

**Montclair State University**

(A Component Unit of The State of New Jersey)

Basic Financial Statements and  
Management's Discussion and Analysis and  
Schedules of Expenditures of Federal Awards and  
State Financial Assistance

June 30, 2016 and 2015

(With Independent Auditors' Reports Thereon)

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Financial Statements

June 30, 2016 and 2015

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## **Independent Auditors' Report**

### **The Board of Trustees Montclair State University**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

### ***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 the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit was 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.

***Opinion***

In our opinion, based on our audits, 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 Montclair State University as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in 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 management's discussion and analysis and the schedules of employer contributions and schedules of proportionate share of the net position liability 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Montclair State University's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

January 4, 2017

**Montclair State University**  
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## **Management's Discussion and Analysis**

### **Introduction**

This section of the Annual Financial Report for Montclair State University (the University) presents management's discussion and analysis of the University's financial activity during fiscal years ended June 30, 2016 and 2015 and comparative amounts for the year ended June 30, 2014. Since this management discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the University's basic financial statements and footnotes that immediately follow this section.

Montclair State University, the second largest university in New Jersey, offers the advantages of a large university – a broad undergraduate curriculum which fosters critical thinking and life-long learning, a wide variety of applied graduate programs that address the needs of the region, a rapidly expanding focus on professional education and a diverse faculty and student body – combined with a small college's attention to students. The University's faculty is committed to learning through creative teaching informed by highly regarded scholarship and service to the community.

The University was founded as Montclair State Normal School in 1908 with a two-year curriculum. The curriculum was expanded to four years in 1927 when the institution became Montclair State Teachers College. Recognizing the expanding mission of the institution, the teachers college became Montclair State College in 1958. The expanded mission was formally recognized when the State identified the University as a comprehensive institution in 1966. In 1994 the New Jersey Board of Higher Education conferred university status on the University in recognition of the quality and breadth of the institution and the extent of its graduate offerings.

Since its founding, the University has earned a reputation for excellence and innovation. With its strong emphasis on the liberal arts and the sciences, in 1937 it became the first teachers college accredited by the Middle States Association as a liberal arts institution. As evidence of the continuing excellence of its programs and faculty, the University was authorized in 1932 to award the master's degree and in 1998 to award the doctoral degree.

Building on a distinguished 108-year history, Montclair State University is proud to be a leading institution of higher education in New Jersey. The University's nine colleges and schools serve over 20,000 undergraduate and graduate students in 300 majors, minors, concentrations and certificate programs. Situated on a beautiful, 250-acre suburban campus located just 14 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

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During the fiscal year the University provided a comprehensive and relevant array of programs distributed among 54 undergraduate and 130 graduate degree programs. The University offers programs in more contemporary and evolving areas such as public relations, athletic training, molecular biology, nutritional science, child advocacy, TV/Digital Media and Sports, events and tourism marketing, as well as cross-disciplinary programs in areas such as justice studies, sustainability, public health and environmental management. The University's PhD program in Teacher Education and Teacher Development is one of very few in the nation that explicitly prepares educators of teachers. The PhD in Environmental Management combines interdisciplinary research in the sciences with training in management and policy formation. The PhD in Communication Sciences and Disorders occupies one of the finest clinical and research facilities in the tri-state region.

In 2016, the newly constructed Feliciano School of Business was opened, providing students with a high-tech learning environment and 143,000 square feet of space. Also opened in 2016 was the Center for Environmental and Life Sciences (CELS), providing a research facility with 107,500 square feet of space. In addition, Montclair State was recognized by the Carnegie Classification of Institutions of Higher Education as a Research Doctoral University in recognition of the substantial growth in its doctoral-level education and research activities. Montclair State met the criteria set forth by the U.S. Department of Education to be considered a Hispanic-Serving Institution (HSI), highlighting the institution's unprecedented growth and its commitment to providing underserved populations access to affordable higher education.

The Montclair State University Foundation, Inc. (the Foundation) was established as a nonprofit corporation to provide an independent instrument of control of funds, from other than state resources, which support the purpose and mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and state taxes.

Because the Foundation's resources have historically only been used by or for the benefit of the University, the Foundation is considered a component unit and is discretely presented in separate columns on the face of the University's financial statements in accordance with GASB Statement No. 61, The Financial Reporting Entity: Omnibus. This change is reflected in the attached statements excluding the Statement of Cash Flow.

### **Financial Highlights**

At June 30, 2016, the University's net assets increased to \$298.1 million, from \$290.9 million at June 30, 2015.

Fiscal 2016 operating expenses were \$395.0 million, a \$23.6 million increase over the previous year. There was a significant increase of \$7.5 million in depreciation which was mainly attributed to software depreciation of \$6.8 million from the OneMontclair initiative, and \$1.1 million for building renovations; offset by decreases of \$0.4 million in leasehold improvements. Operations and Maintenance expenses increased \$6.1 million, of which \$1.2 million is related to maintenance and utilities for the new School of Business building, in addition to increases in water (\$0.8 million), electricity (\$0.6 million) and the cooling and heating plant increase (\$1.4 million). Instruction-related expenses increased \$3.1 million, of which \$1.5 million is due to increases in payroll costs. Academic support increased by \$3.4 million, mainly due to increases in payroll of \$2.0 million.

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Operating revenues for the year ended June 30, 2016, were \$300.1 million, an increase of \$16.3 million over fiscal year 2015, primarily the result of increased enrollments and tuition rates as well as increases in auxiliary enterprises; and increases in federal, state, and nongovernmental grants and contracts.

Non-operating and other revenues, including capital gifts and grants, for the year ended June 30, 2016 were \$122.3 million, a decrease of \$45.1 million from fiscal year 2015. This decrease is attributable to decreases of \$44 million in capital gifts and \$3.2 million in grants and state appropriations, partially offset by an increase in Pell Grants of \$2.2 million.

In fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions* made subsequent to the Measurement Date, which establish standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts. These statements seek to improve accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources, and expenses. The statements also require the identification and the methods and assumptions that should be used to project benefit payments to their actual present value and attribute that present value to the period of employee service. The cumulative effect of implementing GASB Statement No. 68 reduced the University's net position by \$159.4 million and increased pension expense \$8.1 million for the year ending June 30, 2015. Net pension expense of \$8.8 million for the year ending June 30, 2016 represented a \$0.7 million increase over the previous year, mainly due to changes in actuarial assumptions.

For the year ended June 30, 2015 the largest increases in operating expenses were due to the inclusion of pension expenses to conform to GASB Statement No. 68, residence life and auxiliary expenses, and institutional support and instruction. The most significant increase was \$8.1 million which was pension related. The increase in residence life and auxiliary expenses was a result of higher food service and utility costs. The increase in institutional support was related to the implementation costs of the OneMontclair initiative, which replaces outdated financial and administrative systems with PeopleSoft for Financial Management, Workday for Human Resources Management and Banner for Student Information System as well as additional pension expense. Instruction resulted from increased faculty and contractual wage increases.

During the year ended June 30, 2015 noncurrent liabilities and deferred inflows increased by \$148.7 million primarily due to the adoption of GASB 68 which resulted in the recording of a net pension liability of \$160.5 million at June 30, 2015, which is offset by a decrease in bonds payable and deferred inflow of resources for the Heights service concession arrangement and pension resources.

There are currently no other known facts, decisions or conditions that are expected to have a significant effect on the University's financial position (net position) or results of operation (revenues, expenses, and changes in net position).

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**Financial Statements**

The University's basic financial statements present the financial position, the changes in financial position and cash flows through three primary financial statements and notes to the financial statements. The three 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. The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for governments, including public colleges and universities.

**Statement of Net Position**

Certain prior year amounts have been reclassified to conform with current year presentation. The Statement of Net Position presents the financial position of the University at the end of the fiscal year. Assets and liabilities are classified as current and noncurrent and are shown in order of their relative liquidity. Current assets are generally considered to be convertible to cash within one year. Capital assets are carried at cost and depreciated over their respective useful lives. Deferred outflows of resources are a consumption of net position by the University that is applicable to a future reporting period. Liabilities are based on maturity or when cash is expected to be used to liquidate it. Current liabilities are amounts becoming due and payable within the next year. Deferred inflows represent an acquisition of net assets by the University that is applicable to a future reporting period. Net position is the residual interest in the University's assets and deferred outflow, after liabilities and deferred inflow are deducted.

Net position is one indicator of the financial condition of the University, while a change in net position indicates whether the financial condition has improved or deteriorated.



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A summary of the University's assets, liabilities and net position (in millions) at June 30, 2016, 2015 and 2014 follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current Assets	\$ 214.4	\$ 241.7	\$ 290.3
Noncurrent assets			
Capital assets, net	909.9	857.5	801.6
Investments	102.5	119.4	79.0
Other	3.3	4.7	5.0
Total assets	<u>1,230.1</u>	<u>1,223.3</u>	<u>1,175.9</u>
Deferred Outflows			
Deferred amount on debt refundings	3.0	3.3	3.5
Deferred outflow of pension resources	21.6	5.6	-
Total deferred outflows	<u>24.6</u>	<u>8.9</u>	<u>3.5</u>
Current Liabilities	90.9	87.1	82.7
Noncurrent liabilities	632.9	638.6	492.6
Total liabilities	<u>723.8</u>	<u>725.7</u>	<u>575.3</u>
Deferred Inflows			
Deferred service concession agreement	198.3	205.6	213.0
Deferred inflow of pension resources	5.8	10.1	-
Deferred amount on debt refundings	28.7	-	-
Total deferred inflows	<u>232.8</u>	<u>215.7</u>	<u>213.0</u>
Net Assets			
Investment in capital assets. Net	210.5	146.7	241.0
Restricted	97.2	136.5	0.4
Unrestricted	(9.6)	7.7	149.7
Total Net Assets	<u>\$ 298.1</u>	<u>\$ 290.9</u>	<u>\$ 391.1</u>

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Total current assets decreased \$27.3 million during Fiscal 2016. Assets held under bond indenture decreased \$43.6 million to fund capital projects, offset by an increase in cash and cash equivalents of \$25.0 million, mainly due to timing as the investments decreased \$25.1 million (\$8.2 million from current assets and \$16.9 million from noncurrent assets).

As mentioned above, the current portion of investments declined \$8.2 million or 51% compared to the previous year, mainly from the timing of cash transfers. Although the current portion of assets held under bond indenture agreements declined by \$43.6 million or 31%, it is offset by a \$52.4 million or a 6% increase in net capital assets. Total receivables of \$32.6 million decreased 3% from 2015, mainly in grants and contracts.

Total noncurrent assets increased by \$34.1 million during the year ended June 30, 2016, largely the result of a \$52.4 million increase in capital assets offset by the \$16.9 million decrease in investments. This compared to an increase of \$96.0 million during the year ended June 30, 2015. The \$52.4 million increase in capital assets is primarily the result of increases in building and equipment improvements of \$94.1 million for the School of Business, the Center for Environmental Life Sciences, and the School of Communication & Media; offset by depreciation expense of \$41.7 million.

During the year ended June 30, 2016, total assets increased by \$6.8 million, to \$1,230.1 million, primarily attributable to an increase in capital assets of \$52.4 million, offset by a \$43.6 million decrease in bond proceeds held in trust. During the year ended June 30, 2015, total assets increased by \$47.7 million to \$1,223.3 million, primarily from increases in receivables and capital assets.

Total current liabilities increased by \$3.8 million during the year ended June 30, 2016. This increase is the net result of increases in accrued expenses and assets held on behalf of others, offset by decreases in the current portion of bonds payable and unearned revenues.

Total current liabilities increased by \$4.4 million during the year ended June 30, 2015. This increase was the net result of higher employee compensation accruals at year-end, increases in interest payable, unearned tuition, fees and deposits, and current portion of bonds payable; offset by decreases in accounts payable for capital projects, accrued expenses and unearned revenue from grantors.

Noncurrent liabilities decreased by \$5.7 million during the year ended June 30, 2016, due to a \$35.3 million decrease in bonds payable resulting from refinancings; offset partially by increases in pension liability of \$29.6 million due to the adoption of GASB 68.

Deferred inflows increased by \$17.0 million in Fiscal 2016 primarily due to \$28.7 million gain from debt refundings, partially offset by a \$7.3 million decrease in deferred concessions.

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**Statements of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenue earned and expenses incurred, both operating and non-operating, during the fiscal year. Operating revenues are those received in return for providing goods and services. Operating expenses are incurred to acquire goods and services in order to carry out the University's mission. Non-operating revenue are those earned for which goods and services were not provided, such as state appropriations and interest income.

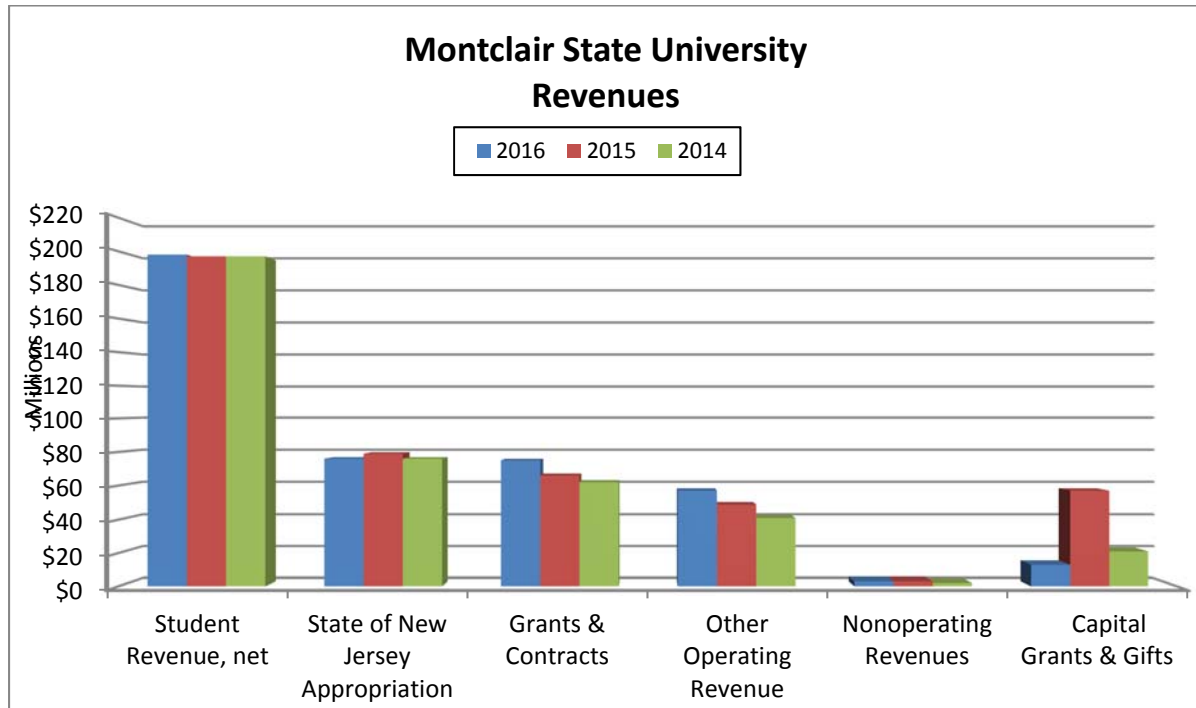
A summary of the University's revenues, expenses, and changes in net position (in millions) for the years ended June 30, 2016, 2015, and 2014 follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues			
Net student revenues	\$ 198.3	\$ 196.9	\$ 191.0
Other	101.8	86.8	83.5
Total operating revenues	<u>300.1</u>	<u>283.7</u>	<u>274.5</u>
Less operating expenses	<u>395.0</u>	<u>371.4</u>	<u>345.3</u>
Operating loss	<u>(94.9)</u>	<u>(87.7)</u>	<u>(70.8)</u>
Non-operating and other revenues			
State appropriations			
General	35.9	38.6	38.6
Fringe benefit	40.0	40.5	37.8
Pell Grant	30.5	28.3	26.1
Other	15.9	60.2	23.3
Non-operating revenue	<u>122.3</u>	<u>167.6</u>	<u>125.8</u>
Less non-operating expenses	<u>20.2</u>	<u>20.7</u>	<u>18.7</u>
Net non-operating and other revenues	<u>102.1</u>	<u>146.9</u>	<u>107.1</u>
Increase in net assets	7.2	59.2	36.3
Net assets, beginning of year	290.9	391.1	354.8
Cumulative effect of change in accounting principle	-	(159.4)	-
Net assets, end of year	<u>\$ 298.1</u>	<u>\$ 290.9</u>	<u>\$ 391.1</u>

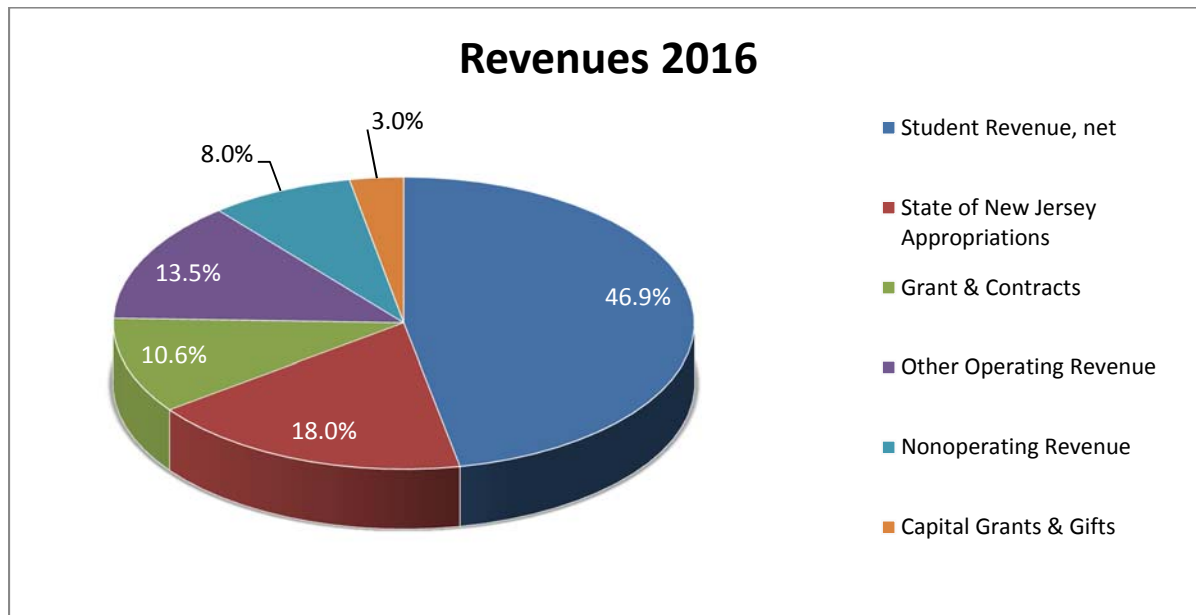
**Revenues**

The University 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 following chart illustrates the components of University revenues for the years ended June 30, 2016, 2015, and 2014 (amounts in millions).

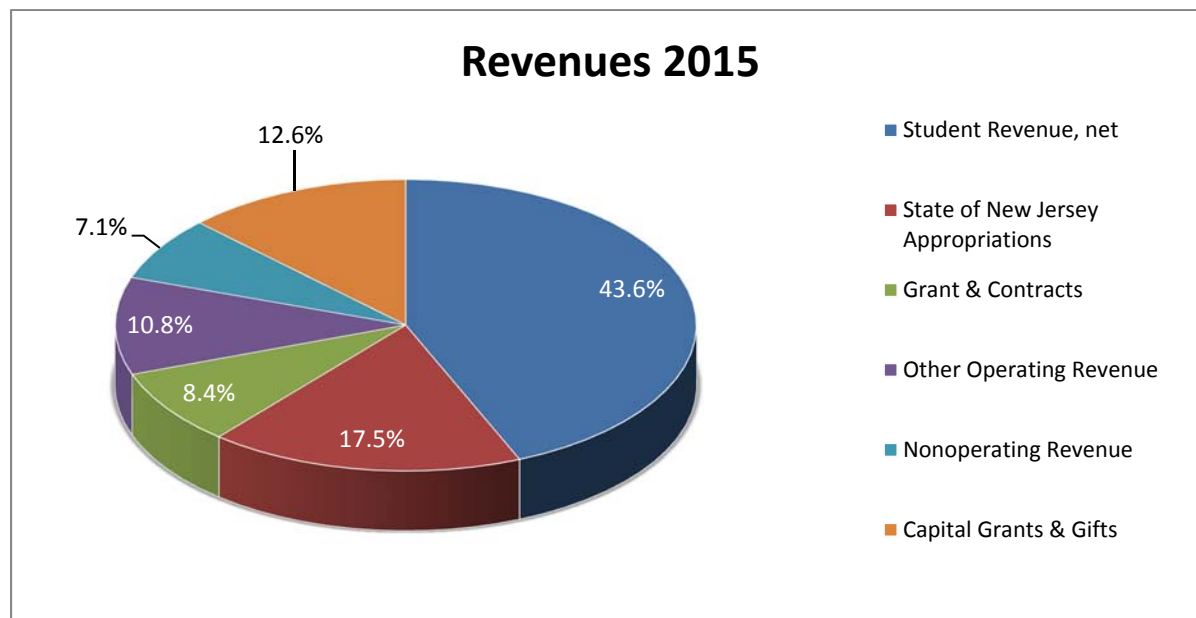
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As State funding declines, there is an increasing burden on tuition and fees. The following charts illustrate the components of University revenues for the years ended 2016 and 2015.



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Student revenue, net of scholarship allowance, increased \$1.4 million or 0.7% in 2016 over 2015. In 2015 student revenue, net of scholarship allowance, increased \$5.9 million or 3.1% over 2014. Undergraduate tuition and fee rates increased 2% for full-time and part-time students. General graduate tuition rates were increased 4% for returning students and 2% for nonresident students. For newly enrolled resident graduate students tuition also increased by 4%. MBA and MFA tuition rates were not increased. Doctoral program rates were increased by 2%. Residence Life, Room and Board increased by \$1.8 million or 4%. Housing rates increased 2.5%. There were minor changes to meal plans which increased by \$1.0 million or 5%. Scholarship allowances increased by \$5.3 million over 2015.

The State of New Jersey appropriations continue to be affected by the economic climate in the state. These appropriations, the second largest source of revenue for the University, are subject to volatility as evidenced by the changes in funding over the years. In 2016, the general appropriations decreased by \$2.7 million while the fringe benefits reimbursement portion of the appropriation decreased by \$0.5 million.

For the years ended June 30, 2016, 2015, and 2014, revenues from grants and contracts were \$44.6 million, \$38.1 million and \$36.0 million, respectively. The major grant programs and sponsors at the Federal level include College Work Study and Federal Direct Loans. Major State of New Jersey grant programs include Tuition Aid Grants (TAG), Educational Opportunity Fund grants (EOF) and Urban Scholarships. The increases in both 2016 and 2015 are primarily the result of Federal Direct Loans.

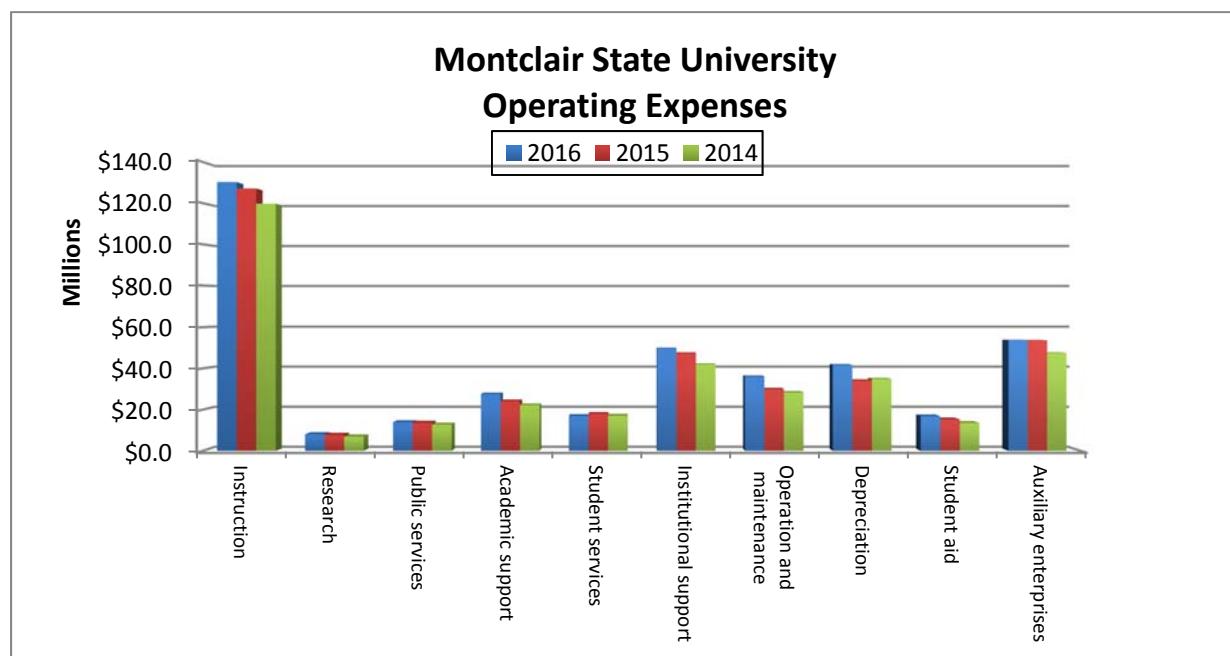
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## Expenses

Operating expenses are those expenses paid by the University to acquire or produce goods and services to fulfill its mission. The University incurred total operating expenses of \$395.0 million and \$371.4 million in 2016 and 2015, respectively.

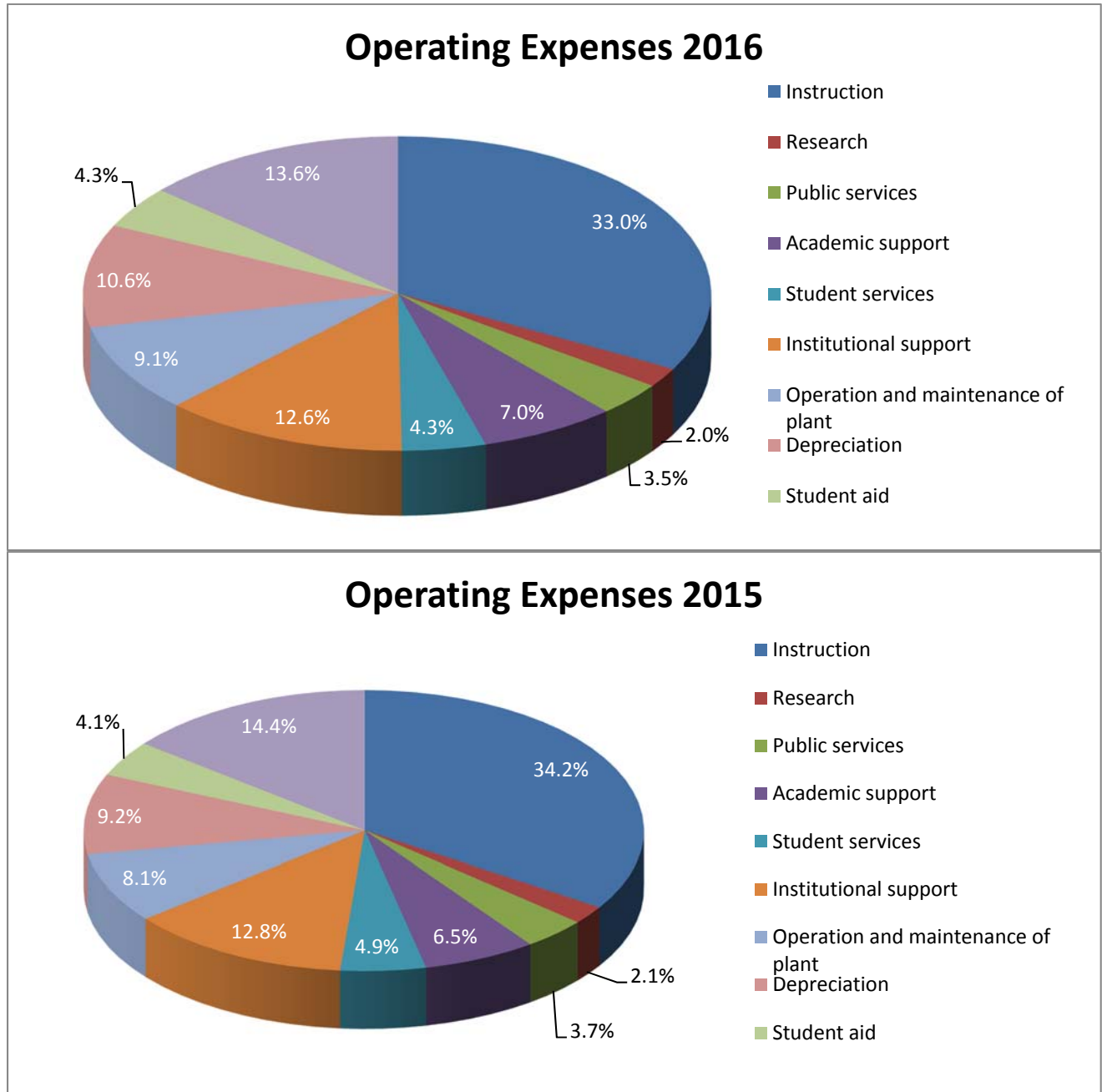
The University's operating expenses by functional classification (in millions) for June 30, 2016, 2015 and 2014 were:

Operating expenses:	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 130.2	\$ 127.1	\$ 119.7
Research	8.1	7.8	7.0
Public services	14.0	13.7	12.8
Academic support	27.6	24.2	22.2
Student services	17.0	18.0	17.1
Institutional support	49.8	47.5	42.0
Operation and maintenance	36.1	30.0	28.4
Depreciation	41.7	34.2	34.9
Student aid	16.8	15.3	13.6
Auxiliary enterprises	53.7	53.6	47.6
Total operating expenses	<u>\$ 395.0</u>	<u>\$ 371.4</u>	<u>\$ 345.3</u>



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The following charts illustrate the distribution of operating expenses for 2016 and 2015.



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The Fiscal year 2016 operating expenses of \$395.1 million reflected a 6.3% increase over fiscal 2015. There was a significant increase of \$7.5 million in depreciation, which was mainly related to software depreciation of \$6.8 million from the OneMontclair initiative and \$1.1 million for building renovations; offset by decreases of \$0.4 million in leasehold improvements. Operations and Maintenance expenses increased by \$6.1 million, of which \$1.2 million results from utilities and maintenance related to the new School of Business building; and an increase in water (\$0.8 million), electricity (\$0.6 million) and the cooling and heating plant (\$1.4 million). Instruction-related expenses increased \$3.1 million, of which \$1.5 million is due to increases in payroll costs. Academic support increased \$3.4 million mainly due to increase in payroll of \$2.0 million.

**Capital Assets and Debt Activities**

The University's investment in capital assets, net of accumulated depreciation, was \$909.9 million and \$857.5 million at June 30, 2016 and 2015, respectively. Accumulated depreciation totaled \$388.2 million and \$348.2 million at June 30, 2016 and 2015 respectively. Depreciation charged to operations totaled \$41.7 million and \$34.2 million in 2016 and 2015, respectively. The increase in capital assets was mainly due to construction of two new academic buildings noted below, and other major renovations to existing buildings on campus.

The School of Business building and the Center for Environmental and Life Science Building were completed during 2016. The School of Communication and Media building will be completed in 2017. Additionally there were ongoing renovations and improvements to other facilities.

During 2016 the NJ Educational Facilities Authority issued 2 new revenue bonds totaling \$192.0 million, Montclair State University Issue Series 2015D and 2016B, to refund bonds that were originally issued in previous years to finance various campus construction and renovation projects. These transactions enabled the University to reduce its outstanding debt, from \$487.3 million in at June 30, 2015, to \$447.9 million at June 30, 2016. Interest expense declined by \$.9 million, from \$19.8 million in FY15 to \$18.9 million in FY16.

The University is obligated to pay 25% of the debt service requirement on the New Jersey State 2014 Bond that funds the Higher Education Equipment Leasing Fund Programs 032-10 and 032-11.



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The components of the University's investment in capital assets at June 30 are:

**Investment in Capital Assets  
as of June 30 (in millions)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land	\$ 37.1	\$ 37.1	\$ 36.3
Construction in progress	83.5	174.8	93.6
Infrastructure	44.2	42.5	41.9
Buildings and Improvements	899.3	772.7	772.3
Equipment	211.1	156.4	151.8
Other capital assets	22.9	22.2	22.0
Total	<u>1,298.1</u>	<u>1,205.7</u>	<u>1,117.9</u>
Accumulated depreciation:			
Infrastructure	19.1	17.5	15.9
Buildings and Improvements	230.6	209.9	191.0
Equipment	122.8	106.2	96.1
Other capital assets	15.7	14.6	13.3
Total	<u>388.2</u>	<u>348.2</u>	<u>316.3</u>
Total capital assets, net	<u>\$ 909.9</u>	<u>\$ 857.5</u>	<u>\$ 801.6</u>

**Economic Factors that could affect the Future**

The major components of the University's operating revenue are changing as State support, as a percentage of total revenues, continues to decline. The State continues to face economic stress which may affect future appropriations to the University. State funding represents 18.5% of total revenue (excluding capital gifts and grants). Reduced appropriations in the future will place an increased burden on tuition and fees to fund the operating costs of the University. The University continues to seek new and enhanced revenue streams and operating efficiencies to maintain its ability to increase total net assets to meet the growth and needs of its students. The University remains committed to its mission of serving the educational needs of New Jersey with programs characterized by academic rigor and currency in the development of knowledge in its applications.

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Statement of Net Position  
(dollars in thousands)  
June 30, 2016

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 75,831	\$ 7,513	\$ 83,344
Investments	7,873	-	7,873
Assets held under bond indenture agreements	96,059	-	96,059
Receivables			
Students, less allowance for doubtful accounts of \$1,451	6,718	-	6,718
Loans, less allowance for doubtful loans of \$147	533	-	533
Grants and contracts	16,495	-	16,495
State of New Jersey	2,512	-	2,512
Other receivables	6,315	1,361	7,676
Total Receivables	32,573	1,361	33,934
Other current assets	2,105	257	2,362
Total Current Assets	214,441	9,131	223,572
Noncurrent Assets			
Investments	102,450	59,480	161,930
Loans receivable, less allowance for doubtful loans of \$521	3,113	-	3,113
Capital assets, net	909,884	-	909,884
Other noncurrent assets	256	7,070	7,326
Total Noncurrent Assets	1,015,703	66,550	1,082,253
Total Assets	1,230,144	75,681	1,305,825
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from debt refundings	3,024	-	3,024
Deferred outflow of pension resources	21,529	-	21,529
Total Deferred Outflows of Resources	24,553	-	24,553
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	52,855	2,591	55,446
Bonds payable and other long-term debt - current portion	11,358	-	11,358
Unearned tuition, fees, and deposits	17,388	-	17,388
Unearned revenue from grantors	6,317	-	6,317
Assets held on behalf of others	3,016	-	3,016
Total Current Liabilities	90,934	2,591	93,525
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	436,513	-	436,513
Compensated absences - noncurrent portion	2,450	-	2,450
Assets held on behalf of Federal government for loan programs	3,843	-	3,843
Net pension liability	190,115	-	190,115
Total Noncurrent Liabilities	632,921	-	632,921
Total Liabilities	723,855	2,591	726,446
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement	198,273	-	198,273
Deferred inflow of pension resources	5,793	-	5,793
Deferred amount from debt refundings	28,653	-	28,653
Total Deferred Inflows of Resources	232,719	-	232,719
<b>NET POSITION</b>			
Net investment in capital assets	210,521	-	210,521
Restricted nonexpendable	-	39,381	39,381
Restricted expendable for			
Scholarships	-	1,820	1,820
Loans	1,138	-	1,138
Renewal and replacement	77,810	-	77,810
Debt service and debt service reserve	18,248	-	18,248
Other	-	32,660	32,660
Unrestricted	(9,593)	(770)	(10,363)
Total Net Position	\$ 298,124	\$ 73,091	\$ 371,215

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Net Position  
(dollars in thousands)  
June 30, 2015

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 50,819	\$ 7,142	\$ 57,961
Investments	16,087	-	16,087
Assets held under bond indenture agreements	139,667	-	139,667
Receivables			
Students, less allowance for doubtful accounts of \$1,883	6,274	-	6,274
Loans, less allowance for doubtful loans of \$101	442	-	442
Grants and contracts	17,806	-	17,806
State of New Jersey	2,500	-	2,500
Other receivables	6,534	1,871	8,405
Total Receivables	33,556	1,871	35,427
Other current assets	1,569	198	1,767
Total Current Assets	241,698	9,211	250,909
Noncurrent Assets			
Investments	119,364	60,994	180,358
Loans receivable, less allowance for doubtful loans of \$773	3,363	-	3,363
Capital assets, net	857,502	-	857,502
Other noncurrent assets	1,414	6,990	8,404
Total Noncurrent Assets	981,643	67,984	1,049,627
Total Assets	1,223,341	77,195	1,300,536
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from debt refundings	3,303	-	3,303
Deferred outflow of pension resources	5,610	-	5,610
Total Deferred Outflows of Resources	8,913	-	8,913
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	42,138	2,564	44,702
Bonds payable and other long-term debt - current portion	15,514	-	15,514
Unearned tuition, fees, and deposits	19,337	-	19,337
Unearned revenue from grantors	8,934	-	8,934
Assets held on behalf of others	1,179	-	1,179
Total Current Liabilities	87,102	2,564	89,666
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	471,829	-	471,829
Compensated absences - noncurrent portion	2,429	-	2,429
Assets held on behalf of Federal government for loan programs	3,848	-	3,848
Net pension liability	160,488	-	160,488
Total Noncurrent Liabilities	638,594	-	638,594
Total Liabilities	725,696	2,564	728,260
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement	205,616	-	205,616
Deferred inflow of pension resources	10,059	-	10,059
Total Deferred Inflows of Resources	215,675	-	215,675
<b>NET POSITION</b>			
Net investment in capital assets	146,682	-	146,682
Restricted nonexpendable	-	38,429	38,429
Restricted expendable for			
Scholarships	-	1,358	1,358
Loans	473	-	473
Renewal and replacement	115,551	-	115,551
Debt service and debt service reserve	20,496	-	20,496
Other	-	31,347	31,347
Unrestricted	7,681	3,497	11,178
Total Net Position	\$ 290,883	\$ 74,631	\$ 365,514

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position  
(dollars in thousands)  
Year Ended June 30, 2016

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>OPERATING REVENUES</b>			
Student Revenues			
Student tuition and fees	\$ 206,960	\$ -	\$ 206,960
Residence life - room and board	46,553	-	46,553
Less scholarship allowance	55,190	-	55,190
Net Student Revenues	198,323	-	198,323
Federal grant and contracts	8,232	-	8,232
State of New Jersey grants and contracts	29,998	-	29,998
Nongovernmental grants and contracts	6,403	-	6,403
Sales and services of educational departments	7,198	-	7,198
Auxiliary enterprises	33,109	-	33,109
Other operating revenues	16,804	8,619	25,423
Total Operating Revenues	300,067	8,619	308,686
<b>OPERATING EXPENSES</b>			
Instruction	130,208	-	130,208
Research	8,088	-	8,088
Public service	14,050	-	14,050
Academic support	27,571	-	27,571
Student services	16,970	-	16,970
Institutional support	49,751	8,833	58,584
Operations and maintenance of plant	36,089	-	36,089
Depreciation	41,749	-	41,749
Student aid	16,820	-	16,820
Residence life and auxiliary enterprises	53,709	-	53,709
Total Operating Expenses	395,005	8,833	403,838
Operating (Loss) Income	(94,938)	(214)	(95,152)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State of New Jersey appropriations	35,859	-	35,859
State of New Jersey paid fringe benefits	39,991	-	39,991
Pell grants	30,539	-	30,539
Gifts and non-exchange grants	798	-	798
Unrealized and realized gains on investment securities	278	-	278
Investment income, net of investment expenses of \$282	1,675	(1,326)	349
Interest on indebtedness	(18,875)	-	(18,875)
Administrative costs	(1,347)	-	(1,347)
Loss on disposal of capital assets	(29)	-	(29)
Other nonoperating revenues	620	-	620
Net Nonoperating Revenues	89,509	(1,326)	88,183
Income Before Other Revenues	(5,429)	(1,540)	(6,969)
Capital gifts and grants	12,670	-	12,670
Increase in Net Position	7,241	(1,540)	5,701
<b>NET POSITION</b>			
Beginning of year	290,883	74,631	365,514
End of year	\$ 298,124	\$ 73,091	\$ 371,215

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position  
(dollars in thousands)  
Year Ended June 30, 2015

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
<b>OPERATING REVENUES</b>			
Student Revenues			
Student tuition and fees	\$ 201,979	\$ -	\$ 201,979
Residence life - room and board	44,808	-	44,808
Less scholarship allowance	49,932	-	49,932
Net Student Revenues	196,855	-	196,855
Federal grant and contracts	5,278	-	5,278
State of New Jersey grants and contracts	28,383	-	28,383
Nongovernmental grants and contracts	4,420	-	4,420
Sales and services of educational departments	7,133	-	7,133
Auxiliary enterprises	30,717	-	30,717
Other operating revenues	10,944	10,667	21,611
Total Operating Revenues	283,730	10,667	294,397
<b>OPERATING EXPENSES</b>			
Instruction	127,097	-	127,097
Research	7,768	-	7,768
Public service	13,676	-	13,676
Academic support	24,181	-	24,181
Student services	18,036	-	18,036
Institutional support	47,555	8,155	55,710
Operations and maintenance of plant	29,955	-	29,955
Depreciation	34,178	-	34,178
Student aid	15,345	-	15,345
Residence life and auxiliary enterprises	53,594	-	53,594
Total Operating Expenses	371,385	8,155	14
Operating (Loss) Income	(87,655)	2,512	(85,143)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State of New Jersey appropriations	38,613	-	38,613
State of New Jersey paid fringe benefits	40,454	-	40,454
Pell grants	28,325	-	28,325
Gifts and non-exchange grants	1,049	-	1,049
Unrealized and realized gains on investment securities	1,389	-	1,389
Investment income, net of investment expenses of \$288	45	666	711
Interest on indebtedness	(19,869)	-	(19,869)
Administrative costs	(359)	-	(359)
Loss on disposal of capital assets	(446)	-	(446)
Other nonoperating revenues	994	-	994
Net Nonoperating Revenues	90,195	666	90,861
Income Before Other Revenues	2,540	3,178	5,718
Capital gifts and grants	56,710	-	56,710
Increase in Net Position	59,250	3,178	62,428
<b>NET POSITION</b>			
Beginning of year	391,074	71,453	462,527
Cumulative effect of change in accounting principle	(159,441)	-	(159,441)
End of year	\$ 290,883	\$ 74,631	\$ 365,514

See notes to financial statements

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows  
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 149,288	\$ 159,529
Grants and contracts	43,322	20,800
Payments for salaries	(191,662)	(174,530)
Payments for fringe benefits	(39,391)	(22,118)
Payments to suppliers	(38,955)	(71,136)
Payments for utilities	(20,866)	(20,302)
Payments for student aid	(17,426)	(15,328)
Loans issued to students	(220)	(573)
Collection of loans from students	585	588
Auxiliary enterprises charges		
Residence life	46,436	50,787
Other	33,109	24,264
Sales and services of educational departments	7,198	7,133
Other receipts	16,787	11,669
Net Cash from Operating Activities	<u>(11,795)</u>	<u>(29,217)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State of New Jersey appropriations/Pell grants	76,894	79,015
Gifts and non-exchange grants	798	1,049
Student organization agency transactions	1,835	300
Other receipts	618	81
Net Cash from Noncapital Financing Activities	<u>80,145</u>	<u>80,445</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital gifts and grants	12,670	56,710
Proceeds from capital debt	(344)	6,686
Principal paid on capital debt	(11,697)	(8,966)
Interest paid on capital debt	(20,050)	(24,243)
Purchases of capital assets	(94,669)	(105,353)
Administrative costs	61	(497)
Change in deposits held by bond trustees	43,607	33,630
Net Cash from Capital Financing Activities	<u>(70,422)</u>	<u>(42,033)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	3,884,864	7,186,657
Purchases of investments	(3,859,174)	(7,188,535)
Interest on investments	1,394	1,858
Net Cash from Investing Activities	<u>27,084</u>	<u>(20)</u>
Net Increase in Cash and Cash Equivalents	25,012	9,175
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>50,819</u>	<u>41,644</u>
End of year	<u>\$ 75,831</u>	<u>\$ 50,819</u>

See notes to financial statements

**MONTCLAIR STATE UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Statements of Cash Flows  
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2016	2015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (94,938)	\$ (87,655)
Adjustments to reconcile operating loss to net cash used by operating activities		
State of New Jersey paid fringe benefits	29,483	28,265
Depreciation expense	41,749	34,178
Provision for bad debts	(638)	(2,347)
Changes in assets and liabilities :		
Student receivables	(12)	1,551
Loans receivable	365	14
Grants receivable	1,311	(9,276)
Other receivables	219	455
Other current assets	(536)	43
Accounts payable and accrued expenses	6,310	(2,521)
Unearned tuition, fees and deposits	(1,949)	1,829
Unearned revenue from granters	(2,617)	(1,973)
Compensated absences - noncurrent portion	21	179
Assets held on behalf of Federal government for loan programs	(5)	(57)
Net pension liability	9,442	8,098
Net Cash from Operating Activities	<u>\$ (11,795)</u>	<u>\$ (29,217)</u>

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**1. Organization**

Montclair State University (the University) is recognized as a public institution of higher education by the State of New Jersey (the State). With its emphasis on the liberal arts and sciences, the University, in 1937, became one of the first teachers' colleges accredited by the Middle States Association of Colleges and Schools. Responding to enrollment growth in the late forties and fifties with an expanded curriculum and faculty, the campus became Montclair State College in 1958, and a comprehensive, multipurpose institution in 1966. Recognizing the strengths of its academic programs and faculty and the commitment to excellence in instruction and research, the State of New Jersey Board of Higher Education designated Montclair State a teaching university on April 27, 1994.

The University is an instrumentality of the State with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University, which is financially dependent on the State, is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statements No. 35 and 63 establish standards for external financial reporting for public colleges and universities and require 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 University.
  - Expendable* – Net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.



**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (*continued*)**

***Basis of Presentation (continued)***

- *Unrestricted:* Net assets 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 assets are designated for academic programs and initiatives and capital programs.

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

***Measurement Focus and Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid short-term investments purchased with an original maturity of three months or less.

***Investments***

Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchase and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (*continued*)**

***Capital Assets***

Capital assets with acquisition costs of at least \$5,000 and useful lives of at least three years are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired under lease agreements are classified as capital leases and are recorded as capital assets.

Capital assets of the University are depreciated using the straight-line method over the following useful lives:

	<u>Useful lives</u>
Buildings	50 years
Building improvements	20 years
Infrastructure	25 years
Land improvements	25 years
Equipment, furniture and vehicles	3 - 10 years

The University owns works of art and other collectibles valued at approximately \$3.7 and \$3.3 million as of June 30, 2016 and 2015. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

***Prepaid Financing Costs***

The University capitalizes prepaid insurance costs incurred in connection with its bond issues and amortizes these costs over the life of the respective obligations. These prepaid costs are included in other noncurrent assets in the accompanying statements of net position. Accumulated amortization amounted to \$0.3 million and \$1.4 million in 2016 and 2015, respectively. The decrease is due to the refinancing of bonds 2003E and 2006A.

***Assets Held on Behalf of Others***

The University holds cash and cash equivalents as custodian primarily for various student organizations.

***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 inflows of resources. See note 8 for the University's breakdown of these items.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (*continued*)**

***Deferred Outflows and Deferred Inflows of Resources (continued)***

Deferred outflows and inflows of resources also include gain and losses resulting from refinancing of debt, which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

***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 financial statements.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey and Federal governments and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as deferred revenue from grantors in the accompanying financial statements.

The University recognizes a deferred inflow of resources related to the acquisition of the Heights residence hall as part of its service concession agreement. The deferred inflow will be amortized into income over the term of the agreement and is included in other operating income in the statement of revenues, expenses and changes in net position.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University. The University is fiscally dependent upon these appropriations.

***Classification of Revenue***

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions, such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, and residence life, net of scholarship allowances; sales and services of auxiliary enterprises; and most Federal, State, local and other grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the State of New Jersey, Pell grants, and net investment income and gifts and non-exchange grants.

***Tax Status***

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (*continued*)**

***Reclassification***

Certain prior year amounts have been reclassified to conform with current year presentation.

***Cumulative Effect of Change in Accounting Principle***

For the year ending June 30, 2015, the University implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions made subsequent to the Measurement Date" which establish standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

These statements seek to improve accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses. The statements also require the identification and the methods and assumptions that should be used to project benefit payments to their actual present value and attribute that present value to period of employee service. The result of implementation of GASB Statement No. 68 is the reduction of beginning net position by \$159.4 million for the year ending June 30, 2015.

***Subsequent Events***

Management has reviewed and evaluated all events and transactions from June 30, 2016 through January 4, 2017, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash, assets held under bond indenture agreements and investments.

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury; agencies, and other 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 agreement; 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 things as minimum capital, dividend paying history, credit history, and other evaluation factors.

Cash, investments and assets held under bond indenture agreements as of June 30, 2016 are classified in the statements of net position as follows (dollars in thousands):

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 75,831	\$ 50,819
Assets held under bond indenture agreements	96,059	139,667
Investments	<u>110,323</u>	<u>135,451</u>
	<u>\$ 282,213</u>	<u>\$ 325,937</u>

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University entered into a tri-party collateral management agreement with the Bank of America and Bank of New York Mellon acting as the custodian. This agreement secures the payment of uninsured deposits to the University. As of June 30, 2016 and 2015, cash and cash equivalents were held by depositories and amounted to \$23.0 million and \$20.3 million, respectively.

As of June 30, 2016, \$0.8 million was FDIC insured and \$22.2 million was collateralized with securities according to the tri-party agreement. As of June 30, 2015, \$0.4 million was FDIC insured and \$19.9 million was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution, or by trust department or agent but not in the University's name.

**Montclair State University**  
(A Component Unit of The State of New Jersey)

Notes to Financial Statements  
June 30, 2016 and 2015

**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

The University participates in the State of New Jersey Cash Management fund wherein amounts contributed by the University are combined with funds from other state institutions into a large scale investment program. The carrying amount and fair value of cash and cash equivalents at June 30, 2016 and 2015 was \$31.6 million and \$36.5 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes. The Cash Management Fund is unrated.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's investment policy requires that any repurchase agreements held in the portfolio be collateralized at least 102% with U.S. Government securities or mortgage-backed securities. The maximum term of these agreements will be 90 days, and the collateral must be marked-to-market daily.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy stipulates that the portfolio shall be managed to have a targeted duration within a band +/- 20% of the Merrill Lynch US 1-3 Year Treasury Index. The final maturity of each security within the portfolio shall not exceed five years, with the exception that for mortgage-backed securities and asset-backed securities, the average life of the security may not exceed five years. As of June 30, 2016, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	Maturities (in years)		
		less than 1	1 - 5	greater than 5
U.S. treasuries	\$ 22,701	\$ -	\$ 22,701	\$ -
Municipals	2,732	-	2,732	-
U.S. agencies	4,800	-	4,800	-
Debt securities	<u>80,090</u>	<u>7,872</u>	<u>66,248</u>	<u>5,970</u>
Total	<u>\$ 110,323</u>	<u>\$ 7,872</u>	<u>\$ 96,481</u>	<u>\$ 5,970</u>

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**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

As of June 30, 2015, the University had the following investments and maturities (dollars in thousands):

Investment Type	Fair Value	Maturities (in years)		
		less than 1	1 - 5	greater than 5
U.S. treasuries	\$ 31,177	\$ -	\$ 31,177	\$ -
Municipals	2,727	-	2,727	-
U.S. agencies	15,212	-	15,212	-
Debt securities	<u>86,335</u>	<u>16,087</u>	<u>66,525</u>	<u>3,723</u>
Total	<u>\$ 135,451</u>	<u>\$ 16,087</u>	<u>\$ 115,641</u>	<u>\$ 3,723</u>

**Interest Rate Risk**

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (the Authority). As of June 30, 2016, investments were in U.S. treasuries of \$70.0 million, and money market funds of \$26.0 million. As of June 30, 2015, investments were in U.S. treasuries of \$110.0 million, money market funds of \$29.7 million, all maturing within one year.

**Credit Risk**

Securities must be rated investment grade or better by a nationally recognized credit rating agency at the time of purchase. Split rated credits will be considered to have the lower credit rating. Money market instruments must be rated A-1 or P-1 or better at the time of purchase.

In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the University and provide an evaluation and plan of action. If bonds in the portfolio are downgraded below investment grade, the investment manager(s) may continue to hold up to 2% in aggregate market value of these securities.

Temporary cash balances may be invested in a money market instrument (A-1/P-1 or better, less than 390 days).

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**3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)**

***Credit Risk (continued)***

As of June 30, 2016, \$5.7 million in debt securities were rated AAA, \$30.0 million in debt securities were rated AA, and \$44.4 million were rated A-BAA by Moody's. As of June 30, 2015, \$10.3 million in debt securities were rated AAA, \$29.4 million were rated AA, and \$46.6 million were rated A-BAA by Moody's.

***Concentration of Credit Risk***

This is the risk associated with the amount of investments the University has with any one issuer. Except for treasuries, agency debentures, agency pass-throughs, agency REMIC's, and asset-backed securities, no more than 2% of the portfolio shall be invested in securities of a single issuer. Asset-backed securities are limited to 5% per issuer.

Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and cash equivalents and U.S. government obligations. Assets held under bond indenture agreements are maintained for the following (dollars in thousands):

	<u>2016</u>	<u>2015</u>
Project and construction fund	\$ 77,809	\$115,552
Debt service fund for principal and interest	18,248	20,495
Rental pledge	2	-
Capitalized interest	<u>-</u>	<u>3,620</u>
Assets Held Under Bond Indenture Agreements	<u>\$ 96,059</u>	<u>\$139,667</u>



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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2016 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	\$ 42,545	\$ 1,700	\$ -	\$ 44,245
Buildings and improvements	772,727	126,603	-	899,330
Equipment	156,365	56,471	1,729	211,107
Other	22,177	683	-	22,860
Total Depreciable Assets	993,814	185,457	1,729	1,177,542
Less accumulated depreciation on:				
Infrastructure	17,472	1,580	-	19,052
Buildings and improvements	209,902	20,656	-	230,558
Equipment	106,167	18,438	1,729	122,876
Other	14,644	1,075	-	15,719
Total Accumulated Depreciation	348,185	41,749	1,729	388,205
Depreciable Assets, Net	645,629	143,708	-	789,337
Nondepreciable assets:				
Land	37,101	-	-	37,101
Construction in progress	174,772	93,340	184,666	83,446
Total Nondepreciable Assets	211,873	93,340	184,666	120,547
Total Capital Assets, Net	\$ 857,502	\$ 237,048	\$ 184,666	\$ 909,884

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**4. Capital Assets (continued)**

Capital asset activity for the year ended June 30, 2015 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	\$ 41,958	\$ 587	\$ -	\$ 42,545
Buildings and improvements	772,345	1,510	1,128	772,727
Equipment	151,763	6,211	1,609	156,365
Other	21,960	217	-	22,177
Total Depreciable Assets	988,026	8,525	2,737	993,814
Less accumulated depreciation on:				
Infrastructure	15,938	1,534	-	17,472
Buildings and improvements	190,998	19,583	679	209,902
Equipment	96,144	11,632	1,609	106,167
Other	13,215	1,429	-	14,644
Total Accumulated Depreciation	316,295	34,178	2,288	348,185
Depreciable Assets, Net	671,731	(25,653)	449	645,629
Nondepreciable assets:				
Land	36,267	834	-	37,101
Construction in progress	93,586	89,021	7,835	174,772
Total Nondepreciable Assets	129,853	89,855	7,835	211,873
Total Capital Assets, Net	\$ 801,584	\$ 64,202	\$ 8,284	\$ 857,502

Estimated costs to complete the projects classified as construction in progress as of June 30, 2016 approximated \$59.9 million and are expected to be funded from unrestricted resources, State of New Jersey grants and contracts and NJEFA bonds. The University had no capitalized interest expense during 2016.

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**5. Accounts Payable and Accrued Expenses**

As of June 30, 2016 and 2015, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2016	2015
Vendors	\$ 20,767	\$ 10,836
Capital projects	8,754	1,949
Employees	9,283	13,186
Interest payable	8,439	10,836
Compensated absences	5,612	5,331
	<u>\$ 52,855</u>	<u>\$ 42,138</u>

**6. Bonds Payable and Other Long-Term Debt**

***Bonds Payable***

The University is obligated under various revenue bonds issued by the Authority to finance various construction, renovations, and capital acquisitions. These bonds are general obligations of the University. The following bonds payable of the Authority related to the University were outstanding as of June 30, 2016 and 2015 (dollars in thousands):

	Interest rates	2016	2015
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2002 F Revenue Bonds, due serially to 2016	3.875 - 5.20%	\$ -	\$ 2,500
Series 2003 E Revenue Bonds, due serially to 2035	3.875 - 5.20	-	10,100
Series 2006 A Revenue Bonds, due serially to 2016	4.00 - 4.50	-	73,630
Series 2006 J Revenue Bonds, due serially to 2021	3.75 - 4.25	33,575	152,100
Series 2007 A Revenue Bonds, due serially to 2021	5.25	3,620	4,125
Series 2008 J Revenue Bonds, due serially to 2018	3.00 - 5.00	1,965	25,345
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	189,365	189,365
Series 2015 D Revenue Bonds, due serially to 2036	3.75 - 5.00	73,770	-
Series 2016 B Revenue Bonds, due serially to 2038	3.00 - 5.00	118,190	-
Bonds payable		420,485	457,165
Plus: Bond premium		18,326	20,724
Less: Bond discount		(198)	(349)
Total bonds payable		<u>\$ 438,613</u>	<u>\$ 477,540</u>

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**6. Bonds Payable and Other Long-Term Debt (continued)**

***Other Long-Term Debt***

The following other long-term debt was outstanding as of June 30, 2016 and 2015 (dollars in thousands):

	<u>Interest rates</u>	<u>2016</u>	<u>2015</u>
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25	\$ 45	\$ 45
Series 2005 A Higher Education Capital Improvement Fund, due serially to 2020	5.00	1,649	2,139
Series 2006 A Higher Education Capital Improvement Fund, due serially to 2022	4.00 - 4.50	3,204	3,219
Dormitory Safety Trust Fund Bonds, due serially to 2016	4.50 - 5.00	-	75
Note payable for land purchase, due serially to 2019	4.75 - 5.00	923	1,176
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	650	720
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	509	465
2014 Higher Education Equipment Leasing Fund Program 032-10	5.00	126	141
2014 Higher Education Equipment Leasing Fund Program 032-11	5.00	126	141
Obligations under capital leases, due in equal monthly installments through 2020	1.14 - 4.53	<u>2,026</u>	<u>1,682</u>
Total other long-term debt		<u>\$ 9,258</u>	<u>\$ 9,803</u>

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**6. Bonds Payable and Other Long-Term Debt (continued)**

***Future Principal and Interest Payments***

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2016 (dollars in thousands):

	<u>Principal</u>	<u>Interest and fees</u>
Year ending June 30:		
2017	\$ 11,358	\$ 21,146
2018	11,936	20,595
2019	16,582	20,020
2020	16,150	19,389
2021	<u>22,516</u>	<u>18,677</u>
2017 - 2021 Subtotal	78,542	99,827
2022 - 2026	88,167	82,323
2027 - 2031	108,770	62,122
2032 - 2036	47,055	37,993
2037 - 2041	54,525	19,255
2042 - 2044	<u>52,684</u>	<u>4,197</u>
	<u>\$ 429,743</u>	<u>\$ 305,717</u>

**7. Summary of Changes in Noncurrent Liabilities**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2016 (dollars in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable and other long-term debt	\$ 487,343	\$ 1,302	\$ (40,774)	\$ 447,871	\$ 11,358
Compensated absences (see note 11)	7,760	951	(648)	8,063	5,612
Assets held on behalf of Federal government for loan programs	<u>3,848</u>	<u>-</u>	<u>(5)</u>	<u>3,843</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 498,951</u>	<u>\$ 2,253</u>	<u>\$ (41,427)</u>	<u>\$ 459,777</u>	<u>\$ 16,970</u>

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**7. Summary of Changes in Noncurrent Liabilities (continued)**

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2015 (dollars in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable and other long-term debt	\$ 496,228	\$ 6,686	\$ (15,571)	\$ 487,343	\$ 15,514
Compensated absences (see note 11)	7,314	992	(546)	7,760	5,331
Assets held on behalf of Federal government for loan programs	3,905	-	(57)	3,848	-
Total Noncurrent Liabilities	<u>\$ 507,447</u>	<u>\$ 7,678</u>	<u>\$ (16,174)</u>	<u>\$ 498,951</u>	<u>\$ 20,845</u>

**8. Retirement Plans**

University employees participate in three major retirement plans: Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company, and VALIC. PERS and PFRS are cost-sharing, multiple-employer plans administered by the State of New Jersey. The ABP is administered by separate boards of trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A 43:15A to provide coverage, including postretirement healthcare, to substantially all full-time employees of the State of New Jersey public agencies, provided the employee is not a member of another State-administered retirement system.

PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and state firemen appointed after June 30, 1994.

ABP presently makes contributions to the Hartford, ING Life Insurance and Annuity Company, TIAA/CREF, Variable Annuity Life Insurance Company (VALIC), Metropolitan Life Insurance Company and AXA Equitable. ABP alternatives are administered by separate boards of trustees.

In addition to the three plans referred to above, certain faculty members of the University participate in Teachers' Pension and Annuity Fund (TPAF), which is a State of New Jersey cost-sharing, multiple employer defined benefit plan with a special-funding situation. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including postretirement healthcare, to substantially all full-time public school employees in the State of New Jersey. The plan's eligibility requirements are similar to PERS' requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS.

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**8. Retirement Plans (continued)**

***Public Employees' Retirement System and Police and Firemen's Retirement System***

The State of New Jersey, Public Employees' Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) are cost-sharing multiple-employer defined benefit pension plans 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/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS and PFRS provide retirement, death and disability benefits. With PERS, 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. With PFRS, all benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PERS:

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

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

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**8. Retirement Plans (*continued*)**

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

***Contributions***

The contribution policy for PERS and PFRS is set by N.J.S.A. 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 contribution amount is based on an actuarially determined rate 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 are required to contribute 7.06% and 6.92%, respectively, and PFRS members are required to contribute 10% of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State of New Jersey contributes to PERS and PFRS on behalf of the University. Employers were not required to contribute in 2016 or 2015 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Contributions recognized by the PERS and PFRS plans from the University for the year ending June 30, 2016 totaled \$1,643 and \$.285 million, respectively.



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**8. Retirement Plans (continued)**

***Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of resources related to pensions.***

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

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2016 and 2015, are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Proportionate share of the net pension liability (\$)			
2015	\$ 172,860	\$ 17,255	\$ 190,115
2014	145,594	14,894	160,488
Proportionate share of the net pension liability (%)			
2015	0.729%	0.402%	
2014	0.723%	0.419%	
Deferred outflows of resources	18,765	2,764	21,529
Deferred inflows of resources	5,156	637	5,793
Pension expense	11,103	1,481	12,584

The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2013 to June 30, 2015 relative to the total contributions from all participating employers.

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2016 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 2,416	\$ -	\$ 2,416
Changes in assumptions	13,177	1,770	14,947
Net differences between projected and actual earnings on pension plan investments	-	46	46
Changes in proportionate share	890	330	1,220
Contributions subsequent to the measurement date	2,282	618	2,900
	<u>\$ 18,765</u>	<u>\$ 2,764</u>	<u>\$ 21,529</u>

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**8. Retirement Plans (continued)**

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ -	\$ 130	\$ 130
Net differences between projected and actual earnings on pension plan investments	853	-	853
Changes in proportionate share	<u>4,303</u>	<u>507</u>	<u>4,810</u>
	<u>\$ 5,156</u>	<u>\$ 637</u>	<u>\$ 5,793</u>

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2015 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Changes in assumptions	\$ 3,211	\$ 302	\$ 3,513
Changes in proportionate share	-	410	410
Contributions subsequent to the measurement date	<u>1,126</u>	<u>561</u>	<u>1,687</u>
	<u>\$ 4,337</u>	<u>\$ 1,273</u>	<u>\$ 5,610</u>

<b>Deferred Inflows of Resources:</b>			
Net differences between projected and actual earnings on pension plan investments	\$ 4,419	\$ 368	\$ 4,787
Changes in proportionate share	<u>5,272</u>	<u>-</u>	<u>5,272</u>
	<u>\$ 9,691</u>	<u>\$ 368</u>	<u>\$ 10,059</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$2,282 for PERS and \$618 for PFRS will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense in the statement of revenues, expenses and changes in net position as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Years ending:</b>			
2017	\$ 2,188	\$ 188	\$ 2,376
2018	2,188	188	2,376
2019	2,188	188	2,376
2020	3,044	235	3,279
2021	<u>1,719</u>	<u>93</u>	<u>1,812</u>
	11,327	892	12,219
Contributions paid subsequent to Measurement Date	<u>2,282</u>	<u>618</u>	<u>2,900</u>
	<u>\$ 13,609</u>	<u>\$ 1,510</u>	<u>\$ 15,119</u>

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**8. Retirement Plans (*continued*)**

***Actuarial Assumptions***

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

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

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

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

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

Asset Class	PERS and PFRS	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

***Discount Rates***

The discount rates used to measure the total pension liabilities were 4.90% and 5.79% for PERS and PFRS at the Measurement Date and 5.39% and 6.32% at June 30, 2014, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% at the Measurement Date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for PERS and PFRS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of

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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans (continued)**

current plan members through 2033 for PERS and 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2033 for PERS and 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after those dates in determining the total pension liabilities.

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

The following presents the net pension liability of the plans calculated using the discount rates of 4.90% for PERS and 5.79% for PFRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	3.90%	202,590	4.79%	20,775
Current discount rate	4.90%	172,860	5.79%	17,255
1% increase	5.90%	148,031	6.79%	14,394

***Teachers' Pension and Annuity Fund***

***Plan Description***

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans (*continued*)**

***Plan Description (continued)***

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 member upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

***Contributions***

The contribution policy for TPAF is set by N.J.S.A 18A:66 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 on the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

Contributions recognized by the plan from the University totaled \$146,149 for the year ending June 30, 2016.

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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans (*continued*)**

***Net Pension Liability***

At June 30, 2016, the University's proportionate share of the net present liability was \$17 million.

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans *(continued)***

***Discount Rate***

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 average of the last five years. 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the University as of June 30, 2015 calculating using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
Net Pension Liability	\$ 75,559,914	\$ 63,577,864	\$ 53,254,610
Allocation Percentage	<u>0.0271942373%</u>	<u>0.0271942373%</u>	<u>0.0271942373%</u>
University's proportionate share of the net pension liability	<u>\$ 20,548</u>	<u>\$ 17,290</u>	<u>\$ 14,482</u>



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Notes to Financial Statements  
June 30, 2016 and 2015

**8. 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 TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.53%
Government Bonds	1.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	2.10%	2.54%
Inflation-Indexed Bonds	1.50%	1.47%
High Yield Bonds	2.00%	4.57%
Equity Market	27.25%	5.63%
Foreign Developed Equity	12.00%	6.22%
Emerging Markets Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans *(continued)***

***Components of Net Pension Liability***

The components of the net pension liability of the participating employers for TPAF as of June 30, 2015 are as follows:

	<u>State</u>
Total pension liability	\$ 89,182,662
Plan fiduciary net position	<u>25,604,798</u>
Net Pension Liability	<u><u>\$ 63,577,864</u></u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%
	<u>University</u>
Net pension liability	\$ 63,577,864
Allocation percentage	<u>.0271942%</u>
University's Proportionate Share of the Net Pension Liability	<u><u>\$ 17,290</u></u>

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans (*continued*)**

As employees of the State of New Jersey, University employees receive certain postretirement benefits other than pensions. In accordance with GASB Statement No. 45, the State of New Jersey will be recording the liability for these other postemployment benefits for all its employees on its financial statements. Accordingly the liability for these obligations is not included in financial statements of the University.

***Alternate Benefit Program (ABP) Information***

ABP provides the choice of six investment carriers, which are privately operated, defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5% of salary, and may contribute a voluntary additional contribution of salary up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8% of salary. During the years ended June 30, 2016 and 2015, ABP received employee contributions of approximately \$5.8 million and \$5.7 million, respectively, and employer contributions of approximately \$9.4 million and \$9.2 million, respectively, which were based on participating employee salaries of \$116.9 million and \$114.5 million, respectively. Employer contributions to ABP are paid by the State of New Jersey and are shown in the accompanying financial statements as appropriations revenue and as expenses.

***Defined Contribution Retirement Program (DCRP)***

DCRP has one investment carrier, Prudential, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The University 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 University employees contribute 5.5% of their eligible wages. Employer contributions are 3%.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**8. Retirement Plans *(continued)***

During the years ended June 30, 2016 and 2015 Prudential received employer and employee contributions as follows:

	2016	2015
Employer contributions	\$ 45,523	\$ 53,950
Employee contributions	80,911	62,163
Basis for contributions:		
Participant employee salaries	\$ 1,471,110	\$ 1,130,241

**9. Contingent Liabilities**

The University is party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

**10. State of New Jersey Paid Fringe Benefits**

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of University employees. For the years ended June 30, 2016 and 2015, such benefits amounted to approximately \$40.0 million and \$40.5 million, respectively, and are included in appropriations revenue and expenses in the accompanying financial statements.

**11. Compensated Absences**

The University recorded a liability for compensated absences in the amount of \$8.1 million and \$7.8 million as of June 30, 2016 and 2015, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2016 and 2015, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2016 and 2015, the University paid approximately \$280 thousand and \$192 thousand, respectively, in sick leave payments for employees who retired.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**12. Service Concession Arrangement for Student Residence Hall Facility**

During fiscal 2012, construction was completed on the Heights student residence hall facility pursuant to an agreement entered into with Provident Group-Montclair Properties, LLC (Provident) under which Provident agreed to design, finance, build and operate the residence hall facility for a term up to thirty two years. Provident will be entitled to all housing revenues during the term of the agreement. At the end of the term, the residence hall facility and its operations will be transferred to the University. The University has reported the dormitory as a capital asset and related deferred inflow of resources with a carrying amount of \$198 million. For the years ending June 30, 2016 and 2015, the University has reported a deferred inflow of resources in the amount of \$7.3 million in the Statement of Revenues, Expenses and Changes in Net Position. The capital asset is being depreciated in accordance with the University's capitalization policies and totaled \$8.7 million for the years ending June 30, 2016 and 2015, respectively.

**13. Rental Revenue Under Operating Lease**

The University as lessor, has noncancelable operating leases which expire through 2041. The following is a schedule of minimum future lease amounts (dollars in thousands) to be received as of June 30:

2017	\$ 1,324
2018	1,322
2019	1,355
2020	1,068
2021	1,018
Thereafter	24,968

**14. Lease Commitments**

The University entered into operating leases in 2012 to rent dining and office space which expire through May 2041.

Future minimum lease payments (dollars in thousands) required under these leases are as follows:

2017	\$ 2,331
2018	2,143
2019	1,784
2020	1,837
2021	1,840
Thereafter	20,238

Total expense for the year ending June 30, 2016 was \$2,470.

**Montclair State University**  
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Notes to Financial Statements  
June 30, 2016 and 2015

**15. Risk Management**

The University is exposed to various risks of loss. The University participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence, with a per occurrence limit of \$1,000,000,000. Coverage for theft of money and securities provides for the actual loss in excess of \$25,000 with a per loss limit of \$5,000,000.

**16. Student Financial Assistance Program**

The University's students receive support from Federal and State of New Jersey student financial assistance programs. The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education. Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

**17. Montclair State University Foundation, Inc.**

Montclair State University Foundation, Inc. (the Foundation) is a nonstock corporation organized as a not-for-profit entity under the provisions of Title 15 of the New Jersey statutes. The Foundation was established for the benefit of the University to aid in obtaining additional resources to meet the needs of the University. The Foundation strives to raise funds from subscriptions, gifts, bequests and other devices and uses such funds as appropriately determined by its board of trustees. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under an independent board of trustees. Because the Foundation's resources can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University. For the years ended June 30, 2016 and 2015, total gifts given to the University from the Foundation amounted to \$4.5 million and \$4.6 million, respectively. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

**18. Commitments**

The University entered into a thirty year contract to permit third parties to install, operate and maintain a heating and cooling facility on certain University properties. In exchange, the University will purchase all electricity, chilled water and steam generated by the facility at a set price. Minimum lease payments on this lease are estimated to be \$15.6 million through 2044.

\* \* \* \* \*

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

	<u>PERS</u>	<u>PFRS</u>
Contractually Required Contribution	\$ 2,281,986	\$ 617,857
Contributions in relation to the Contractually Required Contribution	<u>2,281,986</u>	<u>617,857</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>
University Employee Covered Payroll (reporting date June 30, 2016)	<u>31,508</u>	<u>2,515</u>
Contributions as a percentage of Employee Covered Payroll	<u>7.24%</u>	<u>24.57%</u>



# **Schedules of Proportionate Share of the Net Pension Liability**

For the Years Ended June 30, 2016 and 2015

(dollars in thousands)

## **Public Employees' Retirement System (PERS)**

Reporting fiscal year (Measurement Date, June 30,)	Montclair's proportion of the net pension liability		Montclair's covered employee payroll	Montclair's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2016 (2015)	0.73%	\$ 172,860	\$ 32,362	534.14%	24.96%
2015 (2014)	0.72%	\$ 145,594	\$ 32,816	443.67%	30.06%

## **Police and Firemen's Retirement System (PFRS)**

Reporting fiscal year (Measurement Date, June 30,)	Montclair's proportion of the net pension liability		Montclair's covered employee payroll	Montclair's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2016 (2015)	0.402%	\$ 17,255	\$ 2,315	745.36%	29.06%
2015 (2014)	0.419%	\$ 14,894	\$ 2,178	683.84%	34.70%

**MONTCLAIR STATE UNIVERSITY**  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA (1) Number	Project No.	Pass-through Contract No.	Passed Through to Subrecipients	Current Year Expenditures
<b>Student Financial Assistance Cluster:</b>					
<b>Direct Programs:</b>					
<b>U.S. Department of Education</b>					
Federal Direct Student Loans	84.268	P268K151815	N/A	\$ -	\$ 116,967,325
Federal Supplemental Educational Opportunity Grants	84.007	P007A142586	N/A	-	836,324
Federal Work-Study Program	84.033	P033A142586	N/A	-	454,416
Federal Perkins Loan Program	84.038	N/A	N/A	-	4,544,543
Federal Pell Grant Program	84.063	P063P141815	N/A	-	30,538,791
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	P379T151815	N/A	-	53,897
Total Student Financial Assistance Cluster				-	153,395,296
<b>Trio Cluster:</b>					
<b>Direct Programs:</b>					
TRIO_Upward Bound	84.047A	P047A120558	N/A	-	197,958
<b>Indirect Programs:</b>					
Ohio State University					
TRIO_Upward Bound	84.047	60033289	N/A	-	86,537
Total Trio Cluster				-	284,495
<b>Hurricane Sandy Relief Cluster:</b>					
<b>Indirect Programs:</b>					
Boston University					
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	HITEP150031-01-03	N/A	-	34,360
Total Hurricane Sandy Relief Cluster				-	34,360
<b>Research and Development Cluster:</b>					
<b>Direct Programs:</b>					
<b>Department of Defense</b>					
Military Medical Research and Development	12.420	W81XWH-14-C-0090	W81XWH-14-C-0090-TU	73,476	245,934
<b>National Aeronautics and Space Administration</b>					
Science	43.001	NNX11AM29G/NNX11AF90G/NNX14AL10G	NNX11AM29G-UOM NNX11AM29G-HU	765 51,510	107,928
<b>National Science Foundation</b>					
Computer and Information Science and Engineering	47.070	IIS-1319846/IIS-1523285	N/A	-	53,469
Education and Human Resources	47.076	DUE-1339956/DRL-1350814/DUE-	DUE-1245630-NEU DUE-1259758-SPU	2,584 4,960	846,650
Engineering Grants	47.041	CMMI-1233397/CMMI 1462884/CBET-	N/A	-	60,776
Geosciences	47.050	OCE-1060080/PLR-1342000/EAR-	N/A	-	144,857
Mathematical and Physical Sciences	47.049	DMS-1009517/PHY-1308527/DMS-	N/A	-	96,836
Polar Programs	47.078	ANT-1245283	N/A	-	35,325
Social, Behavioral and, Economic Sciences	47.075	BCS-1229033/BCS-1145762/BCS -	N/A	-	165,162
<b>U.S. Department of Agriculture</b>					
Agriculture and Food Research Initiative (AFRI)	10.310	2012-67009-19742	2012-67009-19742 TAR 2012-67009-19742 VP	21,132 4,416	36,469
<b>U.S. Department of Education</b>					
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	H-325T110012	H325T110012-UoW	2,046	253,496
<b>U.S. Department of Health and Human Services</b>					
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79SP021157-01	N/A	-	46,895
Mental Health Research Grants	93.242	PHR-SSS-S-16-00477	N/A	-	14,799
Cancer Research Manpower	93.398	1K01CA157690	N/A	-	112,297
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1R15DK090739-01A1	N/A	-	9,938
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R15NS070260-01A1/RNS081251B	N/A	-	89,722
Child Health and Human Development Extramural Research	93.865	1R43HD084277-01	N/A	-	50,775
Total Direct Programs				160,889	2,371,328
<b>Indirect Programs:</b>					
<b>National Aeronautics and Space Administration</b>					
Temple University					
Science	43.001	251940	N/A	-	21,345
California Institute of Technology, Jet Propulsion Laboratory					
Aeronautics	43.002	1365499	N/A	-	3,847

**MONTCLAIR STATE UNIVERSITY**  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA (1) Number	Project No.	Pass-through Contract No.	Passed Through to Subrecipients	Current Year Expenditures
<b>National Science Foundation</b>					
Consortium for Ocean Leadership					
Geosciences	47.050	OCE-0652315 PO T347A72	N/A	\$ -	\$ 1,872
Rutgers, The State University of New Jersey					
Education and Human Resources	47.076	5414	N/A	-	57,658
Biological Sciences	47.074	4-368-44/10193	N/A	-	152,877
<b>U.S. Department of Commerce - National Oceanic and Atmospheric Administration (NOAA)</b>					
New Jersey Sea Grant Consortium					
Sea Grant Support	11.417	NJSGC # 6410-0015	NJSGC # 6410-0015-MC	9,698	27,352
New Jersey Sea Grant Consortium					
Sea Grant Support	11.417	6605-0001	N/A	-	5,000
Sea Grant Support	11.417	996521	N/A	-	12,000
<b>U.S. Department of the Interior - U.S. Geological Survey</b>					
Rutgers, The State University of New Jersey					
Assistance to State Water Resources Research Institutes	15.805	G11AP20094/5564/5565	N/A	-	9,034
Rutgers, The State University of New Jersey					
Assistance to State Water Resources Research Institutes	15.805	5858	N/A	-	5,001
<b>Department of the Interior - Office of Surface Mining</b>					
The Board of Trustees of Southern Illinois University					
Science and Technology Projects Related to Coal Mining and Reclamation	15.255	S12AAC20001	N/A	-	65
<b>U.S. Department of Energy</b>					
University of Florida					
Renewable Energy Research and Development	81.087	DE-PI0000031	N/A	-	86,537
Total Indirect Programs				9,698	382,588
Total Research and Development Cluster				170,587	2,753,916
<b>Other Federal Awards:</b>					
<b>Direct Programs:</b>					
<b>Department of Defense</b>					
Mathematical Sciences Grant Program	12.901	H9820-1510016	N/A	-	14,238
<b>National Science Foundation</b>					
Education and Human Resources	47.076	1339990	N/A	-	101,523
<b>U.S. Department of Education</b>					
Teacher Quality Partnership Grants	84.336	U336S140078/U336S090031-13	N/A	-	1,113,793
Fund for the Improvement of Education	84.215	U215J140037	U215J140037-OPS	97,878	492,160
<b>U.S. Department of Health and Human Services</b>					
Drug-Free Communities Support Program Grants	93.276	5H79SP020019-02	N/A	-	124,450
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SP020229-01	N/A	-	51,425
<b>Indirect Programs:</b>					
<b>U.S. Department of Transportation</b>					
Manhattan College					
Development of New, Effective, and Low Cost Mulch	20.701	49198-23-27-02	N/A	-	39,200
<b>U.S. Department of the Interior</b>					
Wildlife Management Institute					
Fish and Wildlife Coordination and Assistance	15.664	2015-08	N/A	-	20,000
Total Other Federal Awards				97,878	1,956,789
<b>Total Expenditures of Federal Awards</b>				<b>\$ 268,465</b>	<b>\$ 158,424,856</b>

(1) Catalog of Federal Domestic Assistance Number

**MONTCLAIR STATE UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2016

State of New Jersey Grantor/ Pass-through Grantor / Program or Cluster Title	Grant/Account or Other I.D. number	Grant Amount	Grant Period	Total Grant Expenditures to Date	Current Year Expenditures
<b>N.J. Department of Treasury – Office of Student Assistance</b>					
Student Financial Assistance Cluster:					
Tuition Aid Grant - 2015	15-100-084-2601-009	23,606,000	July 1, 2014 to June 30, 2015	\$ 5,557	\$ 5,557
Tuition Aid Grant - 2016	16-100-084-2601-009	24,005,000	July 1, 2015 to June 30, 2016	24,874,299	24,874,299
Urban Scholarships	16-100-084-2405-278	46,500	July 1, 2015 to June 30, 2016	48,500	48,500
Educational Opportunity Fund - Regular 2016 (SFA)	16-100-084-2601-002	800,000	July 1, 2015 to June 30, 2016	773,375	773,375
Education Opportunity Fund - Academic Year 2015	15-100-084-2601-002	494,680	July 1, 2014 to June 30, 2015	492,534	6,710
Education Opportunity Fund - Summer 2015	16-100-084-2401-003	154,200	June 1, 2015 to August 31, 2015	359,633	359,633
Education Opportunity Fund - Academic Year 2016	16-100-084-2601-002	768,262	July 1, 2015 to June 30, 2016	507,047	507,047
EOF Conference	—	5,001	Jan 1, 2016 to June 30, 2016	4,505	4,505
New Jersey CLASS LOAN/New Jersey CLASS EFT	—	5,749,010	July 1, 2014 to June 30, 2015	5,749,010	41,993
New Jersey CLASS LOAN/New Jersey CLASS EFT	—	5,700,000	July 1, 2015 to June 30, 2016	5,088,722	5,046,728
New Jersey Student Tuition Assistance Reward Scholarship (New Jersey STARS)	100-074-2405-313	178,347	July 1, 2015 to June 30, 2016	178,347	178,347
<b>Total Student Financial Assistance Cluster</b>				<b>38,081,529</b>	<b>31,846,694</b>
<b>N.J. Department of Treasury</b>					
State of New Jersey Fringe Benefits	16-000-000-0000-002	30,503,000	July 1, 2015 to June 30, 2016	29,302,705	29,302,705
FICA - State Colleges and Universities Reimbursement Program	16-000-000-0000-003	11,282,000	July 1, 2015 to June 30, 2016	10,688,625	10,688,625
State of New Jersey Appropriations	16-100-084-2465-001	35,859,000	July 1, 2015 to June 30, 2016	35,859,000	35,859,000
<b>N.J. Department of Treasury – Office of Student Assistance</b>					
Health Careers - Summer Fiscal Year 2015	15-100-084-2401-003	359,441	June 1, 2015 to August 31, 2015	78,255	77,755
Health Careers - Academic Year 2015	15-100-084-2401-001	150,439	July 1, 2014 to June 30, 2015	157,674	4,675
Health Careers - Academic Year 2016	16-100-084-2401-001	507,049	July 1, 2015 to June 30, 2016	144,592	144,592
<b>N.J. Department of Education</b>					
Kean University	P0900475	4,480	June 6, 2008-June 30, 2016	3,906	1,453
CUSP-Creative University Partnerships in Mathematics	16E00002	365,000	July 1, 2015 - June 30, 2016	364,045	361,948
Being United in Leadership Development (BUILD)	16E00082	199,977	Sept 1, 2015 - July 31, 2016	72,426	72,907
<b>N.J. Department of Environmental Protection</b>					
Impacts of Invasive	SR14-008	100,000	February 1, 2014-October 31, 2015	101,756	24,470
Impact Of Hurricane Sandy	SR15-005	83,342	December 14, 2014-November 30, 2015	78,329	69,148
First Herpetofauna Tunnels in New Jersey	FG15-079	3,500	March 13, 2015 - March 12, 2016	3,380	3,380
Environmental Correlates of Rana Virus Disease Distribution in New Jersey	FG15-072	3,500	March 13, 2015 - September 12, 2016	2,855	2,855
<b>N.J. Department of Health and Senior Services</b>					
The Coordinating Center at Montclair State	CAUT12ACC012	1,842,363	July 1, 2014 - June 30, 2017	1,880,643	818,743
<b>N.J. Department of Human Services</b>					
N.J. Hearing Aid Project	MOU	83,263	November 6, 2013 - June 30, 2016	93,903	48,226
<b>N.J. Department of State</b>					
MSU EECO 2015	AmeriCorps15ACP-023	260,863	September 1, 2014 - August 31, 2015	382,864	78,489
Montclair State University EECO Project	AC16FORM-009	301,970	June 1, 2015 - August 31, 2016	134,541	134,541
<b>New Jersey Council for the Humanities</b>					
Rutgers, The State University					
SHIP	15 MMMR	55,852	July 1, 2015 - August 21, 2016	127,602	14,879

**MONTCLAIR STATE UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2016

State of New Jersey Grantor/ Pass-through Grantor / Program or Cluster Title	Grant/Account or Other I.D. number	Grant Amount	Grant Period	Total Grant Expenditures to Date	Current Year Expenditures
<b>State of NJ - Department of Children and Families</b>					
Rutgers, The State University					
NJ Child Welfare Training Program	14VZMR	948,512	July 1, 2013 - June 30, 2014	\$ 948,744	\$ 232
The New Jersey Welfare Training Consortium FY 15	5,454	768,262	July 1, 2014 to June 30, 2015	765,625	46,888
Summer Housing Internship Program FY16	S2281235	127,000	July 1, 2015 - June 30, 2016	115,983	122,274
Sandy Funded Infant/Early Childhood Mental Health Services	14NJGZ	720,000	July 1, 2013 - June 30, 2014	713,030	120,778
Post BA Certificate in Adolescent Advocacy 15	15SDGM	246,238	September 1, 2014 - August 31, 2015	252,228	40,078
Institute of Early Childhood Mental Health Training Project Launch	15SMGP	273,900	July 1, 2014 - June 30, 2015	257,985	99,229
Post BA Cert. in Child Advocacy	15NJGM	115,524	September 1, 2014 - August 31, 2015	92,668	11,857
PROJECT LAUNCH 2	15SLGP	10,000	July 1, 2014 - June 30, 2015	10,248	1,487
NJ Child Welfare Training Partnership FY 16	16VZMM	559,000	July 1, 2015 - June 30, 2016	464,633	481,414
NJ Post BA in Adolescent Advocacy FY16	16SDGM	246,238	September 1, 2015 - August 31, 2016	213,384	211,996
IECMH Training Project Launch 2015 - 2016	16SMGP	240,560	July 1, 2015 - June 30, 2016	215,206	220,407
<b>State of NJ - Council on the Arts</b>					
General Programming Support FY2016	1605X020062	12,828	July 1, 2015 - June 30, 2016	12,828	12,828
General Programming Support FY2016	1617X020063	49,513	July 1, 2015 - June 30, 2016	49,508	49,508
Rising Tide: What We can learn from the Dutch and their relationship with water	2015-24	20,001	August 1, 2015 - December 31, 2015	14,499	14,499
Queering the Sciences	2015-31	3,000	Nov 1, 2015 - Apr 30, 2016	6,497	6,497
<b>Total Expenditures of State Financial Assistance</b>				<b>\$ 121,691,696</b>	<b>\$ 110,995,057</b>

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended June 30, 2016

**1. Basis of Presentation**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") have been prepared in the format required under Uniform Guidance and New Jersey Office of Management and Budget 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 University for the year ended June 30, 2016 which have been financed by the Federal government and State of New Jersey. For purposes of these Schedules, Federal awards 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 University, 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 University in conformity with generally accepted accounting principles.

The accounting practice followed by the University 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. Indirect Cost Rate**

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

**3. The University Administers the Following Federal Loan Programs**

	<u>CFDA #</u>	<u>Loans extended for the year ended June 30, 2016</u>	<u>Outstanding principal balance at June 30, 2016</u>
Perkins Loan Program	84.038	\$ 732,845	\$ 4,315,071

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal Awards  
and State Financial Assistance  
Year Ended June 30, 2016

**3. The University Administers the Following Federal Loan Programs (continued)**

During the fiscal year ended June 30, 2016, the University processed the following amount of new loans under the Stafford Student Loans program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA Number</u>	<u>Value of Loans</u>
Direct Loans	84.268	
Subsidized		\$ 37,053,197
Unsubsidized		<u>57,374,232</u>
		<u>\$ 94,427,429</u>
Parent Loans for Undergraduate Students (PLUS)		<u>\$ 22,539,896</u>

\* \* \* \* \*

**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  
Montclair State University**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of Montclair State University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Montclair State University's basic financial statements, and have issued our report thereon dated January 4, 2017. The financial statements of the discretely presented component unit was not audited in accordance with *Government Audit Standards*.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Montclair State University'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 Montclair State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Montclair State University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Montclair State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

January 4, 2017

**Report on Compliance for Each Major Program; Report on Internal Control Over Compliance and Report on the Schedules of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08**

**Independent Auditors' Report**

**Board of Trustees of  
Montclair State University**

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

We have audited Montclair State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid Grant Supplement* that could have a direct and material effect on each of Montclair State University's major federal and state programs for the year ended June 30, 2016. Montclair State University's major federal and state programs are identified in the summary of auditor's 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 awards and state financial assistance applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Montclair State University'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the 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 Montclair State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Montclair State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

***Report on Internal Control over Compliance***

Management of Montclair State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montclair State University'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 the 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 Montclair State University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 or 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 or 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. 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 the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal Awards and State Financial Assistance  
Required by the Uniform Guidance and New Jersey OMB Circular 15-08**

We have audited the financial statements of the business-type activities and discretely presented component unit of Montclair State University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Montclair State University's basic financial statements. We issued our report thereon dated January 4, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and NJ OMB Circular Letter 15-08 and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

March 29, 2017

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of 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      X   No
- Significant deficiency(ies) identified? \_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_ Yes      X   No

***Federal Awards and State Financial Assistance***

Internal control over major federal and state programs:

- Material weakness(es) identified? \_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_ Yes      X   None reported

Type of auditor's 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      X   No

Identification of major federal and state programs:

CFDA Number/  
State Account Number

Name of Federal and State Program or Cluster

**Federal:**

Various  
Various  
84.336  
84.215

Student Financial Aid Cluster  
Research and Development Cluster  
Teacher Quality Partnership Grants  
Fund for the Improvement of Education

**Montclair State University**  
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**Section I - Summary of Auditor's Results (continued)**

**State:**

Various	Student Financial Assistance Cluster
16-000-000-0000-002	State of New Jersey Fringe Benefits
16-000-000-0000-003	FICA - State Colleges and Universities
	Reimbursement Program
16-100-084-2465-001	State of New Jersey Appropriations

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000 (Federal Awards)
	\$3,000,000 (State of Financial Assistance)

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2016.

**Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs**

During our audit, we noted no material instances of non-compliance for the year ended June 30, 2016.

**Section IV – Prior Year Findings**

There are no prior year findings.

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