<u>\$ (986,465)</u>	<u>\$ -</u>	<u>\$ 30,218,593</u>

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	2015				
	Foundation	SASI	SARTP	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 105,742	\$ 2,115,267	\$ 44,836	\$ -	\$ 2,265,845
Due from University/component units	5,475	670,074	2,079	(375,000)	302,628
Other receivables	578,510	197,308	326,000	-	1,101,818
Other current assets	1,215	73,021	5,049	-	79,285
Noncurrent assets:					
Investments	28,123,425	-	-	-	28,123,425
Other receivables	478,913	-	-	-	478,913
Capital assets, net	-	1,898,193	-	-	1,898,193
Total assets	<u>\$ 29,293,280</u>	<u>\$ 4,953,863</u>	<u>\$ 377,964</u>	<u>\$ (375,000)</u>	<u>\$ 34,250,107</u>
Current liabilities					
Due to University/component units	\$ 30,550	\$ 662,413	\$ 59,819	\$ -	\$ 752,782
Long-term liabilities to University	90,331	805,229	388,628	(375,000)	909,188
Total liabilities	<u>\$ 120,881</u>	<u>\$ 2,782,325</u>	<u>\$ 946,447</u>	<u>\$ (375,000)</u>	<u>\$ 3,474,653</u>
Net position:					
Net investment in capital assets	\$ -	\$ 583,510	\$ -	\$ -	\$ 583,510
Restricted - nonexpendable	18,073,859	-	-	-	18,073,859
Restricted - expendable	8,814,490	-	-	-	8,814,490
Unrestricted	2,284,050	1,588,028	(568,483)	-	3,303,595
Total net position	<u>\$ 29,172,399</u>	<u>\$ 2,171,538</u>	<u>\$ (568,483)</u>	<u>\$ -</u>	<u>\$ 30,775,454</u>

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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, 2016 and 2015:

	2016				
	Foundation	SASI	SARTP	Eliminations	Total
Operating revenues:					
Other auxiliary enterprises	\$ -	\$ 12,666,670	\$ -	\$ -	\$ 12,666,670
Other	265,054	49,177	53,536	(7,500)	360,267
In-kind contributions	400,654	-	95,480	-	496,134
Total operating revenues	<u>665,708</u>	<u>12,715,847</u>	<u>149,016</u>	<u>(7,500)</u>	<u>13,523,071</u>
Operating expenses:					
Institutional support	1,217,613	3,614,086	471,518	(287,711)	5,015,506
Student aid	663,814	-	-	-	663,814
Auxiliary enterprises	-	10,269,426	-	-	10,269,426
Depreciation	-	150,443	-	-	150,443
In-kind expense	400,654	-	95,480	-	496,134
Total operating expenses	<u>2,282,081</u>	<u>14,033,955</u>	<u>566,998</u>	<u>(287,711)</u>	<u>16,595,323</u>
Operating loss	<u>(1,616,373)</u>	<u>(1,318,108)</u>	<u>(417,982)</u>	<u>280,211</u>	<u>(3,072,252)</u>
Non-operating revenues (expenses):					
Investment income	205,742	16,835	-	-	222,577
Interest expense	-	(57,202)	-	-	(57,202)
University and Foundation support	-	420,518	-	(230,211)	190,307
Gifts and contributions	840,597	-	-	-	840,597
	<u>1,046,339</u>	<u>380,151</u>	<u>-</u>	<u>(230,211)</u>	<u>1,196,279</u>
Other revenues:					
Additions to permanent endowments	1,369,112	-	-	(50,000)	1,319,112
Change in net position	799,078	(937,957)	(417,982)	-	(556,861)
Net position - beginning of year	<u>29,172,399</u>	<u>2,171,538</u>	<u>(568,483)</u>	<u>-</u>	<u>30,775,454</u>
Net position - end of year	<u>\$ 29,971,477</u>	<u>\$ 1,233,581</u>	<u>\$ (986,465)</u>	<u>\$ -</u>	<u>\$ 30,218,593</u>

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	2015				
	Foundation	SASI	SARTP	Eliminations	Total
Operating revenues:					
Other auxiliary enterprises	\$ -	\$ 11,688,159	\$ -	\$ -	\$ 11,688,159
Grants	-	-	326,000	-	326,000
Other	346,172	46,223	25,000	(7,500)	409,895
In-kind contributions	<u>360,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,094</u>
Total operating revenues	<u>706,266</u>	<u>11,734,382</u>	<u>351,000</u>	<u>(7,500)</u>	<u>12,784,148</u>
Operating expenses:					
Institutional support	1,358,374	2,869,554	736,164	(276,842)	4,687,250
Student aid	631,573	-	-	-	631,573
Auxiliary enterprises	-	8,951,874	-	-	8,951,874
Depreciation	579	138,895	-	-	139,474
In-kind expense	<u>360,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,094</u>
Total operating expenses	<u>2,350,620</u>	<u>11,960,323</u>	<u>736,164</u>	<u>(276,842)</u>	<u>14,770,265</u>
Operating loss	<u>(1,644,354)</u>	<u>(225,941)</u>	<u>(385,164)</u>	<u>269,342</u>	<u>(1,986,117)</u>
Non-operating revenues (expenses):					
Investment income	1,332,190	5,733	-	-	1,337,923
Interest expense	-	(60,616)	-	-	(60,616)
University and Foundation support	-	443,799	-	(219,342)	224,457
Gifts and contributions	<u>550,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,621</u>
	<u>1,882,811</u>	<u>388,916</u>	<u>-</u>	<u>(219,342)</u>	<u>2,052,385</u>
Other revenues:					
Additions to permanent endowments	<u>1,007,014</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>957,014</u>
Change in net position	1,245,471	162,975	(385,164)	-	1,023,282
Net position - beginning of year	<u>27,926,928</u>	<u>2,008,563</u>	<u>(183,319)</u>	<u>-</u>	<u>29,752,172</u>
Net position - end of year	<u>\$ 29,172,399</u>	<u>\$ 2,171,538</u>	<u>\$ (568,483)</u>	<u>\$ -</u>	<u>\$ 30,775,454</u>

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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, 2016 and 2015:

	2016			
	Foundation	SASI	SARTP	Total
Due from the University:				
Food service	\$ -	\$ 88,767	\$ -	\$ 88,767
Overhead charge adjustment	-	24,742	-	24,742
Miscellaneous	-	41,267	-	41,267
Total due from the University	<u>\$ -</u>	<u>\$ 154,776</u>	<u>\$ -</u>	<u>\$ 154,776</u>
Due to the University:				
Institutional support	\$ -	\$ 170,884	\$ -	\$ 170,884
Services provided	42,756	-	-	42,756
Scholarships	16,519	-	-	16,519
Seaview operations	-	570,196	-	570,196
Overhead charge	-	-	86,935	86,935
Interest on loan	-	-	42,974	42,974
Miscellaneous	-	-	15	15
Total due to the University	<u>\$ 59,275</u>	<u>\$ 741,080</u>	<u>\$ 129,924</u>	<u>\$ 930,279</u>
2015				
	Foundation	SASI	SARTP	Total
Due from the University:				
Scholarships	\$ 820	\$ -	\$ -	\$ 820
Food service	-	187,097	-	187,097
Overhead charge adjustment	-	-	2,079	2,079
Miscellaneous	4,655	107,977	-	112,632
Total due from the University	<u>\$ 5,475</u>	<u>\$ 295,074</u>	<u>\$ 2,079</u>	<u>\$ 302,628</u>
Due to the University:				
Institutional support	\$ -	\$ 22,225	\$ -	\$ 22,225
Services provided	63,829	-	-	63,829
Scholarships	21,348	-	-	21,348
Seaview operations	-	759,965	-	759,965
Overhead charge	-	22,929	-	22,929
Interest on loan	-	-	13,605	13,605
Miscellaneous	5,154	110	23	5,287
Total due to the University	<u>\$ 90,331</u>	<u>\$ 805,229</u>	<u>\$ 13,628</u>	<u>\$ 909,188</u>

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The Foundation provided support of \$1,244,601 and \$1,330,073 to the University for scholarships, academic support and facilities support for the years ended June 30, 2016 and 2015, respectively. The University provided in-kind finance and administrative services of \$394,514 and \$335,993 for the years ended June 30, 2016 and 2015, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$230,211 and \$219,342 for the years ended June 30, 2016 and 2015, respectively.

The University has issued a line of credit to SASI in the amount of \$2,000,000. As of June 30, 2016 and 2015, 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 4.11%. The interest rate will be reviewed and changed by the University, in 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 \$57,202 and \$60,616 for the years ended June 30, 2016 and 2015, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2016 and 2015, the overhead charge was \$472,962 and \$497,704, respectively.

On May 27, 2016, SASI provided a short-term, non-interest bearing advance of \$375,000 to SARTP. The funds were used to purchase architectural plans and design services from South Jersey Economic Development District ("SJEDD"). The plans will be used for constructing the Aviation Research and Technology Park. This advance was subsequently repaid on July 30, 2016.

The University has issued a line of credit to SARTP in the amount of \$1,500,000. As of June 30, 2016 and 2015, a note receivable in the amount of \$976,700 and \$498,000, 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 rate equal to 4.11%. The interest rate will be reviewed and changed by the University, in 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 \$29,369 and \$13,401 for the years ended June 30, 2016 and 2015, respectively. SARTP reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2016 and 2015, the overhead charge was \$303,078 and \$318,600, respectively.

11. COMMITMENTS AND CONTINGENCIES

Compensated Absences

The University recorded a liability for compensated absences in the amount of \$4,151,398 and \$4,227,871 for the years ended June 30, 2016 and 2015, respectively, which was included in compensated absences in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave.

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Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances.

Litigation

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 statements.

Grants

The University receives support from federal government and State of New Jersey grant programs, primarily student financial assistance. Entitlement to these resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for allowable purposes. Substantially all grants are subject to financial and compliance audits by the respective sponsors. As of June 30, 2016 and 2015, the University believes that adjustments, if any, as a result of such audits would not have a material adverse effect on the University's financial statements.

Construction Contracts

The University has outstanding construction commitments in the amount of \$51,745,819 as of June 30, 2016. These commitments are primarily related to the completion of the Science Center. It is expected that all of the funding for these projects will be allocated from unrestricted resources.

Lease Commitments

Future minimum lease payments required under all non-cancelable operating leases, follow:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 234,617
2018	238,119
2019	241,572
2020	145,111
2021	148,739
2022	152,457
Total	<u>\$ 1,160,615</u>

Total rent expense for the years ended June 30, 2016 and 2015 approximated \$98,000 and \$148,000, respectively.

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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.

12. RELATED PARTIES

The University entered into a Collaborative Project Agreement (“Agreement”) with the Noyes Museum of Art (the “Museum”) on February 4, 2011. Pursuant to the terms of Agreement, the Museum agreed to sublease to the University the property located in Galloway Township, New Jersey for a period of ten years. The University and the Museum also agreed to have two individuals affiliated with the University serve as members on the Museum’s Board of Directors and one individual affiliated with the University to serve as a member for the Noyes Foundation Board of Directors for the duration of the Agreement. The University is required to pay an annual rental to the Museum over the life of the Agreement. It was acknowledged by the parties that the term of the Agreement may be less than ten years if either party is not satisfied with the progress made to meet operational benchmarks as defined in the Agreement. The Noyes Museum was donated to Stockton University in fiscal year 2017.

13. SUBSEQUENT EVENTS

The University evaluated subsequent events through November 1, 2016, 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 for the 2016A bond issuances noted in Note 7.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIVERSITY
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Required Supplementary Information
Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years* - Unaudited
June 30, 2016

Public Employees' Retirement System (PERS)

Reporting fiscal year (Measurement Date, June 30,)	Stockton's proportion of the net		Stockton's covered employee payroll	Stockton's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	pension liability				
	%	\$			
2016 (2015)	0.662%	\$ 157,129,973	\$ 30,400,613	516.86%	24.96%
2015 (2014)	0.643%	\$ 129,367,998	\$ 29,636,603	436.51%	30.06%

Police and Firemen's Retirement System (PFRS)

Reporting fiscal year (Measurement Date, June 30,)	Stockton's proportion of the		Stockton's covered employee payroll	Stockton's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	net pension liability				
	%	\$			
2016 (2015)	0.156%	\$ 6,709,530	\$ 885,871	757.39%	29.07%
2015 (2014)	0.183%	\$ 6,515,401	\$ 723,945	899.99%	34.70%

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

STOCKTON UNIVERSITY
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Required Supplementary Information
Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years* - Unaudited
June 30, 2016

Schedules of University Contributions – Last 10 Years*

Public Employees' Retirement System (PERS)

	2016	2015
(1) Contractually required contribution	\$ 2,184,725	\$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	<u>2,184,725</u>	<u>1,022,366</u>
(3) Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
(4) Covered-employee payroll	\$ 30,400,613	\$ 29,636,603
(5) Contributions as a percentage of covered-employee payroll	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2016	2015
(1) Contractually required contribution	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	<u>185,988</u>	<u>218,158</u>
(3) Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
(4) Covered-employee payroll	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	20.99%	30.13%

* 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, 2016

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	\$ 50,864,484
Federal Perkins Loan Program	84.038	2,962,714
Federal Supplemental Educational Opportunity Grants	84.007	241,680
Federal Work Study Program	84.033	268,462
Federal Pell Grant Program (including administrative costs of \$15,340)	84.063	12,799,248
Teacher Education Assistance for College & Higher Education Grants (Teach Grants)	84.379	7,456
		<u>67,144,044</u>
Total Student Financial Assistance Cluster		
Research and Development Cluster:		
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Passed Through Rutgers, The State University of NJ		
Estuarine Research Reserves	11.420	19,324
WeCrab Marine Debris Project	11.463	3,695
Habitat Conservation-Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	11.463	39,837
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	5,900
National Science Foundation:		
Education and Human Resources: Scholarships for Success in Science, Technology, Engineering & Math	47.076	66,565
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	14,694
National Estuary Program - Little Egg Harbor Oyster Spat Settlement	66.456	4,759
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	66.456	8,344
National Endowment for the Humanities:		
Passed Through New Jersey Council for the Humanities:		
Marching from Atlantic City to Washington & Beyond	45.129	13,083
Promotion of the Humanities - Office of Digital Humanities	45.164	78,734
U.S. Department of the Interior Fish and Wildlife Service:		
Forsythe Wildlife Refuge Lidar Survey	15.677	53,511
Passed Through NJ DEP: Division of Fish & Wildlife -		
Deer Exclosures & Cedar Study	15.625	10,161
Creation of Small Deer Exclosures in Silvicultural Experimental Areas	15.625	10,000
Wildlife Protection User Survey	15.605	62,683
		<u>391,290</u>
Total Research and Development Cluster		
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	15,000
NJ Healthy Kids Vineland YMCA	93.331	42,068
Passed Through The New Jersey Council on Developmental Disabilities,		
2015-2016 Get FIT Partnership - Get Fit @ Home	93.630	8,085
Passed Through NJ Department of Children and Families,		
Chafee Foster Care Independence Program - Foster and Adoptive Family Services	93.674	8,628
		<u>73,781</u>
Total U.S. Department of Health and Human Services		
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	22,061
U.S. Department of Education:		
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	225,341
Passed Through NJ Commission for the Blind & Visually Impaired,		
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.264	31,013
Stockton Coastal Collaborative Math & Science Partnership	84.366	250,777
NJDOE Formative Assessment	84.367	62,348
Building Teacher Leadership	84.367	112,432
		<u>681,911</u>
Total U.S. Department of Education		

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards

Stockton University
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Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Other Federal Assistance (continued):		
U.S. Department of Agriculture: Passed through the State of New Jersey Department of Environmental Protection, Forestry Services Forest Fire Research	10.664	\$ 8,502
U.S. Department of the Interior: Passed through The Nature Conservancy: Wetlands Restoration	15.153	22,194
U.S. Department of Veterans Affairs: Post - 9/11 Veterans Educational Assistance	64.028	2,080,064
U.S. Department of Homeland Security: Passed Through NJ Department of Environmental Protection: Cooperating Technical Partners	97.045	35,017
U.S. Corporation for National & Community Service AmeriCorps National Service Education Award	94.006	9,631
U.S. Department of Labor: WIA Cluster, Passed Through Atlantic Cape May Workforce Investment Board:		
Work First New Jersey	17.258	314,099
Dislocated Workers - On-The-Job Training	17.260	19,086
Adult Program	17.258	2,721
Summer Youth Employment Training	17.259	20,596
Youth Activities-Year Round Out of School	17.259	135,826
National Emergency	17.277	3,248
Office of Workers' Compensation Program/Federal Employees' Compensation Act GA/SNAP	17.225 10.561	9,055 1,599
Passed Through NJ Department of Labor & Workforce Development: Dislocated Workers - Retail, Hospitality & Tourism Talent Network	17.278	131,029
Total WIA Cluster		637,259
U.S. Small Business Administration: Passed Through Rutgers, The State University of NJ New Jersey Small Business Development Centers (NJSBDC)	59.037	114,311
Hurricane Sandy Small Business Revitalization Opportunity	59.064	59,089
Total U.S. Small Business Administration		173,400
Total Other Federal Assistance		3,743,820
Total Expenditures of Federal Awards		\$ 71,279,154

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards

Stockton University
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Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2016

<u>Grantor Department</u> <u>Program Title</u>	<u>Account Number</u>	<u>Program Amount</u>	<u>Grant Period</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Total</u> <u>Disbursements</u>
Student Financial Assistance:					
N.J. Higher Education Student Assistance Authority:					
New Jersey College Loans to Assist State Students	N/A	\$ 4,228,250	07/01/15-06/30/16	\$ 4,228,250	\$ 4,228,250
Tuition Aid Grant	100-074-2405-007	10,280,082	07/01/15-06/30/16	10,280,082	10,280,082
Urban Scholars	100-074-2405-278	16,500	07/01/15-06/30/16	16,500	16,500
Governor's Urban Persistency Award	100-074-245-329	1,500	07/01/15-06/30/16	1,500	1,500
New Jersey STARS II	100-074-2405-313	264,522	07/01/15-06/30/16	264,522	264,522
Survivor Tuition Benefits	100-074-2405-009	8,268	07/01/15-06/30/16	8,268	8,268
Law Enforcement Officer Memorial	100-074-2405-312	20,579	07/01/15-06/30/16	20,579	20,579
NJ BEST	100-074-2405-316	23,000	07/01/15-06/30/16	23,000	23,000
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2016	100-074-2401-001	298,983	07/01/15-06/30/16	261,752	298,983
Educational Opportunity Fund Article III Summer FY2017	100-074-2401-001	316,922	06/01/16-07/31/17	168,770	168,770
Educational Opportunity Fund Article III Academic Year	100-074-2401-001	444,025	07/01/15-06/30/16	444,025	444,025
Educational Opportunity Fund Graduate Grants	100-074-2401-001	9,200	07/01/15-06/30/16	9,200	9,200
Total Student Financial Assistance				15,726,448	15,763,679
Other State of N.J. Assistance:					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2015	100-042-4895-043	586,468	01/01/15-01/31/16	283,212	586,459
N.J. Beach Profile 2016	100-042-4895-043	499,878	02/01/16-12/31/16	165,568	165,568
N.J. Coastal Estuaries Inventory	100-042-4800-176	59,206	01/01/16-06/30/17	16,120	16,120
N.J. Department of Transportation:					
Dredged Material Management System	480-078-6300-CTB	286,993	03/06/08-03/06/18	16,725	181,476
N.J. Department of Children & Families Services,					
Child Welfare Education Institute (CWEI) - BCWEP & MCWEP	100-016-1600-047	2,002,675	07/01/15-06/30/16	1,830,904	1,830,904
N.J. Department of Community Affairs:					
Pilot Research - Study of Gambling	100-022-8050-184	7,000	07/01/15-06/30/16	7,000	7,000
N.J. Department of Human Services: Division of Youth and Family Services,					
Passed Through Rutgers University: NJ Child Welfare Training Consortium	100-016-1600-047	605,000	07/01/15-06/30/16	601,015	601,015
N.J. Department of Commerce and Economic Growth,					
Passed through Rutgers University: Small Business Development Center	100-074-2505-001	32,200	07/01/15-06/30/16	32,200	32,200
N.J. Department of Education:					
Teachers' Sheltered English Instruction Professional Development	100-034-5061-016	45,000	07/07/15-08/31/16	35,484	35,484
NJCCCS Standard 8 Training	100-034-5068-003	2,600	04/15/15-09/30/15	2,569	2,569
N.J. Department of Treasury:					
Passed Through Casino Reinvestment Development Authority: LEAD AC Yr3	100-022-0820-092	21,800	01/01/15-12/31/15	2,629	6,773
N.J. Department of Law and Public Safety					
Drunk Driving Enforcement Fund	100-078-6400-YYY	1,653	09/01/13-08/31/16	273	1,653
N.J. Department of Labor and Workforce Development,					
Retail, Hospitality & Tourism Talent Network	780-062-4545-007	375,000	07/01/14-12/31/15	19,922	64,766
Retail, Hospitality & Tourism Talent Network	780-062-4545-007	250,000	01/01/16-12/31/16	12,835	12,835

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards

Stockton University
(A Component Unit of The State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2016

<u>Grantor Department</u> <u>Program Title</u>	<u>Account Number</u>	<u>Program Amount</u>	<u>Grant Period</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Total</u> <u>Disbursements</u>
N.J. Department of Military & Veterans Affairs, An Environmental Internship Program Year 2	100-067-3620-178	\$ 39,659	05/18/15-09/30/15	\$ 27,541	\$ 36,874
N.J. Department of State Historical Commission Publishing Burlington Biographies	100-074-2540-105	3,000	08/01/15-12/31/15	3,000	3,000
N.J. Office of the Attorney General Municipal Planning for Safe Streets	100-066-1000-146	80,000	09/01/14-06/30/16	26,000	66,000
N.J. Higher Education Services: Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	267,857	07/01/15-06/30/16	267,857	267,857
NJSCA General Program Support	100-074-2530-032	101,020	07/01/15-06/30/16	101,020	101,020
NJSCA CSP Co Sponsored Project - Anniversary Supplement	100-074-2530-032	25,000	07/01/15-12/31/15	25,000	25,000
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/15-06/30/16	200,000	200,000
Atlantic County Awards 2015	100-074-2505-053	3,300	01/01/15-12/20/15	3,300	3,300
Atlantic County Awards 2016	100-074-2505-053	7,400	01/01/16-12/20/16	3,400	3,400
N.J. Commission on Higher Education: Higher Education Equipment Leasing Fund Program	100-082-2155-036	5,696,250	01/01/14-05/02/23	746,406	5,437,291
Higher Education Technology Infrastructure Fund Program	100-074-2400-059	775,000	01/01/14-12/31/XX	152,337	531,915
Higher Education Capital Improvement Fund	100-082-2155-079	7,067,020	03/01/14-03/01/34	2,216,442	2,774,197
Higher Education General Obligation Fund	586-074-2400-014	34,987,950	03/01/14-12/31/XX	1,858,185	3,436,392
N.J. Higher Education Services: N.J. Department of State: State of New Jersey Appropriation	100-074-2480-001	18,391,000	07/01/15-06/30/16	18,391,000	18,391,000
Interdepartmental Accounts: State Fringe Benefits Other Than FICA	100-094-9410-134	11,442,840	07/01/15-06/30/16	11,442,840	11,442,840
FICA-State Colleges and Universities Reimbursement Program	100-094-9410-137	5,760,868	07/01/15-06/30/16	5,760,868	5,760,868
Alternate Benefits Program	100-094-9410-132	4,119,569	07/01/15-06/30/16	4,119,569	4,119,569
Total Other State of NJ Assistance				48,371,221	56,145,345
Total Expenditures of State of New Jersey Awards				\$ 64,097,669	\$ 71,909,024

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards

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, 2016

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Expenditures of State of New Jersey Awards has been prepared in accordance with the requirements of the State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these schedules is to present the respective expenditures of Federal and State programs, under the accrual basis of accounting of Stockton University (the "University") for the year ended June 30, 2016. For purposes of the respective schedules, Federal and State of New Jersey awards include any assistance provided by a Federal or State agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loan and loan guarantees, and other noncash assistance. Because the schedules present only a selected portion of the activities of the University, they are not intended to, and do not, present either the net position of the University at June 30, 2016 or its changes in net position and cash flows for the year then ended. Accordingly, some amounts presented in the respective schedules may differ from amounts presented in, or used in the preparation of, the University's fiscal 2016 financial statements.

2. DIRECT LOAN PROGRAM AND NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS

Loans made by the University to eligible students under the State of New Jersey College Loans to Assist State Students Program and the Federal Direct Loan Program during the year ended June 30, 2016 follow:

Federal Direct Student Loans	\$ <u>50,864,484</u>
New Jersey College Loans to Assist State Students	\$ <u>4,228,250</u>

The University is responsible only for the performance of certain administrative duties with respect to the Direct Loan Program and the New Jersey College Loans to Assist State Students Program and has no responsibility to collect these loans. Accordingly, these loans are not included in the University's financial statements. It is not practicable to determine the balance of loans outstanding to students of the University under these programs as of June 30, 2016.

3. FEDERAL PERKINS LOANS

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of \$2,962,714 represents the total balance of loans outstanding under the Perkins Program. The current fiscal year's new loans made from the revolving loan fund from which new loans are made utilizing receipts from repayments of loans that have entered collection status was \$432,920.

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, 2016

4. SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2016:

Federal Program	Subrecipient	CFDA Number	Pass-Through Expenditures
Research and Development Cluster:			
Promotion of the Humanities - Office of Digital Humanities	EduWeb	45.164	\$ 45,000
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	Rutgers, The State University of NJ	66.456	2,275
			<u>47,275</u>
Other Federal Assistance:			
Work First New Jersey	Community Quest Inc	17.258	37,868
	Career Opportunity Development Inc	17.258	136,135
			<u>174,003</u>
			<u><u>\$ 221,278</u></u>



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

Board of Trustees
Stockton University:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and State of New Jersey Department of Treasury Circular 2015-08, the financial statements of Stockton 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 1, 2016.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

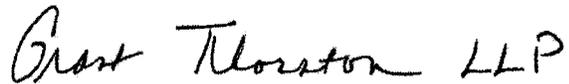
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the 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 *Government Auditing Standards* and State of New Jersey Department of Treasury Circular 2015-08.

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 *Government Auditing Standards* and State of New Jersey Department of Treasury Circular 2015-08 in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
November 1, 2016

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE OF NEW JERSEY DEPARTMENT OF TREASURY CIRCULAR 2015-08 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Stockton University:

Report on compliance for each major federal and State of New Jersey program

We have audited the compliance of Stockton University (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* and State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, that could have a direct and material effect on its major federal programs and State of New Jersey programs for the year ended June 30, 2016. The University’s major federal programs and State of New Jersey programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Our audit of, and opinion on, the University’s compliance for its major federal and State of New Jersey programs does not include the compliance requirements governing student loan repayments under the federal Perkins Loan Program in accordance with the requirements of the federal Student Financial Assistance Cluster, because the University engaged Educational Loan Servicing LLC (d/b/a Campus Partners) to perform these compliance activities. This third-party servicer has obtained a compliance attestation from another practitioner for the year ended June 30, 2016, in accordance with the U.S. Department of Education’s Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*.

Management’s responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to the University’s federal programs and State of New Jersey programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for the University’s major federal and State of New Jersey programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”)

and State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards and the Uniform Guidance and State of New Jersey 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 its major federal and State of New Jersey programs for the year ended June 30, 2016.

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 the major federal and State of New Jersey programs to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and State of New Jersey programs 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of New Jersey Department of Treasury Circular 2015-08. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania

November 1, 2016

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

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 Aid Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
Veterans Affairs	64.028

State of New Jersey:

Student Financial Aid Cluster	Various
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Dollar threshold used to distinguish between type A and type B programs - Federal: \$750,000

Dollar threshold used to distinguish between type A and type B programs - NJ State: \$1,922,930

Auditee qualified as low-risk auditee? X yes _____ no

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Section II - Financial Statement Findings

None noted.

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

None noted.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Section IV - Summary of Prior Year Findings and Corrective Action Plan

None noted.