**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

Basic Financial Statements,
Management's Discussion and Analysis and
Schedules of Expenditures of Federal and
State of New Jersey Awards

June 30, 2018 and 2017

(With Independent Auditors' Reports Thereon)

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

Financial Statements
June 30, 2018 and 2017

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**Independent Auditors' Report**

**Board of Trustees of**
**Ramapo College of New Jersey**
**Mahwah, New Jersey**

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Ramapo College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit 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 United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the College's discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2018 and 2017, and the respective changes in financial position and, cash flows thereof 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 on pages 3 through 18, and the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions and Schedule of Proportionate Share of the Total OPEB Liability on pages 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenditures of Federal and State of New Jersey Awards on pages 56 through 57 as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the College'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ramapo College of New Jersey's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 29, 2019

## Introduction Overview of Financial Statements and Financial Analysis

This section of the annual financial statements for Ramapo College of New Jersey (Ramapo or the College) presents management's discussion and analysis of the College's financial performance for the fiscal years ended on June 30, 2018 and 2017 and comparative amounts for the year ended June 30, 2016. Since the management's discussion and analysis is designed to focus on current activities and currently known facts, it should be read in conjunction with the College's basic financial statements and related footnote disclosures, which follow this section.

## College Overview

As the State's premier public liberal arts college, Ramapo College of New Jersey is dedicated to providing students a strong foundation for a lifetime of achievement. The College is committed to academic excellence through interdisciplinary and experiential learning, and international and intercultural understanding. Ramapo College emphasizes teaching and individual attention to all students. We promote diversity, inclusiveness, sustainability, student engagement and community involvement.

Established in 1969, Ramapo offers bachelor's degrees in the arts, business, humanities, social sciences and the sciences, as well as in professional studies, which include business, elementary education, nursing and social work. The College also offers seven graduate programs as well as articulated programs with Rutgers, The State University of New Jersey, New York Chiropractic College, New York University College of Dentistry, SUNY State College of Optometry and New York College of Podiatric Medicine.

Ramapo offers a Dual Enrollment Program with Seton Hall University's School of Law for prospective freshmen students wishing to pursue their Juris Doctorate (J.D.) and practice law after finishing their undergraduate coursework.

The College is sometimes viewed as a private college, in part, due to its interdisciplinary academic structure, its size of approximately 6,000 students and its pastoral setting in the foothills of the Ramapo Mountains on the New Jersey/New York border.

Undergraduate students may choose to concentrate their studies in one of five schools with more than 539 course offerings and 36 academic programs. Ramapo boasts an average student/faculty ratio of 18:1 and average class size of 23, affording students the opportunity to develop close ties to the College's exceptional faculty.

The College's curriculum is built on the four "pillars" of a Ramapo education: international, intercultural, interdisciplinary and experiential (hands on), all of which are incorporated throughout the curricula and extracurricular programs and help students push intellectual, personal and professional boundaries. The international mission is further accomplished through a wide range of study abroad and student exchange links with institutions all over the world. Additional experiential programs include internships, co-op and service learning.

Ramapo joins an elite group of institutions with less than five percent of business schools worldwide earning the accreditation distinction of its business degree program by the Board of Directors of the Association to Advance Collegiate Schools of Business (AACSB International). Additional accreditations include: the Social Work Program (Council on Social Work Education), the Chemistry Program (American Chemical Society), the Nursing Program (Accreditation Commission for Education in Nursing), the Teacher Education Program (Teacher Education Accreditation Council), and the Teacher Certification Program, approved by the State of New Jersey.

For 2017-2018 College Choice's ranking of the 20 Best Colleges in New Jersey placed Ramapo third behind only Princeton University and Stevens Institute of Technology, respectively. As both of these institutions are private, Ramapo was ranked by College Choice as #1 among eight of the public colleges in New Jersey.

For the 11th consecutive year Ramapo is listed in Kiplinger's Personal Finance Magazine as among the "100 Best Values in Public Colleges."

The College also is ranked annually by *U.S. News & World Report* as one of the Best Regional Public Universities North category and is listed by the Princeton Review.

The John Templeton Foundation named the College to its Honor Roll for "Character-building Colleges," which recognizes institutions that emphasize character development as an integral aspect of the undergraduate experience.

The National Historic Publications and Records Commission (NHPRC), a department of the National Archives, has awarded the Jane Addams Papers Project a one-year grant to support the project's work at the College. The Jane Addams Papers started work at Ramapo in September 2016, with a grant from the NHPRC, with the goal of creating a digital edition of the correspondence and writings of the founding mother of American social work.

During 2016, the College received two grants from the National Collegiate Athletics Association (NCAA). The first grant (CHOICES) provides funding over three years for alcohol and substance abuse prevention activities for student athletes and students who participate in Greek life. The second NCAA grant provides salary and professional development funding for a coaching intern in athletics.

The College was pleased to announce the receipt of an award of $15 million from the State of New Jersey Higher Education Capital Facilities Programs for the renovation and expansion of the George T. Potter Library. This funding provides much-needed support to transform the Library into a modern learning commons, with updated spaces that respond to the ways 21st century students study and learn.

Ramapo College of New Jersey is one of twelve senior public institutions in the New Jersey system of public higher education. The New Jersey Legislature appropriates funds annually to support the College; however, Ramapo operates autonomously from the State's activity. The Board of Trustees approved the College's Strategic Plan 2014-2018 which provides the College with a blueprint for the immediate future. The College is in the process of refreshing the Strategic Plan as the tenants outlined in the 2014-2018 plan are still relevant but are being evaluated based on recent experience and the current landscape of higher education. The Board of Trustees also endorsed a Campus Facilities Master Plan in 2013 that will guide the College's renewal and replacement of facilities over the next 10-15 years.

Dr. Peter P. Mercer became the College's fourth president on July 1, 2005. The College is governed by a Board of Trustees appointed by the Governor of the State, and the Chairman of the Board is William F. Dator.

## Financial Highlights

### Using the Financial Statements

The basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements focus on the financial condition of the College, the changes in financial position, and cash flows of the College as a whole, and are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). These statements present the College's operations on a consolidated basis and focus on assets, liabilities, revenues, expenses and cash flows and should be read with the accompanying footnotes.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position; and when the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Ramapo's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In fiscal year 2018, the College implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*. GASB 75 requires state and local government employers to recognize a liability for other postemployment benefits (OPEB). During the implementation of this guidance, it was noted that the State Health Benefit State Retired Employees Plan meets the definition of a special funding situation as defined in GASB 75. As a result, the OPEB liability is not allocated to the College, but OPEB expense is, and is offset by the revenue related to the support allocated by the State of New Jersey.

In fiscal year 2015, the College implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date–an amendment of GASB Statement No. 68*. GASB 68 and 71 require state and local government employers to recognize a net pension liability for defined benefit plans where the entity is a participant. The College's pension plans impacted by GASB 68 and 71 are New Jersey Public Employees' Retirement System (PERS).

In order to highlight the impact of GASB 68 on the College's net position as of June 30, 2018, 2017 and 2016, a reconciliation is show below (dollars in thousands):

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Net Position** | | | |
| Invested in capital assets, net of related debt | $ 97,368 | $ 92,855 | $ 78,145 |
| Expendable restricted | 1,183 | 794 | 747 |
| Unrestricted capital projects | 47,803 | 46,346 | 63,268 |
| Unrestricted operating current | 19,067 | 21,273 | 13,416 |
| Total unrestricted prior to GASB 68 | 66,870 | 67,619 | 76,684 |
| Unrestricted GASB 68 impact | (91,701) | (88,037) | (81,656) |
| Total Unrestricted, including GASB 68 | (24,831) | (20,418) | (4,972) |
| Total net position | $ 73,720 | $ 73,231 | $ 73,920 |

The implementation of GASB 75 had no impact on the College's net position. The annual expense allocated to the College from the State is presented on the Statement of Revenues, Expenses and Changes in Net Position, along with the allocation of income.

## Statement of Net Position

The Statement of Net Position is a point of time statement that presents the financial position of the College at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair market value. Capital assets are carried at cost and are depreciated over their respective useful lives. Assets are classified as current and noncurrent and are shown in order of their relative liquidity. Current assets are those considered to be convertible to cash within one year, and consist primarily of cash, short- term investments, deposits with bond trustees plus student and other receivables.

Liabilities are categorized based on maturity or when cash is expected to be used to liquidate them. Current liabilities are amounts becoming due and payable within the next year. Current liabilities consist primarily of accounts payable, accrued benefits and the current portion of long-term debt.

Net position is the residual interest in the College's assets after liabilities are deducted (the difference between total assets and total liabilities). Net position is one indicator of the financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. In addition, there are other nonfinancial factors that are relevant to the College's goals and missions, such as the trend and quality of applicants, first year class size, student retention rates, graduation rates, and other statistical data.

Net position is classified into three categories: Net investment in capital assets, Restricted and Unrestricted.

Net investment in capital assets represents the gross expenditure for capital less accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. This provides the College's equity in property, buildings and equipment.

Restricted net position consists of both nonexpendable and expendable categories. Nonexpendable net positions are subject to externally imposed stipulations that may be maintained permanently by the College; whereas expendable net position is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time. The whole of the College's restricted net position is expendable as the Ramapo College Foundation maintains any nonexpendable balances.

Unrestricted net positions are not subject to externally imposed stipulations and may be designated by specific purposes by action of management to the board of trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all of the College's unrestricted net position is designated for academic programs and initiatives, debt service and capital.

The condensed statement of net position as of June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Assets | | | |
| Current assets | $ 99,263 | $ 101,936 | $ 94,761 |
| Capital assets, net | 327,269 | 331,552 | 329,496 |
| Other assets | 18,628 | 18,606 | 724 |
| Total assets | 445,160 | 452,094 | 424,981 |
| Deferred Outflows of Resources | 20,242 | 22,144 | 10,048 |
| Liabilities | | | |
| Current liabilities | 29,535 | 30,325 | 27,458 |
| Noncurrent net pension liability | 94,937 | 105,486 | 88,667 |
| Other noncurrent liabilities | 250,204 | 260,501 | 241,947 |
| Total liabilities | 374,676 | 396,312 | 358,072 |
| Deferred Inflows of Resources | 17,006 | 4,695 | 3,037 |
| **Net Position** | | | |
| Invested in capital assets, net of related debt | $ 97,368 | $ 92,855 | $ 78,145 |
| Expendable restricted | 1,183 | 794 | 747 |
| Unrestricted capital projects | 47,803 | 46,346 | 63,268 |
| Unrestricted operating current | 19,067 | 21,273 | 13,416 |
| Total unrestricted prior to GASB 68 | 66,870 | 67,619 | 76,684 |
| Unrestricted GASB 68 impact | (91,701) | (88,037) | (81,656) |
| Total net position | $ 73,720 | $ 73,231 | $ 73,920 |

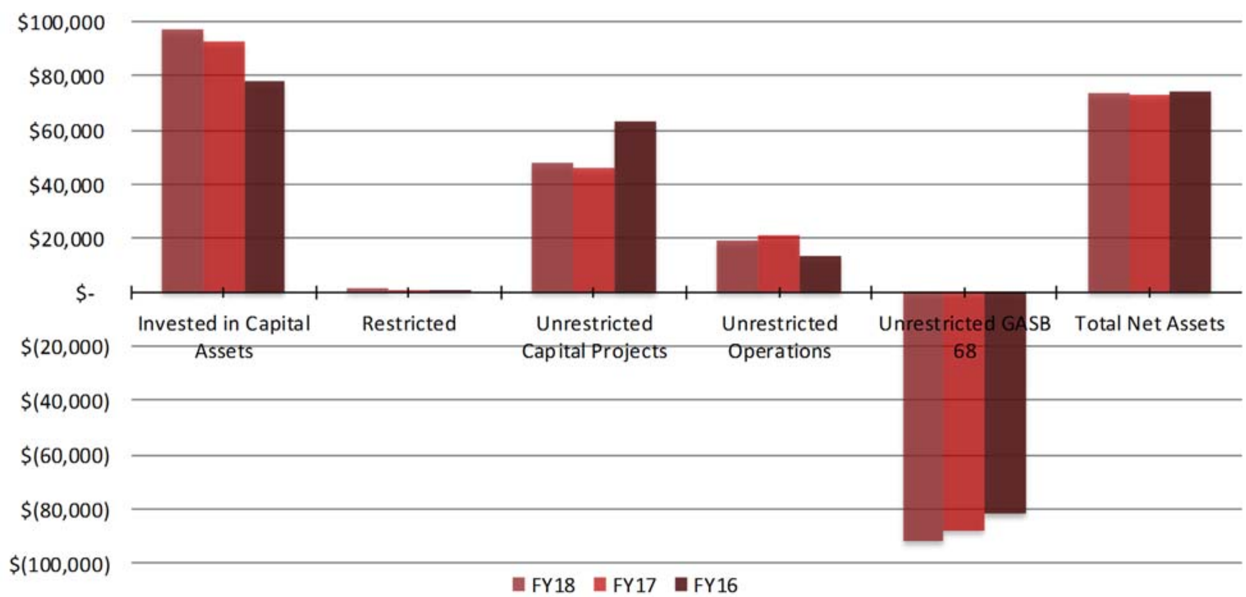
During fiscal year 2018, Ramapo's total assets decreased by $6.9 million. Current assets decreased by $2.7 million primarily due to decreases in deposits held with trustees and other receivables offset by increases in cash and cash equivalents and other receivables. Both current and noncurrent assets were impacted by deposits held with trustees decreased due to the utilization of funds from the prior year debt placement. Capital assets decreased by $4.3 million primarily as a result of depreciation, partially offset by some smaller capital projects.

Total liabilities decreased by $21.6 million. Net pension liability decreased $10.5 million to $94.9 million as of the year ending June 30, 2018, long-term debt decreased by $10.0 million and unearned revenue decreased by $0.2 million as revenue related to current projects was realized.

There was also a reduction of $0.8 million in current liabilities, mostly in accounts payable and accrued expenses, due to timing.

During fiscal year 2018, total net position increased $0.5 million, which included GASB 68 pension expense of $3.7 million. GASB 75 expense of $9.6 million was offset by allocated State appropriations and therefore had no effect on net position. Excluding GASB 68, the College had a $4.2 million increase in its net position during fiscal 2018.

Graphically displayed is the comparative net position change by category for the fiscal years ended June 30, 2018, 2017 and 2016 is shown below (dollars in thousands):




## Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year, regardless of when the cash is received or paid. This statement is categorized into three sections: operating revenues, operating expenses and non-operating revenues (expenses). The net difference among these sections results in an increase or decrease in the College's net position.

## Revenues

Operating revenues are earned from providing goods and services to students and various other constituencies of the College. Non-operating revenues are revenues for which goods or services are not directly provided in exchange for the revenue.

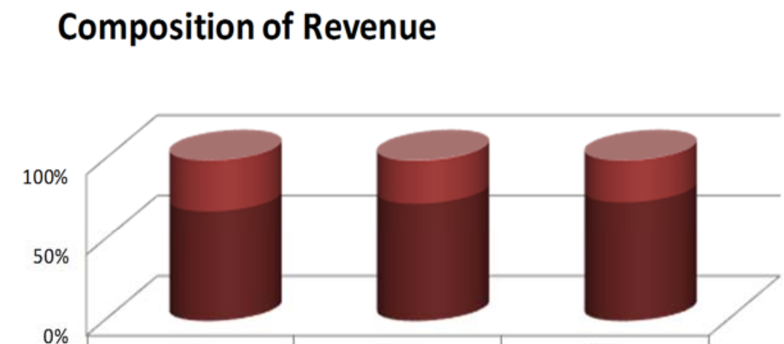
Ramapo derives its revenues from a variety of sources, the largest being net student revenues which include tuition, fees and residence life charges, net of scholarship allowances. The

College will continue to aggressively seek funding from all possible sources and manage those resources to fund its operating activities.

A condensed statement of revenues for the fiscal years ended June 30, 2018, 2017 and 2016 follows (dollars in thousands).

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | | | |
| Student revenues, net | $ 96,855 | $ 97,140 | $ 95,265 |
| Grants and contracts | 15,361 | 14,570 | 13,815 |
| Other | 1,308 | 850 | 2,242 |
| Total operating revenues | 113,524 | 112,560 | 111,322 |
| Non-operating revenue | | | |
| State appropriation | 52,699 | 41,199 | 39,244 |
| Transactions with affiliates | 2,780 | 3,413 | 3,209 |
| Investment and other | 516 | 750 | 471 |
| Total non-operating revenue | 55,995 | 45,362 | 42,924 |
| Capital grants and gifts | 1,876 | 1,082 | 846 |
| Total revenues | $ 171,395 | $ 159,004 | $ 155,092 |

A graphical breakdown of each category's percentage of total revenues for the fiscal years ended June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):




| | FY18 | FY17 | FY16 |
|---|---|---|---|
| Other Nonoperating | $516 | $750 | $471 |
| State appropriation | $52,699 | $41,199 | $39,244 |
| Operating revenues | $113,524 | $112,560 | $111,322 |

## Operating Revenues

### *Student Revenues*

Student revenues are comprised of three main sources: tuition, fees and auxiliary enterprises. Auxiliary enterprises are self-funding activities mostly consisting of Residence Life (room and board) and the Student Center (including Student Center Fee and Bookstore operations). Student revenues are reflected net of scholarship and auxiliary allowances. These allowances represent scholarships and financial aid applied to student accounts for tuition, fees, and room and board. These scholarships are funded through federal and state grant programs, gifts raised by the Ramapo College Foundation and general College revenues.

Student revenues remained relatively flat from fiscal year 2017 to 2018, as a result of leveled enrollment, coupled with a significantly low tuition increase. Ramapo applied $25.1 million, $23.4 million and $22.8 million in scholarship allowances for tuition and fees and auxiliary charges directly to student accounts in fiscal years 2018, 2017 and 2016, respectively. The main source of these allowances comes from the College, but also includes federal and state grants. The fiscal year 2018 allowances include $9.7 million from the College, $8.4 million federal, and $7.0 million from the State and others.

### *Federal, State & Local Grants and Contracts*

Federal, state and local grant and contract revenue includes student financial aid. For fiscal year 2018 grant revenue from all sources was $15.4 million, $0.8 million more than fiscal year 2017, included in this change were federal grants which were up $0.4 million, state grants which were up $0.4 million.

## Non-operating Revenues

### *New Jersey State Appropriation*

Total State appropriation, which includes fringe benefits and OPEB benefits, increased $11.5 million in fiscal year 2018, as compared to 2017. The main increase relates to the inclusion of the OPEB revenue of $9.6 million allocated to the College to offset the allocated OPEB expense. The composite fringe benefit rate is based on gross salary and the composite fringe benefit rate remained constant at 50.65% in 2018. The increase in the payment for fringe benefits by the State of New Jersey was a direct result of salary increase, mainly driven by the settlement of the union contracts. The direct State operational appropriations to College remained steady at $15.0 million in both fiscal 2018 and 2017. These appropriations are set annually by the State of New Jersey.

### *Transactions with Affiliates*

This category represents funds received from the Ramapo College Foundation to provide support for scholarships, programs and capital expansion. Often payments from the Ramapo College Foundation are based upon the timing of payments from donors, and fluctuate year to year. In fiscal year 2018, there was a decrease of $0.6 million in support payments as compared to the prior year.

### *Investment and Other*

In 2018, there were earnings of $0.5 million, as compared to $0.7 million in 2017, a decrease of $0.2 million.

## Expenses

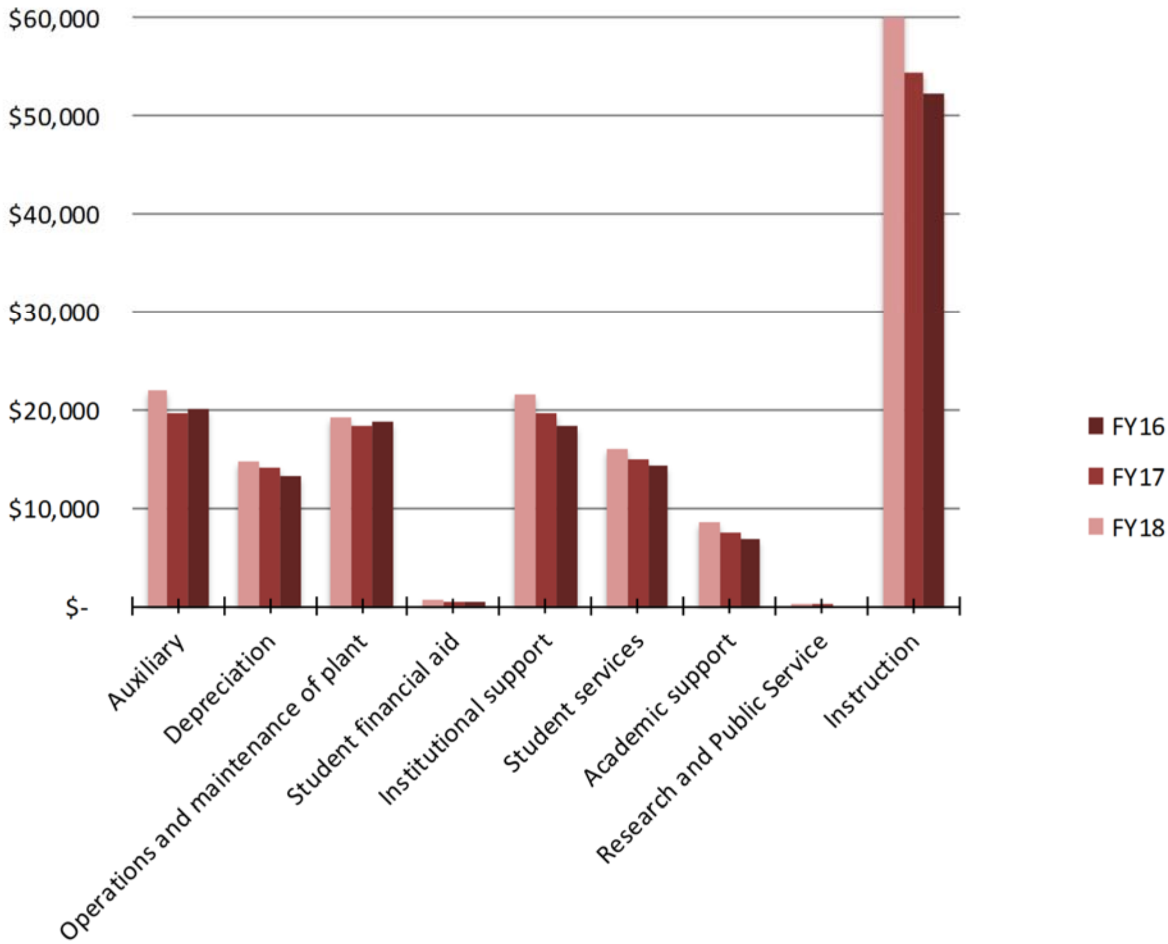
A condensed statement of expenses for the fiscal years ended June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating expenses | | | |
| Instruction | $ 61,070 | $ 54,366 | $ 52,211 |
| Research and Public Service | 291 | 117 | - |
| Academic support | 8,513 | 7,530 | 6,947 |
| Student services | 16,031 | 14,995 | 14,378 |
| Institutional support | 21,493 | 19,629 | 18,420 |
| Student financial aid | 574 | 435 | 435 |
| Operations and maintenance of plant | 19,275 | 18,356 | 18,820 |
| Depreciation | 14,744 | 14,149 | 13,164 |
| Auxiliary | 21,892 | 19,741 | 19,974 |
| Total operating expenses | 163,883 | 149,318 | 144,349 |
| Non-operating expenses | 7,023 | 10,375 | 7,697 |
| Total expenses | $ 170,906 | $ 159,693 | $ 152,046 |

For fiscal years 2018 and 2017, salaries and benefits comprised approximately 68% of the College's total operating expenses. Total operating expenses increased in fiscal 2018 by $14.6 million from fiscal 2017, mainly as a result of salary and benefit increases, and the pension and OPEB expense both of which are allocated to the functional categories.

During 2018, interest on debt service, included in non-operating expenses decreased $3.4 million to $7.0 million. This reflects the impact of debt restructurings as well as capitalized interest.

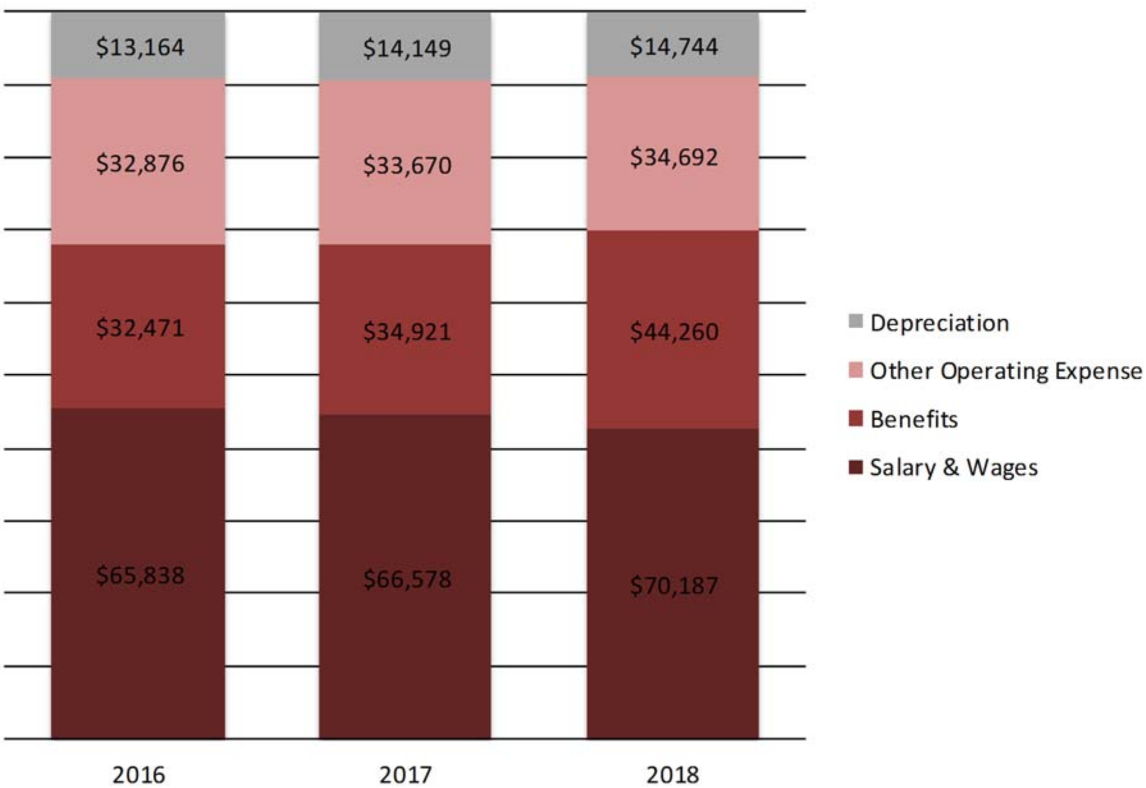
A comparative graph of functional operating expense for the fiscal years ended June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):




**Natural Classification Expenses:**

The natural classification of expenses is a way to review expense by their nature, as compared to their function, for example educational program code. Reviewing expenses in their natural classification shows trend in spending, when several years are shown. As the following graph illustrates, natural expenses from fiscal 2018 as compared to fiscal 2017 shows salaries and wages increasing from $66.6 million to $70.2 million. Benefits increased from $34.9 million in fiscal 2017 to $44.2 million in fiscal 2018, depreciation increased from $14.1 million in fiscal 2017 to $14.7 million in fiscal 2018 as a result of the completion of projects and other operating expenses increased from $33.7 million in fiscal 2017 to $34.7 million in fiscal 2018. Salary and benefits are mostly negotiated by the State therefore the College only controls the number of employees related to the expense. The significant increase in benefits in fiscal 2018 is due to the recognition of the OPEB expense, which was offset by additional State funding in the same amount. Benefit rates are also set by the State, so the increased costs for benefits are somewhat uncontrollable to the College.

Operating expenses by natural classification for the fiscal years ended June 30, 2018, 2017 and 2016 are illustrated in the following graph (dollars in thousands):




## Statement of Cash Flows

This statement assists in evaluating the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. Cash flows from operating activities will be negative since GASB Statement No. 35 requires state appropriations to be reported as cash flows from noncapital financing activities, which also include gifts and grants. Cash flows from capital financing include all capital related activities and related debt activities, while those from investing activities show the interest on investments.

A condensed statement of cash flow for the fiscal years ended June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net cash from operating activities | $ 6,105 | $ 11,473 | $ 5,540 |
| Noncapital financing activities | 17,733 | 18,366 | 18,162 |
| Capital financing activities | (22,506) | (24,894) | (19,222) |
| Investment income, net | 516 | 750 | 471 |
| Net increase in cash | 1,848 | 5,695 | 4,951 |
| Cash – beginning of year | 72,354 | 66,659 | 61,708 |
| Cash – end of year | $ 74,202 | $ 72,354 | $ 66,659 |

Cash from operating activities was $4.8 million in fiscal 2018 versus $11.5 million in fiscal 2017 a decrease of $6.7 million. A significant portion of the decrease from fiscal 2017 was caused by increased salary and benefit payments, and timing of payments to suppliers. The College has experienced a decrease in its net position over the last few years, which is the result of flat or decreasing state aid, pressure to keep tuition increases to a minimum and modest expense increases in salary and wages as well as non-salary. In addition, the College continues to invest in infrastructure to adequately maintain existing facilities as well as expand and renovate in accordance with our Campus Facilities Master Plan, discussed below. These economic factors will continue to impact the College and its sustained growth in the future.

***Capital Assets and Debt***

**Capital Assets**

In order to meet the needs of the College's academic and community activities, the College must continually reinvest resources into its capital assets to maintain adequate facilities for these programs. The College has updated its Campus Facilities Master Plan in conjunction with its Strategic Plan (2014-2018) to further identify and prioritize capital needs for the future. At June 30, 2018, the College had $327.3 million invested in capital assets, net of accumulated depreciation of $176.8 million. Depreciation expense was $14.7 million in fiscal year 2018 and $14.1 million in fiscal 2017.

A condensed statement of net capital asset as of June 30, 2018, 2017 and 2016 is as follows (dollars in thousands):

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Land | $ 3,231 | $ 3,231 | $ 3,231 |
| Land improvements, net | 2,997 | 2,738 | 3,029 |
| Infrastructure, net | 10,054 | 9,694 | 10,056 |
| Buildings and improvements, net | 300,366 | 303,484 | 288,686 |
| Equipment, net | 3,558 | 3,132 | 2,721 |
| Library collection, net | 540 | 700 | 934 |
| Construction in progress | 6,523 | 8,573 | 20,839 |
| Total | $ 327,269 | $ 331,552 | $ 329,496 |

As a result of the completion of a number of projects in 2018, construction in progress decreased by $2.1 million as of June 30, 2018 from $8.6 million as of June 30, 2017. Construction projects completed in fiscal 2018 include the renovations on certain College Park Apartment buildings and the Padovano Commons.

## Debt

At June 30, 2018, the College had $246.8 million in debt outstanding as compared to $256.8 million at June 30, 2017. During the year ended June 30, 2017, there were three new debt placements which occurred to obtain additional funding for projects outlined in the Campus Facilities Master Plan as well as refinance higher rate debt. As part of its mission, the College is committed to the expansion and renewal of its capital assets through its Campus Facilities Master Plan, in order to continue to enhance the quality of its academic and student development programming.

In 2017, Standard and Poor's Rating Services (S&P) assigned an 'A' long-term rating to New Jersey Educational Facilities Authority's series 2016B revenue and refunding bonds, issued on behalf of the College. S&P also affirmed the 'A' long-term rating on the other outstanding debt also issued for the College. This rating reflects S&P's view that the College has maintained fiscally prudent financial operations, and has stable enrollment.

In January of 2017, Moody's Investor Service (Moody's) assigned a negative outlook and a, 'A2'rating to the College's series 2018A revenue bonds, mainly driven by Moody's concerns over the risk of further decreasing State support. These ratings were not adjusted in fiscal 2018.

## Economic Factors that Could Affect the Future

The major components of Ramapo's operating revenue have changed over time due to declining State support over the last several years, which is approximately 25% of total revenue. In addition, the College faces limited expense flexibility as salaries and benefits are the largest expenses the College incurs and the State controls salary and benefit negotiations for a majority of College employees. New Jersey continues to face challenging economic times including the underfunding of the State's pension plan. These economic factors may affect future appropriations to the College, and reduced appropriations may place an increased burden on tuition and fees to fund operating costs.

Despite these changes, the College has been able to consistently increase its net position with solid financial operations and fiscally conservative budgeting and financial planning practices. Ramapo has had a cumulative tuition and fee growth of only 7.1% total in the last five years (FY13-FY18 tuition rates), as compared to the other five public non-research New Jersey institutions, which averaged approximately 11.6% tuition increases for that same time period.

The College is expecting total enrollment to continue to grow modestly over the next few years. Masters programs such as a Masters in Social Work, Masters in Business Administration, Master of Science in Educational Technology and Masters in Educational Leadership are continuing to enroll significant numbers of students. In fall of 2017, the College successfully offered additional enrollment opportunities such as the Family Nurse Practitioner and the Nursing Administrator tracks in the Masters of Science in Nursing program. In the fall of 2018, the new Masters of Science in Accounting was offered for the first time. As the College looks towards the needs of its students and community, it will continue to expand its graduate programs to meet those needs and build on its undergraduate strengths.

It is important for Ramapo to continue to sustain strong operating cash flows in order to meet its financial obligations with the uncertainty of future State support. However, the College will continue to focus on enhancing financial strength and sustainability, as it continues to seek new and enhanced revenue streams and operating efficiencies to maintain its ability to increase total net assets to meet the needs of its students. Ramapo remains committed to its mission of serving the educational needs of New Jersey.

## Requests for Information

Questions concerning any of the information contained in this report or request for additional information should be addressed to Controller's Office, Ramapo College of New Jersey, 505 Ramapo Valley Road, Mahwah, New Jersey 07430.

Complete financial statement for the Ramapo College Foundation, the College's component unit, can also be obtained from the Controller's Office.

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2018
(dollars in thousands)

| | Business-Type Activities Ramapo College | Component Unit Ramapo College Foundation | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash and cash equivalents | $ 74,202 | $ 720 | $ 74,922 |
| Short term investments | - | 1,977 | 1,977 |
| Receivables | | | - |
| Students, less allowance of $761 | 1,170 | - | 1,170 |
| Loans, less allowance of $46 | 98 | - | 98 |
| Gifts and grants | 679 | 332 | 1,011 |
| Contributions, net | - | 1,332 | 1,332 |
| Due from Ramapo College Foundation (Due to College) | 350 | (350) | - |
| Other | 2,681 | 88 | 2,769 |
| Total Receivables | 4,978 | 1,402 | 6,380 |
| Prepaid expenses | 35 | 23 | 58 |
| Restricted deposits held by Trustees | 20,048 | - | 20,048 |
| Total Current Assets | 99,263 | 4,122 | 103,385 |
| Noncurrent Assets | | | |
| Restricted deposits held by Trustees | 18,113 | - | 18,113 |
| Investments, at fair value | - | 19,564 | 19,564 |
| Student loan receivables, less allowance of $575 | 511 | - | 511 |
| Prepaid expenses | 4 | - | 4 |
| Contributions receivable, net | - | 4,148 | 4,148 |
| Capital assets, net | 327,269 | - | 327,269 |
| Total Noncurrent Assets | 345,897 | 23,712 | 369,609 |
| Total Assets | 445,160 | 27,834 | 472,994 |
| **DEFFERED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflow of pension resources | 20,242 | - | 20,242 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 12,303 | 92 | 12,395 |
| Long-term debt - current portion | 8,421 | - | 8,421 |
| Unearned revenue-current portion | 5,357 | 161 | 5,518 |
| Compensated absences - current portion | 2,126 | - | 2,126 |
| Deposits | 1,328 | 27 | 1,355 |
| Total Current Liabilities | 29,535 | 280 | 29,815 |
| Noncurrent Liabilities | | | |
| Long-term debt - noncurrent portion | 238,378 | - | 238,378 |
| Other liabilities | 100 | 217 | 317 |
| Unearned revenue-noncurrent portion | 9,783 | - | 9,783 |
| Compensated absences - noncurrent portion | 1,290 | - | 1,290 |
| Assets held on behalf of Federal government loan programs | 653 | - | 653 |
| Net pension liability | 94,937 | - | 94,937 |
| Total Noncurrent Liabilities | 345,141 | 217 | 345,358 |
| Total Liabilities | 374,676 | 497 | 375,173 |
| **DEFFERED INFLOWS OF RESOURCES** | | | |
| Deferred inflow of pension resources | 17,006 | - | 17,006 |
| **NET POSITION** | | | |
| Net investment in capital assets | 97,368 | - | 97,368 |
| Restricted | | | |
| Nonexpendable | - | 12,792 | 12,792 |
| Expendable | | | |
| Grants | - | 12,892 | 12,892 |
| Renewal and replacement | 1,183 | - | 1,183 |
| Unrestricted | | | |
| Capital projects | 47,803 | - | 47,803 |
| Current | (72,634) | 1,653 | (70,981) |
| Total Net Position | $ 73,720 | $ 27,337 | $ 101,057 |

See accompanying notes to financial statements

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2017
(dollars in thousands)

| | Business-Type Activities Ramapo College | Component Unit Ramapo College Foundation | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash and cash equivalents | $ 72,354 | $ 2,036 | $ 74,390 |
| Short term investments | - | 42 | 42 |
| Receivables | | | - |
| Students, less allowance of $783 | 609 | - | 609 |
| Loans, less allowance of $74 | 110 | - | 110 |
| Gifts and grants | 1,144 | 322 | 1,466 |
| Contributions, net | - | 1,065 | 1,065 |
| Due from Ramapo College Foundation (Due to College) | 1,577 | (1,577) | - |
| Other | 2,256 | 108 | 2,364 |
| Total Receivables | 5,696 | (82) | 5,614 |
| Prepaid expenses | 70 | 24 | 94 |
| Restricted deposits held by Trustees | 23,816 | - | 23,816 |
| Total Current Assets | 101,936 | 2,020 | 103,956 |
| Noncurrent Assets | | | |
| Restricted deposits held by Trustees | 18,006 | - | 18,006 |
| Investments, at fair value | - | 18,492 | 18,492 |
| Student loan receivables, less allowance of $587 | 563 | - | 563 |
| Prepaid expenses | 37 | - | 37 |
| Contributions receivable, net | - | 3,322 | 3,322 |
| Capital assets, net | 331,552 | - | 331,552 |
| Total Noncurrent Assets | 350,158 | 21,814 | 371,972 |
| Total Assets | 452,094 | 23,834 | 475,928 |
| **DEFFERED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflow of pension resources | 22,144 | - | 22,144 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 13,312 | 68 | 13,380 |
| Long-term debt - current portion | 8,738 | - | 8,738 |
| Unearned revenue-current portion | 4,960 | 99 | 5,059 |
| Compensated absences - current portion | 2,044 | - | 2,044 |
| Deposits | 1,271 | 15 | 1,286 |
| Total Current Liabilities | 30,325 | 182 | 30,507 |
| Noncurrent Liabilities | | | |
| Long-term debt - noncurrent portion | 248,035 | - | 248,035 |
| Other liabilities | 100 | 230 | 330 |
| Unearned revenue-noncurrent portion | 10,368 | - | 10,368 |
| Compensated absences - noncurrent portion | 1,241 | - | 1,241 |
| Assets held on behalf of Federal government loan programs | 757 | - | 757 |
| Net pension liability | 105,486 | - | 105,486 |
| Total Noncurrent Liabilities | 365,987 | 230 | 366,217 |
| Total Liabilities | 396,312 | 412 | 396,724 |
| **DEFFERED INFLOWS OF RESOURCES** | | | |
| Deferred inflow of pension resources | 4,695 | - | 4,695 |
| **NET POSITION** | | | |
| Net investment in capital assets | 92,855 | - | 92,855 |
| Restricted | | | |
| Nonexpendable | - | 12,454 | 12,454 |
| Expendable | | | |
| Grants | - | 10,582 | 10,582 |
| Renewal and replacement | 794 | - | 794 |
| Unrestricted | | | |
| Capital projects | 46,346 | - | 46,346 |
| Current | (66,764) | 386 | (66,378) |
| Total Net Position | $ 73,231 | $ 23,422 | $ 96,653 |

See accompanying notes to financial statements

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018
(dollars in thousands)

| | Business-Type Activities Ramapo | Component Unit Ramapo College | Total |
|---|---|---|---|
| **REVENUE** | | | |
| Operating Revenues | | | |
| Student tuition and fees | $ 81,323 | $ - | $ 81,323 |
| Less: tuition scholarship allowances | (21,240) | - | (21,240) |
| Net Student Tuition and Fees | 60,083 | - | 60,083 |
| Auxiliary enterprises | 40,593 | - | 40,593 |
| Less: auxiliary allowances | (3,821) | - | (3,821) |
| Net Auxiliary Enterprises | 36,772 | - | 36,772 |
| Federal grants and contracts | 8,409 | - | 8,409 |
| State and local grants and contracts | 6,952 | 1,411 | 8,363 |
| Contributions | - | 4,327 | 4,327 |
| Other operating revenues | 1,308 | 769 | 2,077 |
| Total Operating Revenues | 113,524 | 6,507 | 120,031 |
| **EXPENSES** | | | |
| Operating Expenses | | | |
| Instruction | 61,070 | - | 61,070 |
| Research & Public Service | 291 | - | 291 |
| Academic support | 8,513 | - | 8,513 |
| Student services | 16,031 | - | 16,031 |
| Institutional support | 21,493 | 1,456 | 22,949 |
| Student financial aid and scholarships | 574 | - | 574 |
| Operations and maintenance of plant | 19,275 | - | 19,275 |
| Depreciation | 14,744 | - | 14,744 |
| Auxiliary | 21,892 | - | 21,892 |
| Total Operating Expenses | 163,883 | 1,456 | 165,339 |
| Operating (Loss) Income | (50,359) | 5,051 | (45,308) |
| Nonoperating Revenue (Expenses) | | | |
| State of New Jersey appropriations | 14,953 | - | 14,953 |
| State of New Jersey paid fringe benefits | 28,126 | - | 28,126 |
| State of New Jersey paid other post employement benefits | 9,620 | - | 9,620 |
| Investment income, net | 516 | 1,644 | 2,160 |
| Interest expense | (7,023) | - | (7,023) |
| Transactions with affiliates | 2,780 | (2,780) | - |
| Net Nonoperating Revenue (Expenses) | 48,972 | (1,136) | 47,836 |
| Capital gifts and grants | 1,876 | - | 1,876 |
| Increase in Net Position | 489 | 3,915 | 4,404 |
| **NET POSITION** | | | |
| Beginning of year | 73,231 | 23,422 | 96,653 |
| End of year | $ 73,720 | $ 27,337 | $ 101,057 |

See accompanying notes to financial statements

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017
(dollars in thousands)

| | Business-Type Activities Ramapo College | Component Unit Ramapo College Foundation | Total |
|---|---|---|---|
| **REVENUE** | | | |
| Operating Revenues | | | |
| Student tuition and fees | $ 81,209 | $ - | $ 81,209 |
| Less: tuition scholarship allowances | (19,776) | - | (19,776) |
| Net Student Tuition and Fees | 61,433 | - | 61,433 |
| Auxiliary enterprises | 39,359 | - | 39,359 |
| Less: auxiliary allowances | (3,652) | - | (3,652) |
| Net Auxiliary Enterprises | 35,707 | - | 35,707 |
| Federal grants and contracts | 8,017 | - | 8,017 |
| State and local grants and contracts | 6,553 | 1,096 | 7,649 |
| Contributions | - | 3,383 | 3,383 |
| Other operating revenues | 850 | 660 | 1,510 |
| Total Operating Revenues | 112,560 | 5,139 | 117,699 |
| **EXPENSES** | | | |
| Operating Expenses | | | |
| Instruction | 54,366 | - | 54,366 |
| Research & Public Service | 117 | - | 117 |
| Academic support | 7,530 | - | 7,530 |
| Student services | 14,995 | - | 14,995 |
| Institutional support | 19,629 | 1,156 | 20,785 |
| Student financial aid and scholarships | 435 | - | 435 |
| Operations and maintenance of plant | 18,356 | - | 18,356 |
| Depreciation | 14,149 | - | 14,149 |
| Auxiliary | 19,741 | - | 19,741 |
| Total Operating Expenses | 149,318 | 1,156 | 150,474 |
| Operating (Loss) Income | (36,758) | 3,983 | (32,775) |
| Nonoperating Revenue (Expenses) | | | |
| State of New Jersey appropriations | 14,953 | - | 14,953 |
| State of New Jersey paid fringe benefits | 26,246 | - | 26,246 |
| Investment income, net | 750 | 1,918 | 2,668 |
| Interest expense | (10,375) | - | (10,375) |
| Transactions with affiliates | 3,413 | (3,413) | - |
| Net Nonoperating Revenue (Expenses) | 34,987 | (1,495) | 33,492 |
| Capital gifts and grants | 1,082 | - | 1,082 |
| (Decrease) Increase in Net Position | (689) | 2,488 | 1,799 |
| **NET POSITION** | | | |
| Beginning of year | 73,920 | 20,934 | 94,854 |
| End of year | $ 73,231 | $ 23,422 | $ 96,653 |

See accompanying notes to financial statements

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Statements of Cash Flows
(Business-Type Activities - Ramapo College Only)
Years Ended June 30,
(dollars in thousands)

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Tuition and fees | $ 59,976 | $ 61,541 |
| Grants and contracts | 15,826 | 15,378 |
| Payments to suppliers | (34,257) | (32,837) |
| Payments to employees | (70,056) | (66,334) |
| Payments for employee benefits | (2,850) | (2,294) |
| Auxiliary enterprise charges | 36,772 | 35,707 |
| Other | 694 | 312 |
| Net Cash from Operating Activities | 6,105 | 11,473 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| State appropriations | 14,953 | 14,953 |
| Gifts and grants | 2,780 | 3,413 |
| Net Cash from Noncapital Financing Activities | 17,733 | 18,366 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Capital grants and gifts received | 1,291 | 10,228 |
| Purchases of capital assets | (9,661) | (15,722) |
| Proceeds from the issuance of long-term debt | - | 116,545 |
| Principal paid on capital debt and leases | (7,793) | (105,504) |
| Interest paid on capital debt and leases | (10,004) | (10,858) |
| Decrease (Increase) in deposits held by trustees | 3,661 | (19,583) |
| Net Cash from Capital Financing Activities | (22,506) | (24,894) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income, net | 516 | 750 |
| Net Increase in Cash and Cash Equivalents | 1,848 | 5,695 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 72,354 | 66,659 |
| End of year | $ 74,202 | $ 72,354 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES** | | |
| Operating loss | $ (50,359) | $ (36,758) |
| Adjustments to reconcile net loss to net cash from operating activities | | |
| Depreciation expense | 14,744 | 14,149 |
| State of New Jersey fringe benefits | 28,126 | 26,246 |
| State of New Jersey other post employment benefits | 9,620 | - |
| Changes in assets and liabilities | | |
| Receivables, net | 770 | 109 |
| Prepaid expenses and other assets | 68 | 112 |
| Deferred outflows/inflows of resources | 14,213 | (10,438) |
| Net pension liability | (10,549) | 16,819 |
| Accounts payable and accrued expenses | (1,009) | 1,314 |
| Unearned tuition, fees, and deposits | 397 | 5 |
| Deposits | 57 | (100) |
| Compensated absences | 131 | 244 |
| Government grants refundable | (104) | (229) |
| Net Cash from Operating Activities | $ 6,105 | $ 11,473 |

See accompanying notes to financial statements

## 1. Organization

Established in 1969, Ramapo College of New Jersey (the College) offers bachelor's degrees in the arts, business, humanities, social sciences and the sciences, as well as in professional studies, which include nursing and social work. In addition, the College offers courses leading to teacher certification at the elementary and secondary levels. The College also offers five graduate programs as well as articulated programs with the University of Medicine and Dentistry of New Jersey and New York Chiropractic College.

The College's mission is focused on the four "pillars" of a Ramapo education: international, intercultural, interdisciplinary and experiential, all of which are incorporated throughout the curriculum and extracurricular. The international mission is further accomplished through a wide range of study abroad and student exchange links with institutions all over the world through the New Jersey State Consortium for International Studies (NJSCIS). Additional experiential programs include internships, co-op, and service learning.

The College is recognized as a public institution of higher education by the State of New Jersey. This recognition is supported by an annual appropriation between the College and the State whereby the College agrees to render services of public higher education for the State. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the College is considered a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the College are included in the State of New Jersey's Comprehensive Annual Financial Report.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation*

The accounting policies of the College conform to U.S. generally accepted accounting principles as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Interpretations, Accounting Principles, Board Opinion, and Accounting Review Boards of the Committee on Accounting Procedures.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories.

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*:
  *Nonexpendable* – Net position subject to externally imposed stipulations that must be maintained permanently by the College.
  *Expendable* – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.

## 2. Summary of Significant Accounting Policies (Continued)

### *Basis of Presentation (Continued)*

- *Unrestricted*:
  *Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic programs, initiatives, and capital programs.*

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

### *Measurement Focus and Basis of Accounting*

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

### *Use of Estimates*

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

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid investments purchased with an original maturity of three months or less. The College maintains cash balances at several financial institutions.

### *Restricted deposits Held by Trustees*

Restricted deposits held by trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and cash equivalents and U.S. Treasury securities. Investment income is recorded on an accrual basis. Changes in fair value (including realized and unrealized gains and losses) are reported in investment income.

## 2. Summary of Significant Accounting Policies (Continued)

### *Fair Value Measurements*

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

### *Capital Assets*

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Expenditures for normal maintenance and repairs are expensed when incurred.

Capital assets of the College are depreciated using the straight-line method over the following useful lives.

| | Useful Lives |
|---|---|
| Land improvements | 20 Years |
| Buildings and improvements | 20-50 Years |
| Equipment | 5-10 Years |
| Library collection | 10 Years |
| Infrastructure | 7-50 Years |

### *Deferred Outflows and Deferred Inflows of Resources*

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The changes in assumptions, net differences between projected and actual earnings on pension plan investments and changes in proportionate share may be either deferred outflows of resources or deferred inflow of resources. See note 10 for the College's breakdown of these items.

## 2. Summary of Significant Accounting Policies (Continued)

### *Revenue Recognition*

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid and are recognized in the period earned. Student tuition and fees collected in advance of the academic year are recorded as unearned tuition and fees in the accompanying statement of net position.

Federal, State and local grants and contracts revenue is comprised mainly of grant revenues received from the Federal government and State of New Jersey and are recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not yet been met under the terms of the agreement are recorded as unearned revenue in the accompanying statement of net position.

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

### *Classification of Revenue*

The College's policy for defining operating activities in the statement of revenues, expenses, and changes in net position are those that serve the College'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: student tuition and fees, net of scholarship allowances; sales and services of auxiliary enterprises; and most Federal, State and local grants and contracts. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the State and investment income.

### *Financial Dependency*

The College is recognized as a public institution of higher education by the State of New Jersey (the State). This recognition is supported by an annual appropriation between the College and the State whereby the College agrees to render services of public higher education for the State. The College is economically dependent on these appropriations to carry on its operations.

### *Tax Status*

The College is exempt from Federal income taxes under Section 115 of Internal Revenue Service code. The Foundation is exempt from Federal income taxes under the Internal Revenue Code Section 501c(3) and, therefore, has made no provision for Federal income taxes. The Foundation is subject to the accounting standard for uncertain tax positions and has determined that no liabilities are required to be recorded for uncertain tax positions. The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2015.

## 2. Summary of Significant Accounting Policies (Continued)

### *Recently Adopted Accounting Standards*

In June 2015, the GASB issued Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), which replaces the requirements of GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governments. GASB 75 requires state and local government employers to recognize a liability for OPEB. The State Health Benefit State Retired Employees Plan meets the definition of a special funding situation as defined in GASB 75, as a result, the OPEB liability is not allocated to the College; however, the OPEB expense is recognized by the College and offset by revenue related to the support allocated by the State of New Jersey. The College adopted GASB 75 for its fiscal year 2018 financial statements. See Note 11 for more information.

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

## 3. Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at fair value and consist of the following (dollars in thousands) as of:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Cash and money market accounts | $ 73,051 | $ 71,218 |
| State of New Jersey Cash Management Fund | 1,151 | 1,136 |
| Total Cash and Cash Equivalents | $ 74,202 | $ 72,354 |

In accordance with GASB 40, *Deposit and Investment Risk Disclosures*, the College has assessed the certain risks related to its cash and cash equivalents and restricted deposits held by trustees.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College entered into an irrevocable standby letter of Credit agreement with drawdown limit of $83 million with TD Bank N.A. and the Federal Home Loan Bank of Pittsburgh acting as the custodian. This agreement secures payment of uninsured deposits to the College.

As of June 30, 2018 and 2017, cash and money market accounts balances held by depositories amounted to $73.5 million and $71.1 million, of which $.8 million in each year were FDIC (Federal Deposit Insurance Corporation) insured. Bank balances in excess of insured amounts of $72.7 million, and $70.3 million as of June 30, 2018 and 2017, respectively were collateralized according to the irrevocable standby letter of credit agreement.

## 3. Cash and Cash Equivalents (Continued)

The College participates in the State of New Jersey Cash Management Fund wherein amounts contributed by the College are combined with funds from other state institutions into a large-scale investment program. The carrying amount of cash and cash equivalents in the State of New Jersey Cash Management Fund as of June 30, 2018 and 2017 was $1.2 million and $1.1 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes. The Cash Management Fund is unrated.

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

## 4. Restricted Deposits Held by Trustees

Restricted deposits held by trustees represent restricted funds held by financial institutions, under the terms of various obligations. Restricted deposits held by trustees under bond indenture agreements are carried in the financial statements at fair value and have been valued using Level 1 inputs as follows (dollars in thousands) as of:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Construction fund | $ 25,013 | $ 29,479 |
| Debt service fund for principal and interest | 11,965 | 11,228 |
| Capitalized interest | - | 308 |
| Cost of issuance | - | 13 |
| Renewal and replacement fund | 1,183 | 794 |
| | 38,161 | 41,822 |
| Less: current portion | 20,048 | 23,816 |
| Noncurrent Deposits Held by Trustees | $ 18,113 | $ 18,006 |

The College's restricted deposits held by trustees are subject to various risks. Among these risks are interest risk and credit risk.

## 4. Restricted Deposits Held by Trustees (Continued)

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The following table summarizes restricted deposits held by trustees' maturities (dollars in thousands) as of:

| | | June 30, 2018 | | |
|---|---|---|---|---|
| | | Investment maturities (in years) | | |
| Investment Type | Fair Value | Less than 1 | 1 to 2 | More than 2 |
| Money market funds | $ 36,067 | $ 36,067 | $ - | $ - |
| U.S. Treasury notes and government securities | 100 | 100 | - | - |
| Fixed Income | 1,994 | 1,994 | - | - |
| | $ 38,161 | $ 38,161 | $ - | $ - |

| | | June 30, 2017 | | |
|---|---|---|---|---|
| | | Investment maturities (in years) | | |
| Investment Type | Fair Value | Less than 1 | 1 to 2 | More than 2 |
| Money market funds | $ 38,130 | $ 38,130 | $ - | $ - |
| U.S. Treasury notes and government securities | $ 2,942 | $ 2,942 | $ - | $ - |
| Fixed Income | 750 | 750 | - | - |
| | $ 41,822 | $ 41,822 | $ - | $ - |

Assets held under bond indenture agreements are not governed by the College's investment policies, but rather by the investment policies of the New Jersey Educational Facilities Authority. As of June 30, 2018 and 2017, restricted deposits held by trustees were invested in money market funds, U.S. Treasury bills or fixed income securities.

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

## 4. Restricted Deposits Held by Trustees (Continued)

### *Fair Value Measurement*

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

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date

- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for an asset or liability

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

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

- U.S. treasuries and agencies are valued at quoted price reported on the active market
- Fixed income are valued using prices based on bid evaluations or quoted prices in an inactive market
- Money market funds are recorded at the quoted price which approximates fair value

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2018 is comprised of the following (dollars in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Non Depreciable Capital Assets | | | | |
| Land | $ 3,231 | $ - | $ - | $ 3,231 |
| Construction in progress | 8,573 | 9,507 | (11,557) | 6,523 |
| | 11,804 | 9,507 | (11,557) | 9,754 |
| Depreciable Capital Assets | | | | |
| Land improvements | 7,077 | 553 | - | 7,630 |
| Buildings and improvements | 437,234 | 9,835 | - | 447,069 |
| Equipment | 14,316 | 1,342 | (218) | 15,440 |
| Library collection | 8,152 | 12 | (1,498) | 6,666 |
| Infrastructure | 16,741 | 790 | - | 17,531 |
| | 483,520 | 12,532 | (1,716) | 494,336 |
| Total Capital Assets | 495,324 | 22,039 | (13,273) | 504,090 |
| Accumulated Depreciation | | | | |
| Land improvements | 4,339 | 294 | - | 4,633 |
| Buildings and improvements | 133,750 | 12,953 | - | 146,703 |
| Equipment | 11,184 | 895 | (197) | 11,882 |
| Library collection | 7,452 | 172 | (1,498) | 6,126 |
| Infrastructure | 7,047 | 430 | - | 7,477 |
| Total Accumulated Depreciation | 163,772 | 14,744 | (1,695) | 176,821 |
| Capital Assets, Net | $ 331,552 | $ 7,295 | $ (11,578) | $ 327,269 |

## 5. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2017 is comprised of the following (dollars in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Non Depreciable Capital Assets | | | | |
| Land | $ 3,231 | $ - | $ - | $ 3,231 |
| Construction in progress | 20,839 | 14,240 | (26,506) | 8,573 |
| | 24,070 | 14,240 | (26,506) | 11,804 |
| Depreciable Capital Assets | | | | |
| Land improvements | 7,077 | - | - | 7,077 |
| Buildings and improvements | 410,072 | 27,162 | - | 437,234 |
| Equipment | 13,198 | 1,254 | (136) | 14,316 |
| Library collection | 9,410 | 5 | (1,263) | 8,152 |
| Infrastructure | 16,691 | 50 | - | 16,741 |
| | 456,448 | 28,471 | (1,399) | 483,520 |
| Total Capital Assets | 480,518 | 42,711 | (27,905) | 495,324 |
| Accumulated Depreciation | | | | |
| Land improvements | 4,048 | 291 | - | 4,339 |
| Buildings and improvements | 121,386 | 12,364 | - | 133,750 |
| Equipment | 10,477 | 843 | (136) | 11,184 |
| Library collection | 8,476 | 239 | (1,263) | 7,452 |
| Infrastructure | 6,635 | 412 | - | 7,047 |
| Total Accumulated Depreciation | 151,022 | 14,149 | (1,399) | 163,772 |
| Capital Assets, Net | $ 329,496 | $ 28,562 | $ (26,506) | $ 331,552 |

As of June 30, 2018 and 2017, estimated costs to complete the projects classified as construction in progress are approximately $35.3 million and $30.9 million, respectively, and are expected to be funded primarily from New Jersey Educational Facility Authority Revenue Bonds and unrestricted revenues. During fiscal 2018 and 2017, the College capitalized interest expense of $0.8 million and $0.5 million, respectively.

## 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following (dollars in thousands) as of:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Vendors | $ 2,776 | $ 3,299 |
| Capital projects | 2,648 | 3,868 |
| Accrued salaries and benefits | 1,902 | 2,130 |
| Interest payable | 4,977 | 4,015 |
| | $ 12,303 | $ 13,312 |

## 7. Noncurrent Liabilities

Activity in noncurrent liabilities for the year ending June 30, 2018 was as follows (dollars in thousands):

| | June 30, 2017 | Additions | Reductions | June 30, 2018 | Current Portion |
|---|---|---|---|---|---|
| Other Liabilities | $ 100 | $ - | $ - | $ 100 | $ - |
| Compensated absences | 3,285 | 435 | (304) | 3,416 | 2,126 |
| U.S. Government grants refundable (Perkins) | 757 | 82 | (186) | 653 | - |
| Long-term debt | 256,773 | - | (9,974) | 246,799 | 8,421 |
| | $ 260,915 | $ 517 | $ (10,464) | $ 250,968 | $ 10,547 |

Activity in noncurrent liabilities for the year ending June 30, 2017 was as follows (dollars in thousands):

| | June 30, 2016 | Additions | Reductions | June 30, 2017 | Current Portion |
|---|---|---|---|---|---|
| Other Liabilities | $ 100 | $ - | $ - | $ 100 | $ - |
| Compensated absences | 3,041 | 360 | (116) | 3,285 | 2,044 |
| U.S. Government grants refundable (Perkins) | 986 | 50 | (279) | 757 | - |
| Long-term debt | 245,732 | 116,545 | (105,504) | 256,773 | 8,738 |
| | $ 249,859 | $ 116,955 | $ (105,899) | $ 260,915 | $ 10,782 |

## 8. Long-Term Debt and Credit Line

The Board of Trustees of the College, the New Jersey Board of Higher Education and the New Jersey Educational Facilities Authority (the Authority) have entered into various agreements whereby the College is given use of buildings, improvements and equipment and the College agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. The College has pledged all net revenues generated from the operation of the residential facilities, the campus life building and from other legally available funds of the College.

In December of 2016, the Authority issued Revenue Bonds Higher Education Capital Improvement Fund Issue (CIF), Series 2016A and 2016B. Series 2016A CIF funds were used as an advance refunding of all of the outstanding Series 2005A and Series 2006A. In addition, the College received $15 million in Series 2016B CIF funds in connection with this issuance. These funds will be used to renovate and expand the George T. Potter Library (the Library Renovation). The grant is contingent upon the Authority issuing the bonds necessary to finance the project. In exchange for the receipt of the grant, the College will pay one third of the debt service and fees of the bonds allocable to the College. The College's share of the bond debt service is $4.9 million over the life of the bond.

In February 2017, the Authority issued Series 2017A Revenue and Refunding Bonds to advance refund all of the outstanding Series 2006I bonds. Series 2017A also provided $10 million new money which will be used to finance a portion of the Library Renovation. The Series 2017A bonds totaling $99.5 million consist of $96.0 million of series bonds carrying coupon rates ranging from 3% to 5% maturing through July 1, 2036 and a $3.5 million term bond with an interest rate of 3.75% maturing on July 1, 2042. The bonds were issued with a premium of $10 million on the Series 2017A bonds and the College incurred $0.9 million in bond issue costs which were expensed during the year ended June 30, 2017. In effect, the College reduced its aggregated debt service payments over the next 19 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $4.0 million.

The College has a $4 million revolving line of credit with TD Bank that expires on April 30, 2019. Borrowings under the line of credit bear interest at 5.0% and 4.25% for the years ended June 301, 2018 and 2017, respectively. At June 30, 2018 and 2017, there were no outstanding borrowings under this line of credit.

## 8. Long-Term Debt and Credit Line (Continued)

The following principal payments due the Authority were outstanding (dollars in thousands) as of:

| | | | June 30, | |
|---|---|---|---|---|
| | | Interest Rate | 2018 | 2017 |
| NJ Educational Facilities Authority Revenue Bonds: | | | | |
| Series 2006I | due serially to 2036 | 4.00% to 5.00% | $ - | $ 3,541 |
| Series 2011A | due serially to 2021 | 3.00% to 5.00% | 5,505 | 7,075 |
| Series 2012B | due serially to 2042 | 2.00% to 5.00% | 75,045 | 75,945 |
| Series 2015B | due serially to 2040 | 3.00% to 5.00% | 43,240 | 44,595 |
| Series 2017A | due serially to 2042 | 3.00% to 5.00% | 99,450 | 99,450 |
| Total NJEFA Revenue Bonds | | | 223,240 | 230,606 |
| Public College's Share of Other NJEFA-Financed Programs: | | | | |
| Capital Improvement Fund | | | | |
| Series 2002A | due serially to 2023 | 3.00% to 5.25% | 15 | 15 |
| Series 2014A | due serially to 2034 | 3.00% to 4.00% | 250 | 260 |
| Series 2016A | due serially to 2023 | 2.05% to 3.00% | 1,615 | 1,897 |
| Series 2016B | due serially to 2037 | 3.00% to 5.50% | 4,785 | 4,888 |
| Equipment Leasing Fund | | | | |
| Series 2014A 042-01 | due serially to 2023 | 1.75% to 3.50% | 101 | 118 |
| Series 2014A 042-05 | due serially to 2022 | 3.00% to 3.50% | 65 | 80 |
| Total NJEFA-Financed Programs | | | 6,831 | 7,258 |
| Capital Leases | | 5.10% to 6.50% | 41 | 131 |
| Plus: Bond premiums | | | 16,687 | 18,778 |
| | | | 246,799 | 256,773 |
| Less: current portion | | | 8,421 | 8,738 |
| Total long-term debt, long-term portion | | | $ 238,378 | $ 248,035 |

## 8. Long-Term Debt and Credit Line (Continued)

Payments due on long-term debt, including mandatory sinking fund payments on the revenue bonds, for the duration of the debt are as follows as of June 30, 2018 (dollars in thousands):

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2019 | $ 8,421 | $ 9,892 |
| 2020 | 8,894 | 9,608 |
| 2021 | 9,171 | 9,307 |
| 2022 | 9,431 | 8,955 |
| 2023 | 9,791 | 8,559 |
| 2024-2028 | 54,906 | 36,418 |
| 2029-2033 | 66,948 | 24,550 |
| 2034-2038 | 58,537 | 9,500 |
| 2039-2043 | 20,700 | 2,096 |
| | $ 246,799 | $ 118,885 |

## 9. Fringe Benefit Appropriation

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of College employees. For the years ended June 30, 2018 and 2017, such benefits amounted to approximately $28.1 million and $26.2 million respectively, and are included as part of non-operating revenue under State of New Jersey paid fringe benefits and as operating expense in various functional expense categories in the accompanying financial statements.

## 10. Retirement Plans

The College participates in three retirement plans for its employees - Public Employee's Retirement System (PERS), the Alternate Benefit Program (ABP), and the Defined Contribution Retirement Program (DCRP). Generally, all employees, except certain part-time employees, participate in one of these plans.

The PERS pension plan is a defined benefit program administered by the State of New Jersey Division of Pension and Benefits. PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or public agency provided the employee is not a member of another State administered retirement system.

## 10. Retirement Plans (Continued)

The ABP pension plan is a defined contribution program. Under the provisions of N.J.S.A 18A-96, the ABP allows enrollees to make contributions to the following carriers: Teachers Insurance and Annuity Association, College Retirement Equities Fund (TIAA/CREF), ING, Valic, Equitable Life Insurance Company, Hartford, and Metropolitan Life Insurance Company. Each ABP alternative is administered by a separate Board of Directors.

The DCRP pension plan is a defined contribution program. Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010, the DCRP allows enrollees to make contributions to Prudential Retirement Services who administers the plan with a separate Board of Directors.

### Public Employees' Retirement System

#### *Plan Descriptions*

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

#### *Benefits*

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

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

## 10. Retirement Plans (Continued)

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

### *Contributions*

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

PERS members were required to contribute 7.34% and 7.20% of their annual covered salary for the years ended June 30, 2018 and 2017, respectively. This amount changes with negotiations of each new union contract. The State of New Jersey, in accordance with state statutes, makes employer contributions on behalf of the College. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

### *Net Pension Liability*

At June 30, 2018 and 2017, the College reported a liability in the amount of $94.9 million and $105.5 million, respectively, for its proportionate share of the net pension liability. The College’s proportion of the net pension liability was based on the ratio of the employer contributions made related to the College’s employees to the total contributions made by all participating State-group employers. The College’s proportion of the net pension liability was 0.370% and 0.359% for the fiscal year ended June 30, 2018 ad 2017.

## 10. Retirement Plans (Continued)

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions for the June 30, 2017 and 2016 measurement date:

| | 2017 | 2016 |
|---|---|---|
| Inflation Rate | 2.25% | 3.08% |
| Salary increases: | | |
| Through 2026 | 1.65-4.15% based on age | 1.65-4.15% based on age |
| Therafter | 2.65 - 5.15% based on age | 2.65 - 5.15% based on age |
| Investment rate of return | 7.00% | 7.65% |

For the June 30, 2017 and 2016 measurement date, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

## 10. Retirement Plans (Continued)

### *Long-Term Expected Rate of Return*

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

As of June 30, 2017

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Absolute return/risk mitigation | 5.00% | 5.51% |
| Cash | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| Investment Grade Credit | 10.00% | 3.78% |
| Public High Yield | 2.50% | 6.82% |
| Global Diversified Credit | 5.00% | 7.10% |
| Credit Oriented Hedge Funds | 1.00% | 6.60% |
| Debt Related Private Equity | 2.00% | 10.63% |
| Debt Related Real Estate | 1.00% | 6.61% |
| Private Real Estate | 2.50% | 11.83% |
| Equity Related Real Estate | 6.25% | 9.23% |
| U.S. Equity | 30.00% | 8.19% |
| Non-U.S. Developed Markets Equity | 11.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.64% |
| Buyouts/Venture Capital | 8.25% | 13.08% |

## 10. Retirement Plans (Continued)

As of June 30, 2016

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 5.00% | 0.87% |
| U.S. Treasuries | 1.50% | 1.74% |
| Investment Grade Credit | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High Yield Bonds | 2.00% | 4.56% |
| Inflation-Indexed Bonds | 1.50% | 3.44% |
| Broad US Equities | 26.00% | 8.53% |
| Developed Foreign Equities | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Hedge Funds/Absolute Return | 12.50% | 4.68% |
| Real Estate (Property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |

### *Discount Rate*

The discount rate used to measure the total pension liability was 5.0% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rates in the most recent fiscal year. State employers contributed 40% and 30% of the actuarially determined contributions during the year ended June 30, 2017 and 2016, respectively. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

## 10. Retirement Plans (Continued)

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

The following presents the collective net pension liability of the College, measured as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the College's proportionate share of the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

| | At 1% Decrease (4.00%) | At Current Discount Rate (5.00%) | At 1% Increase (6.00%) |
|---|---|---|---|
| College's proportionate share of the net pension liability | $ 110,386 | $ 94,937 | $ 82,107 |

### *Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources*

For the years ended June 30, 2018 and 2017, the College recognized pension expense in the amount of $ 3.7 million and $6.4 million, respectively. Pension expense is recognized within the functional classifications in the statement of revenues, expenses and changes in net position.

The College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources as of (dollars in thousands):

| | June 30, 2018 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | $ 12,418 | $ 13,441 |
| Difference between expected and actual experience | 2,175 | - |
| Net differences between projected and actual earnings on pension plan investments | 603 | - |
| Changes in proportion and differences between College contributions and proportionate share of contributions | 2,705 | 3,565 |
| College contributions subsequent to the measurement date | 2,341 | - |
| | $ 20,242 | $ 17,006 |

## 10. Retirement Plans (Continued)

| | June 30, 2017 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | $ 15,767 | $ - |
| Net differences between projected and actual earnings on pension plan investments | 3,988 | - |
| Changes in proportion and differences between College contributions and proportionate share of contributions | 708 | 4,695 |
| College contributions subsequent to the measurement date | 1,681 | - |
| | $ 22,144 | $ 4,695 |

College contributions subsequent to the measurement date reported as deferred outflows of resources related to PERS resulting from accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows (dollars in thousands):

| Year Ended June 30, | Net Deferred Outflows/(Inflows) |
|---|---|
| 2019 | $ 186 |
| 2020 | 186 |
| 2021 | 186 |
| 2022 | 186 |
| 2023 | 151 |
| Total deferrals recognized as pension expense | $ 895 |
| Deferred outflows recognized as a reduction to net pension liability | 2,341 |
| Net deferred outflows | $ 3,236 |

## 10. Retirement Plans (Continued)

### Alternate Benefit Program Information

ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements is 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. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating College employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit on a pretax basis. Employer contributions are 8% of base salary. ABP received employer and employee contributions that approximated the following from the College (dollars in thousands) during the years ended June 30:

| | 2018 | 2017 |
|---|---|---|
| Employer contribution | $ 3,328 | $ 3,259 |
| Employee contribution | $ 4,493 | $ 4,074 |
| Basis for contributions | | |
| Participating employee salaries | $ 41,596 | $ 40,732 |

Employer contributions to ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as nonoperating revenue under New Jersey State appropriations and as operating expenses in various functional expense categories. The maximum compensation to be considered for employer retirement contributions is $141,000 per New Jersey state law Chapter 31, P.L. 2010. This law was effective as of July 1, 2010. The College created a separate 403(B) plan to fund the 8% employer match above the $141,000 compensation limit. These contributions are funded by the College.

### Defined Contribution Retirement Program

The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage.

DCRP enrollment eligibility criteria includes employees who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS and make in excess of established “maximum compensation” limits. Participating eligibility, as well as contributory and noncontributory requirements is established by the State of New Jersey Retirement and Social Security Law.

## 10. Retirement Plans (Continued)

DCRP has one investment carrier, Prudential, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The College assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating College employees contribute 5.5% of their eligible wages. Employer contributions are 3% of each member's eligible wages. Prudential received employee contribution that approximated the following from College during the years ended June 30 (dollars in thousands):

| | 2018 | 2017 |
|---|---|---|
| Employer contribution | $ 16 | $ 13 |
| Employee contribution | $ 30 | $ 23 |
| Basis for contributions | | |
| Participating employee salaries | $ 543 | $ 423 |

Employer contributions to DCRP are paid by the College and are reflected in the financial statements as expenses.

## 11. Post-Employment Benefits Other Than Pensions

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

### *Plan description, including benefits provided*

The Plan is a single-employer defined benefit other postemployment benefit plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: PERS, ABP or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the College's employees retain any and all rights to the health benefits in the Plan, even though the College is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the College; therefore, the Plan meets the definition of a special funding situation as defined in GASB 75.

## 11. Post-Employment Benefits Other Than Pensions (Continued)

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

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

### *Total OPEB Liability and OPEB expense*

As of June 30, 2018, the State recorded a liability of $163.5 million which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the College (the College's share). The College's share was based on the ratio of its members to the total members of the Plan. At June 30, 2018, the College's share was 2.0% and 0.58% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2018, the College recognized OPEB expense of $9.6 million. As the State is legally obligated for benefit payments on behalf of the College, the College recognized revenue related to the support allocated by the State of $9.6 million.

### *Actuarial assumptions and other inputs*

The State's liability associated with the College at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017.

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

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

## 11. Post-Employment Benefits Other Than Pensions (Continued)

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

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

### *Health Care Trend Assumptions*

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

## 12. Reconciliation of Net Position

The changes in net position with the impact of GASB Statement No. 68 broken out separately are as follows (dollars in thousands)

| | Net postion at June 30, 2016 | Changes in net position in 2017 | Net postion at June 30, 2017 | Changes in net position in 2018 | Net postion at June 30, 2018 |
|---|---|---|---|---|---|
| Net investment in capital assets | $ 78,145 | $ 14,710 | $ 92,855 | $ 4,513 | $ 97,368 |
| Restricted | 747 | 47 | 794 | 389 | 1,183 |
| Unrestricted | | | | | |
| Capital projects | 63,268 | (16,922) | 46,346 | 1,457 | 47,803 |
| Current | | | | | |
| Operating | 13,416 | 7,857 | 21,273 | (2,206) | 19,067 |
| GASB 68 impact | (81,656) | (6,381) | (88,037) | (3,664) | (91,701) |
| Total Current | (68,240) | 1,476 | (66,764) | (5,870) | (72,634) |
| Total Net Position | $ 73,920 | $ (689) | $ 73,231 | $ 489 | $ 73,720 |

The implementation of GASB 75 had no impact on the College's net position. The annual expense allocated to the College from the State is presented on the Statement of Revenues, Expenses and Changes in Net Position, along with the allocated revenue.

## 13. Compensated Absences

### *Vacation, Compensatory and Paid Leave Bank Time*

The College's general policy states that employees are entitled, upon termination, to the current year's unused earned vacation, compensatory and paid leave bank time in addition to any unused vacation, compensatory and paid leave bank time carried over from the immediate prior year. The liability for unused vacation, compensatory and paid leave bank time at June 30, 2018 and 2017 amounted to approximately $2.2 million and $2.1 million, respectively.

### *Accumulated Unpaid Sick Leave*

Cash payments for unused accumulated sick leave are made to eligible employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the adjusted hourly pay rate in effect at the time of retirement, up to a maximum of $15,000. Employees separating from the College prior to retirement are not eligible for payment. Included in the financial statements is the estimated liability for unused sick time of $1.2 million for both years ending June 30, 2018 and 2017. The College has made payments of approximately $125,000 and $39,000 for unused sick time in fiscal year 2018 and 2017, respectively.

## 14. Commitments

Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of June 30, 2018 and 2017 are not included in the financial statements. The College has approved contracts in fiscal 2018 and 2017 of approximately $8.4 million and $4.6 million, respectively, the majority of which are for construction and renovation projects and will be funded by plant fund assets on deposit with the trustee.

## 15. Commitments and Contingencies

### *Public/Private Partnership*

Pursuant to the New Jersey Economic Stimulus Act of 2009, the College entered into a Public/Private Partnership (P3) with National Energy Partners (NEP) of Mt. Laurel, NJ. The agreement calls for the private parties to construct and operate a photovoltaic system on campus that includes solar carport canopies in the main parking fields; ground-mounted solar panels on the berm near the south entrance/exit of the campus; and solar panels on the roofs of the Phase I Academic Building, Mackin Hall, Bischoff Hall, and the Bill Bradley Sports & Recreation Center.

The terms of the agreement call for the private partner to construct and operate at its expense the photovoltaic system, and sell back to the College electricity generated at the initial rate of $0.105/kWh, with cost increases over a twenty-year term not to exceed 2% per year.

In accordance with the terms and conditions of the P3 agreement, NEP transferred to the College $2.2 million which covered the cost of roof replacements. The firm will also provide the College with a credit towards the first $75,000 of electricity billings once the photovoltaic system is operational.

The College has begun the installation of solar carports and rooftop and ground-mounted panels and plans to complete the installation by the winter of 2019.

### *Contingencies*

The College is involved in various claims and lawsuits arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the College's financial position.

The College receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits. The College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements for the years ending June 30, 2018 and 2017.

## 15. Contingencies (Continued)

The College is exposed to various risks of loss. The College participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed $100,000 per occurrence, with a per occurrence limit of $1.5 billion. Coverage for theft of money and securities provides for the actual loss in excess of $25,000 with a per loss limit of $5 million.

## 16. Government Relations and Legal Fees

The New Jersey Higher Education Restructuring Act of 1994 requires the College to disclose the costs incurred associated with government and public relations and legal costs. During the both years ended June 30, 2018 and 2017, the College expended $0.5 million for government and public relations and $0.1 million in legal fees.

## 17. Component Unit

Ramapo College Foundation (the Foundation) is a legally separate component unit of Ramapo College of New Jersey, exempt from tax under the Internal Revenue Code Section 501(c) (3). The Foundation acts to stimulate, solicit, secure and promote the receipt of resources from grants, bequests and gifts offered by individuals, corporations and foundations and use such resources to enhance, support and compliment the activities of Ramapo College of New Jersey. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2018 and 2017, the Foundation distributed $2.8 million and $3.4 million, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Ramapo College Foundation can be obtained from Office of Institutional Advancement at 505 Ramapo Valley Road, Mahwah, NJ 07430.

Ramapo College Foundation is a private nonprofit organization that reports under Financial Accounting Board Standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. These standards provide for certain revenue recognition and presentation features which may be different from GASB criteria. No modifications have been made to the Foundation's financial information as discretely presented in these statements.

* * * * *

# REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

**Schedule of Proportionate Share of the Net Pension Liability**
**Public Employees' Retirement System**
**Last 10 Years ***
**(dollars in thousands)**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| College's proportion of the net pension liability | 0.37% | 0.36% | 0.37% | 0.39% |
| College's proportionate share of the net pension liability | $ 94,937 | $ 105,486 | $ 88,667 | $ 78,354 |
| College's covered-employee payroll (As of the measurement date) | $ 16,543 | $ 16,015 | $ 15,439 | $ 15,439 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 573.88% | 658.67% | 574.31% | 507.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 36.78% | 31.20% | 24.96% | 30.06% |

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

See accompanying independent auditors' report

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

**Schedule of Employer Contributions**
**Public Employees' Retirement System**
**Last 10 Years ***
**(dollars in thousands)**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 2,341 | $ 1,681 | $ 1,136 | $ 668 |
| Contributions in relation to the contractually required contribution | 2,341 | 1,681 | 1,136 | 668 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| College's covered-employee payroll (As of fiscal year end) | $ 17,142 | $ 16,543 | $ 16,015 | $ 15,439 |
| Contributions as a percentage of covered-employee payroll | 13.66% | 10.16% | 7.09% | 4.33% |

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

See accompanying independent auditors' report

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

**Schedule of Proportionate Share of the Total OPEB Liability**
**Last 10 Years ***
**(dollars in thousands)**

| | | 2018 |
|---|---|---|
| College's proportion of the total OPEB liability | | 0.00% |
| College's proportionate share of the total OPEB liability | $ | - |
| State of New Jersey's proportionate share, relating to Ramapo College of New Jersey, of the total OPEB liability | | 163,520 |
| Total OPEB Liablity | $ | 163,520 |
| College's covered employee payroll | $ | 46,521 |
| College's proportionate share of the collective total OPEB liability as a percentage of covered-empolyee payroll | | 0.00% |

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

See accompanying independent auditors' report

# OTHER SUPPLEMENTARY INFORMATION

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

| Federal Grantor / Pass-Through Grantor / Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through To Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| Student Financial Assistance Cluster: | | | | |
| Direct Programs: | | | | |
| U.S. Department of Education | | | | |
| Federal Supplemental Educational Opportunity Grant Program (including administrative cost allowance of $10,595) | 84.007 | | $ - | $ 140,138 |
| Federal Direct Student Loans (Note 3) | 84.268 | | - | 30,595,107 |
| Federal Work-Study Program (including administrative cost allowance of $12,733) | 84.033 | | - | 245,015 |
| Federal Perkins Loan Program (current year) (Note 2) | 84.038 | | - | - |
| Federal Perkins Loan Program (beginning loan balance) | 84.038 | | - | 997,763 |
| Federal Pell Grant Program | 84.063 | | - | 6,778,692 |
| Total Student Financial Assistance Cluster | | | - | 38,756,715 |
| Research and Development Cluster: | | | | |
| Direct Programs: | | | | |
| National Science Foundation | | | | |
| Education and Human Resources | | | | |
| Collaborative Research | 47.076 | | - | 3,439 |
| Practicing the Process Programming | 47.076 | | - | 94,698 |
| | | | - | 98,137 |
| Indirect Programs: | | | | |
| Passed Through Rutgers The State University | | | | |
| Small Business Administration | | | | |
| Small Business Development Centers | 59.037 | SBAHQ-17-B-0039 | - | 145,685 |
| Total Research and Development Cluster | | | - | 243,822 |
| Trio Cluster: | | | | |
| Direct Programs: | | | | |
| U.S. Department of Education | | | | |
| Student Support Services Program | 84.042A | | - | 235,535 |
| Upward Bound | 84.047M | | - | 245,166 |
| Total Trio Cluster | | | - | 480,701 |
| Other Federal Awards: | | | | |
| Direct Programs: | | | | |
| National Science Foundation | | | | |
| Mathematical and Physical Sciences | 47.049 | | - | 33,818 |
| National Historical Publications and Records Administration | | | | |
| National Historical Publications and Records Grants | 89.003 | | - | 241,602 |
| Total Other Federal Awards | | | - | 275,420 |
| Total Expenditures of Federal Awards | | | $ - | $ 39,756,658 |

See independent auditors' report and accompanying notes to schedules of expenditures of Federal and State of New Jersey Awards

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year Ended June 30, 2018

| State of New Jersey Grantor/ Pass-Through Grantor/Program or Cluster Title | Grant/Account or Other I.D. Number | Grant Period | Fiscal Year Grant Expenditures | Total Grant Expenditures To Date |
|---|---|---|---|---|
| **Direct Programs:** | | | | |
| N.J. Department of Treasury – Office of Student Assistance | | | | |
| Student Financial Assistance Cluster: | | | | |
| Tuition Aid Grant | 10-100-082-2150-007 | July 1, 2017 to June 30, 2018 | $ 6,117,456 | $ 6,117,456 |
| N.J. Department of State | | | | |
| Student Financial Assistance Cluster: | | | | |
| Educational Opportunity Fund - Article III - Financial Aid FY 2018 | 10-100-084-2601-001 | July 1, 2017 to June 30, 2018 | 424,325 | 415,675 |
| Educational Opportunity Fund - Article III - Summer Program 2018 | 2601-100-074-2601-004 | June 1, 2017 to August 31, 2018 | 48,403 | 48,403 |
| Educational Opportunity Fund - Article III - Summer Program 2019 | 2601-100-074-2601-004 | June 1, 2018 to August 31, 2019 | 38,771 | 38,771 |
| Total Student Financial Assistance Cluster | | | 6,628,955 | 6,620,305 |
| N.J. Department of Treasury | | | | |
| State of New Jersey Fringe Benefits on State Positions | 100-094-9410-003 | July 1, 2017 to June 30, 2018 | 23,644,137 | 23,644,137 |
| FICA-State Colleges and Universities Reimbursement Program | 100-082-2155-2062 | July 1, 2017 to June 30, 2018 | 4,481,890 | 4,481,890 |
| State of New Jersey Appropriations | 10-100-074-2475 | July 1, 2017 to June 30, 2018 | 14,953,000 | 14,953,000 |
| Total N.J. Department of Treasury | | | 43,079,027 | 43,079,027 |
| State of New Jersey | | | | |
| New Jersey Educational Facilities Authority | | | | |
| Higher Education Facilities Trust Fund - "G" Wing Renovations | 042-01 | September 1, 2014 to June 30, 2018 | 78,384 | 16,971,801 |
| Higher Education Capital Improvement Fund - Copy Center/ Public Safety Relocations | 042-06 | March 1, 2014 to June 30, 2018 | - | 124,038 |
| Higher Education Technology Infrastructure Fund | 042-05 | Janaury 1, 2014 to June 30, 2018 | 71,280 | 506,108 |
| Higher Education Equipment Leasing Fund Program - Technology | 042-05 | Janaury 1, 2014 to June 30, 2018 | - | 416,891 |
| Higher Education Equipment Leasing Fund Program - "G" Wing Renovations and Scientific Equipment | 042-01 | Janaury 1, 2014 to June 30, 2018 | - | 629,373 |
| Higher Education Capital Improvement Fund - Copy Center | 142-01 | December 1, 2016 to June 30,2018 | 1,634,806 | 2,033,245 |
| Total New Jersey Educational Facilities Authority | | | 1,784,470 | 20,681,456 |
| New Jersey Department of Labor and Workforce Development | | | | |
| Hire New Jersey Investment Program | S4J-FY2015-Ramapo College of NJ-334 | July 1, 2017 to June 30, 2018 | - | 177,760 |
| Total State of New Jersey | | | 1,784,470 | 20,859,216 |
| New Jersey Commission on Higher Education | | | | |
| Educational Opportunity Fund - Article IV - Academic Year 2018 | 10-100-074-2601-003 | July 1, 2017 to June 30, 2018 | 238,312 | 238,312 |
| New Jersey Higher Education Student Assistance Authority | | | | |
| Urban Scholarships | - | July 1, 2017 to June 30, 2018 | 11,500 | 11,500 |
| New Jersey Stars | - | July 1, 2017 to June 30, 2018 | 42,935 | 42,935 |
| Total New Jersey Higher Education Student Assistance Authority | | | 54,435 | 54,435 |
| N.J. Department of Education | | | | |
| MSP Competitive Grant | 17E00045 | July 1, 2016 to August 31, 2018 | 220,477 | 529,109 |
| Total Direct Programs | | | 52,005,676 | 71,380,404 |
| **Indirect Programs:** | | | | |
| N.J. Department of State | | | | |
| Passed through Rutgers, The State University | | | | |
| New Jersey Small Business Development Centers | 17BAC000SBDC | July 1, 2017 to June 30, 2018 | 45,500 | 45,500 |
| Total Expenditures of State of New Jersey Awards | | | $ 52,051,176 | $ 71,425,904 |

See independent auditors' report and accompanying notes to schedules of expenditures of Federal and State of New Jersey Awards

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

Notes to Schedule of Expenditures of Federal and State of New Jersey Awards

June 30, 2018

## 1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal and State of New Jersey Awards (the "Schedules") have been prepared in the format required under Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these Schedules is to present a summary of those activities of the College for the year ended June 30, 2018 which have been financed by the Federal government and State of New Jersey. For purposes of these Schedules, Federal and State of New Jersey Awards include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other non-cash assistance. Because these Schedules present only a selected portion of the activities of the College, they are not intended to, and do not, present the financial position, changes in fund balances or the current funds revenues, expenditures, and other changes of the College in conformity with generally accepted accounting principles.

The accounting practice followed by the College in preparing the accompanying Schedules is as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the Uniform Guidance. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

## 2. The College Administers the Following Federal Loan Programs

| | CFDA Number | Loans extended for the year ended June 30, 2018 | Outstanding principal balance at June 30, 2018 |
|---|---|---|---|
| Perkins Loan Program | 84.038 | $ - | $ 882,916 |

During the fiscal year ended June 30, 2018, the College processed the following amount of new loans under the Stafford Student Loans program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

| | CFDA Number | Value of Loans |
|---|---|---|
| Federal Direct Loans | 84.268 | |
| Subsidized | | $ 9,773,741 |
| Unsubsidized | | 12,713,181 |
| | | $ 22,486,922 |
| Parent Loans for Undergraduate Students (PLUS) | | $ 8,108,185 |

## 3. Indirect Cost Rate

The College has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

# Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

## Independent Auditors' Report

**Board of Trustees of**
**Ramapo College of New Jersey**
**Mahwah, New Jersey**

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, the financial statements of the business-type activities and the discretely presented component unit of Ramapo College of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Ramapo College of New Jersey's basic financial statements, and have issued our report thereon dated March 29, 2019. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ramapo College of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ramapo College of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of Ramapo College of New Jersey'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 entity'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 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 Ramapo College of New Jersey'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*.

**Purpose of this Report**

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ramapo College of New Jersey's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 29, 2019

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

## Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for Federal Awards and New Jersey OMB Circular Letter 15-08

### Independent Auditors' Report

**Board of Trustees of**
**Ramapo College of New Jersey**
**Mahwah, New Jersey**

### Report on Compliance for Each Major Federal and State Program

We have audited Ramapo College of New Jersey's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of Ramapo College of New Jersey's major federal and state programs for the year ended June 30, 2018. Ramapo College of New Jersey's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of Ramapo College of New Jersey's major federal and state 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; Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, Uniform Guidance and New Jersey OMB Circular Letter 15-08 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 and state program occurred. An audit includes examining, on a test basis, evidence about Ramapo College of New Jersey'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 program. However, our audit does not provide a legal determination of Ramapo College of New Jersey's compliance.

***Opinion on Each Major Federal and State Program***

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

**Report on Internal Control over Compliance**

Management of Ramapo College of New Jersey 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 Ramapo College of New Jersey's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Circular Letter 15-08, 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 Ramapo College of New Jersey'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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 and state 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 and state 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in 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 Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 29, 2019

**Ramapo College of New Jersey**
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section 1 - Summary of Auditors' Results

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | ______Yes __✓__ No |
| • Significant deficiency(ies) identified? | ______Yes __✓__ None reported |
| Noncompliance material to financial statements noted? | ______Yes __✓__ No |

***Federal and State of New Jersey Awards***

| | |
|---|---|
| Internal control over major federal and state programs: | |
| • Material weakness(es) identified? | _____Yes __✓__ No |
| • Significant deficiency(ies) identified? | _____Yes __✓__ None reported |
| Type of auditors' report issued on compliance for major federal and state programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or New Jersey OMB Circular Letter 15-08? | _____ Yes __✓__ No<br>_____ Yes __✓__ No |

Identification of major federal and state programs:

| CFDA Number/ State Account Number | Name of Federal and State Program or Cluster |
|---|---|
| **Federal:** | |
| 84.007 / 84.268 / 84.033 / 84.038 / 84.063 | Student Financial Assistance Cluster |

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section 1 - Summary of Auditors' Results *(continued)*

| CFDA Number/ State Account Number | Name of Federal and State Program or Cluster |
|---|---|
| **State:** | |
| 105-094-9410-003 | State of New Jersey Fringe Benefits on State Positions |
| 100-082-2155-2062 | FICA-State Colleges and Universities Reimbursement Program |
| 142-01 | Higher Education Capital Improvement Fund – Copy Center |

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000 (Federal Awards)
$1,561,535 (State of New Jersey Awards)

Auditee qualified as low-risk auditee? ✓ Yes ____ No

Section 2 - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2018.

Section 3 - Federal and State of New Jersey Awards Findings and Questioned Costs

During our audit, we noted no material instances of non-compliance for the year ended June 30, 2018.

Section 4 – Prior Year Findings

There were no findings in the prior year.