

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY
Trenton, New Jersey**

**OTHER HESAA PROGRAMS AND FUNDS
COMBINED FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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Independent Auditors' Report

To the Board Members of
New Jersey Higher Education Student Assistance Authority State of New Jersey
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying combined statements of financial net position of the New Jersey Higher Education Student Assistance Authority (the Authority) Other HESAA Programs and Funds (the Funds), which comprise the statements of net position as of June 30, 2013 and 2012, and the related combined statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Higher Education Student Assistance Authority Other HESAA Programs and Funds as of June 30, 2013 and 2012, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The combined financial statements present only the fiduciary – type activities of Other HESAA Programs and Funds of the Authority and do not purport to, and do not present the financial position of the Authority as a whole as of June 30, 2013 and 2012, and its changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the combined financial statements of the Funds, taken as a whole. The supplementary information as listed in the table of contents as of and for the years ended June 30, 2013 and 2012, is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Program's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Mount Laurel, New Jersey
October 29, 2013

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As the financial management of the Other HESAA Programs and Funds (the Funds) of the New Jersey Higher Education Student Assistance Authority (the Authority or HESAA), we offer readers of these financial statements this discussion and analysis of the financial activities of the Funds for the fiscal year ended June 30, 2013. This narrative is designed to assist the reader in focusing on the significant financial issues and activities. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

These separate audited financial statements have been produced for the Funds in compliance with State of New Jersey Executive Orders #122 and #37, which are more fully described in Note 1 to the Combined Financial Statements.

The largest portions of HESAA's financial activities involve its roles as the New Jersey State Guaranty Agency for the Federal Family Education Loan Program (FFELP) and as the lender under the New Jersey College Loans to Assist State Students (NJCLASS) Program, both of which are referenced in these financial statements. All amounts earned through these programs are restricted for use by the respective programs in accordance with federal or state regulations and legal agreements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Funds' financial statements, which are comprised of the combined fiduciary financial statements, the notes to the combined financial statements, and the supplementary combining schedules.

The Funds are engaged only in various fiduciary-type activities on behalf of the Authority, and accordingly, only the financial statements required for fiduciary funds are presented. More detailed information concerning the financial statement presentation is contained in Note 1 to the Combined Financial Statements.

Fiduciary Financial Statements

These fiduciary financial statements are designed to provide the reader with a broad overview of the entity's finances, in a manner similar to a private-sector business.

The combined statements of fiduciary net position present information on all of the Funds' assets and liabilities, with the difference between the two reported as fiduciary net position.

The combined statements of changes in fiduciary net position present information showing how the Funds' net position changed during the fiscal year. All changes in fiduciary net position are reported as the underlying events occur, regardless of timing of related cash flows. Thus, additions and deductions are reported in these statements for some items that will only result in cash flows in future fiscal periods.

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June 30, 2013

Fiduciary Financial Statements (CONTINUED)

Over time, increases and decreases in fiduciary net position may serve as a useful indicator of whether the financial position of the Funds is improving or deteriorating. Fiduciary net position increases when additions exceed deductions. Increases to assets without corresponding increases to liabilities result in increased fiduciary net position, which indicates an improved financial position.

Financial Highlights and Analysis

Complete financial data for each of the funds included in the combined financial statements of the HESAA Other Programs and Funds is presented in the supplemental schedules, Combining Schedules of Fiduciary Net Position and Combining Schedules of Changes in Fiduciary Net Position.

The Funds' total assets of \$18,725,038, \$19,866,169, and \$26,392,093 at June 30, 2013, 2012, and 2011, respectively, consist principally of amounts invested in the New Jersey Cash Management Fund.

The NJBEST Administrative Fund had \$8,741,100, \$9,902,378, and \$14,668,065 at June 30, 2013, 2012, and 2011, respectively, invested in the New Jersey Cash Management Fund. The NJBEST Administrative Fund is reserved to pay for future scholarship obligations of the NJBEST program and program expenses not covered by Franklin Templeton. The reduction in the cash balance during the 2013 Fiscal Year is due, in part, to the use of \$5,000,000 in NJBEST Administrative Fund Reserves to fund the capital contribution associated with the Authority's 2013-1 Bond Issue, which closed on June 20, 2013. The reduction in the cash balance during the 2012 Fiscal Year is due to the use of \$7,886,000 in NJBEST Administrative Fund Reserves to fund a capital contribution to the Authority's 2012-1 Bond Issue, which closed on June 28, 2012. The contribution to the 2013-1 Bond Issue will be repaid, with interest, from the NJCLASS Life of Loan Servicing Reserve Fund from parity releases from the 2010-FFELP Bonds. The contribution to the 2012-1 Bond Issue will be repaid with interest from the NJCLASS Life of Loan Servicing Reserve Fund and any available excess parity in the 2012-1 Bond Issue in annual installments over the life of the 2012-1 Bonds.

In addition, \$6,099,890, \$5,735,692, and \$8,130,247 at June 30, 2013, 2012, and 2011, respectively, was in the Life of Loan Servicing Reserve Fund, which is used to invest the accumulated restricted net position from administration of the NJCLASS Loan Program. This amount is restricted for payment of future NJCLASS administrative and servicing expenses, for which the Authority is responsible under the terms of the NJCLASS/FFELP bond indentures.

At June 30, 2013, 2012, and 2011, the Funds' liabilities totalled \$49,696,659, \$44,480,701, and \$38,039,773, respectively, and consisted primarily of amounts due to HESAA programs not represented on these financial statements. The largest liabilities in all three periods were the net amounts due to the NJCLASS/FFELP Bond Trusts from the NJCLASS Loan Reserve Fund for payment of default claims. At June 30, 2013, 2012, and 2011, this net liability totalled \$45,988,497, \$41,604,202, and \$34,687,435, respectively. However, it is expected that the liabilities of the NJCLASS Loan Reserve Fund to the NJCLASS/FFELP bond trusts will be significantly reduced over time as a result of HESAA's ongoing collection activities on defaulted NJCLASS loans.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Financial Highlights and Analysis (CONTINUED)

At June 30, 2013, liabilities exceeded assets by \$30,971,621 as compared to June 30, 2012 and 2011 where liabilities exceeded assets by \$24,614,532 and \$11,647,680, respectively. The declines in net position between periods were due primarily to decreases in net position in the NJCLASS Loan Reserve Fund and the NJCLASS Life of Loan Servicing Fund. The net asset deficit balance is restricted in accordance with the Federal Higher Education Act, related U.S. Department of Education regulations, the terms of the NJCLASS/FFELP bond indentures, and other State laws and regulations regarding the permissible uses of funds reported within these Financial Statements.

Total additions to the Funds for the fiscal years ended June 30, 2013, 2012, and 2011, were \$50,071,415, \$51,263,340, and \$45,301,644, respectively. The largest source of collections was on defaulted FFELP and NJCLASS student loans, which totalled \$43,106,863 (86%), \$44,228,967 (86%), and \$41,191,543 (91%) for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. These accounts serve solely as conduit clearing accounts for the Authority's Guaranty Agency Operating Trust Fund, the Federal Student Loan Reserve Trust Fund, and the NJCLASS/FFELP Bond Indenture Loan Reserve Funds. Amounts collected in connection with HESAA's role as the New Jersey FFELP Guaranty Agency and the NJCLASS/FFELP Loan Programs are restricted for use by these programs in accordance with the Federal Higher Education Act, related U.S. Department of Education regulations and the terms of the NJCLASS/FFELP bond indentures.

The Federal Collections Escrow is the conduit for receipts of defaulted FFELP student loan payments, established in accordance with FFELP regulations requiring the prompt investment of funds. As such, receipts are subsequently transferred out to the related trust funds. In fiscal years 2013, 2012, and 2011, \$38,412,053, \$39,569,164, and \$36,884,689, respectively, was recorded, representing the transfer of the collections received to the two HESAA/FFELP Trust Funds, as required by the FFELP regulations promulgated by the U.S. Department of Education.

The second largest source of collections, fee income, consists of restricted receipts earned by HESAA from the administration and servicing of the NJCLASS Loan Program, administrative fees of the NJBEST 529 College Savings Plan and revenue from the Direct Loan Servicing Fund. Total net fee receipts for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,654,434 (9%), \$7,005,599 (14%), and \$4,046,180 (9%), respectively, of total additions in the respective years. All fees are reserved for funding current and future administrative expenses of the respective programs, including reserves for funding the NJBEST Scholarship Program, reimbursing the HESAA bond issues for NJCLASS defaulted loans and providing a source of capital to support the parity of NJCLASS Bond Issues at the date of issuance, subject to later reimbursement from fee revenues and/or excess bond parity.

During 2013, the NJCLASS Life of Loan Servicing Fund received \$2,288,177 (5%) of Parity Release income from the 2010-FFELP Bond Issue. Future releases will be used repay the NJBEST Administrative Fund for the 2013-1 Bond Issue capital contribution.

The NJCLASS Loan Reserve Fund was established to reimburse the NJCLASS Loan Program Bond Funds when student loan defaults occur in the 2008 and earlier Indentures. The NJCLASS Loan Reserve Fund recorded default expense of \$9,029,810, \$12,261,221, and \$13,930,778 for the years ended June 30, 2013, 2012, and 2011, respectively, representing amounts paid and accrued for this purpose during the year.

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OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Notes to Combined Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic combined financial statements.

Other Information

In addition to the basic combined financial statements and accompanying notes, this report also presents the auditors' reports regarding internal controls and compliance with certain provisions of laws, regulations and agreements.

For further detail visit the Authority's website www.hesaa.org for more information about Authority programs and activities and management contact information.

COMBINED FINANCIAL STATEMENTS

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINED STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2013 and 2012**

	ASSETS	
	2013	2012
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 215,997	\$ 217,576
New Jersey Cash Management Fund	16,995,583	17,005,714
Fees receivable	395,821	1,617,454
Due from NJCLASS/FFELP loan program	881,326	854,750
Default collections receivable	<u>236,311</u>	<u>170,675</u>
TOTAL ASSETS	<u>\$ 18,725,038</u>	<u>\$ 19,866,169</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accrued expenses	\$ 89,398	\$ 36,015
Due to NJCLASS/FFELP loan program	45,988,497	41,604,202
Due to NJCLASS Administrative Fund	2,400,907	1,921,801
Due to Guaranty Agency Trust Fund	<u>1,217,857</u>	<u>918,683</u>
TOTAL LIABILITIES	49,696,659	44,480,701
NET POSITION	<u>(30,971,621)</u>	<u>(24,614,532)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,725,038</u>	<u>\$ 19,866,169</u>

The accompanying notes are an integral part of the combined financial statements

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
REVENUES		
Trust Receipts		
Defaulted FFELP loan receipts	38,411,853	\$ 39,399,838
Fee income	4,654,434	7,005,599
Defaulted NJCLASS loan receipts	<u>4,695,010</u>	<u>4,829,129</u>
Total trust receipts	47,761,297	51,234,566
Parity release income	2,288,177	-
Income on investments	<u>21,941</u>	<u>28,774</u>
TOTAL REVENUES	<u>50,071,415</u>	<u>51,263,340</u>
EXPENSES		
Transfers to Guaranty Agency Trust Funds	38,412,053	39,569,164
Transfers to NJCLASS Administrative Fund	1,220,631	
NJCLASS defaulted loans expense	9,029,810	12,261,221
NJCLASS bond issue closing costs	1,200,000	3,861,475
Capital Contributions to NJCLASS/FFELP Bond Issue	5,660,000	7,886,000
Program expense	850,000	690,000
Administrative expense (income), net	<u>56,010</u>	<u>(37,668)</u>
TOTAL EXPENSES	<u>56,428,504</u>	<u>64,230,192</u>
Changes in net position	(6,357,089)	(12,966,852)
NET POSITION, BEGINNING OF YEAR	<u>(24,614,532)</u>	<u>(11,647,680)</u>
NET POSITION, END OF YEAR	<u>\$ (30,971,621)</u>	<u>\$ (24,614,532)</u>

The accompanying notes are an integral part of the combined financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Higher Education Student Assistance Authority (the Authority or HESAA) is a public body corporate and politic that is in, but not of, the Department of State of the State of New Jersey (the “State”) and is an instrumentality of the State.

The Authority was established by State legislation in 1999, to provide students and families with the financial and informational resources for students to pursue their educations beyond high school. Prior to this act, the New Jersey Higher Education Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students.

Nature of Other HESAA Programs and Funds Reporting Entity

The funds and accounts included in the accompanying financial statements were established by HESAA in accordance with legal, regulatory and operational requirements of its programs, to enable it to fulfill its mission. Amounts reported in these financial statements are “off-system,” meaning they are not recorded on the New Jersey Comprehensive Financial System. However, all funds included or referenced in these financial statements, along with funds included in other audited financial statements that report other components of the Authority, are also included in the consolidated HESAA financial information reported in the Combining Statements of Net Position and Revenues and Expenses of Non-Major Component Units – Authorities within the New Jersey Comprehensive Annual Financial Report. The financial statements present only the fiduciary – type activities of the Other HESAA Programs and Funds of the Authority and do not purport to, and do not present the financial position of the Authority as a whole as of June 30, 2013 and 2012, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Executive Order #122 and #37

This financial report on “Other HESAA Programs and Funds” provides audited financial statements of all HESAA funds and accounts not already included in other audited financial statement reports containing data on Authority Programs. The purpose is to ensure full compliance with the requirements of State of New Jersey Executive Orders #122 and #37, which requires an audit of the financial statements of each Authority by a certified public accounting firm in compliance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Basis of Accounting

Basis of accounting refers to the point at which receipts and disbursements are recognized in the accounts and reported in the financial statements. The accompanying combined financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

United States of America applicable to governmental fiduciary-type funds. Receipts are recognized when earned, and expenditures are recognized when incurred. The specific fund types included within the general classification of fiduciary funds are defined by their purposes. Those included in these combined financial statements are *private - purpose trust funds*, which are used to report trust arrangements in which principal and income benefit individuals and other private or governmental organizations, and *agency funds*, which are used to report resources held in a purely custodial capacity (assets equal liabilities). The fiduciary funds and accounts included within this financial report are classified as follows:

<u>Fund Name</u>	<u>Type</u>
Federal Collections – Escrow	Agency Fund
NJCLASS Loan Reserve Fund	Private Purpose Trust Fund
NJBEST Administrative Fund	Private Purpose Trust Fund
Direct Loan Servicing Fund	Private Purpose Trust Fund
NJCLASS Life of Loan Servicing Reserve Fund	Private Purpose Trust Fund
Higher Education Assistance – Capital Reserves	Private Purpose Trust Fund
NJ Governor’s World Class Economy Scholarship Program	Private Purpose Trust Fund

The required financial statements of these fiduciary funds include the Combined Statement of Fiduciary Net Position and the Combined Statement of Changes in Fiduciary Net Position. Also required are the supplemental schedules - Combining Schedule of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position.

All net positions of the funds reported in these financial statements are restricted for purposes of the Authority.

Operating Revenues and Expenses by Fund

1. Federal Collections – Escrow is the conduit for collections received from defaulted borrowers in the Federal Family Education Loan Program (FFELP). The Higher Education Student Assistance Authority (HESAA) is authorized to receive these collections as the designated FFELP guaranty agency for the State of New Jersey. Funds are received daily into either the Federal Student Loan Depository Account or the Federal Attorney Depository Accounts maintained at Wells Fargo Bank and Bank of America. The receipts to the Federal Student Loan Depository Account result from student loan payments received on a daily basis into these two accounts and at HESAA. Funds received in the Federal Attorney Depository Account are “swept” daily into the Federal Student Loan Depository Account. On a daily basis, available funds are transferred from the Federal Student Loan Depository Account to a New Jersey Cash Management Fund (NJCMF) account. Twice each month, funds are transferred from the NJCMF account to the Federal Fund and Operating Fund in proportions mandated by US Department of Education regulations.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses by Reporting Entity (Continued)

2. NJCLASS Loan Reserve Fund - receives a 1% fee on all New Jersey College Loans to Assist State Students (NJCLASS) loans disbursed from the 2008 and earlier bond issues and a percentage of collections on defaulted loan accounts. The NJCLASS Loan Reserve Fund reimburses the various 2008 and earlier HESAA bond issues for NJCLASS defaulted loans. The Fund had a net deficit position at June 30, 2013 and 2012, caused by the excess of the defaulted loans over the fees and default collections to date. The deficit is expected to be reduced in future years as the defaulted loans are collected.
3. NJBEST Administrative Fund - receives fee income from the Fund managers, Franklin Templeton Investments. Income is used to pay any NJBEST program expenses not covered by Franklin Templeton, as well as NJBEST scholarships.
4. Direct Loan Servicing Fund – receives fee income from Federal Direct Loan (DL) servicing revenue earned through the Teaming Contract Arrangement with the Higher Education Loan Authority of Missouri (MOHELA). MOHELA serves as HESAA’s “Remote Site Third Party Direct Lending Servicing Partner” under the terms of the Health Care and Education Reconciliation Act of 2010, which provides that the Secretary of the USDE will contract with not-for-profit (“NFP”) servicers to service certain federally owned loans originated through the DL program. These funds may be used for any authorized purposes of the Authority. The fund also holds a nominal balance from the discontinued HESAA as a FFELP Sponsor Program.
5. NJCLASS Life of Loan Servicing Reserve Fund - receives the net unexpended balances, after deducting program expenses, of program revenues earned by HESAA from administration of the NJCLASS Loan Program. These receipts include application, servicing and administrative fee income. In addition, the Fund receives a share of collections on defaulted NJCLASS loans. This fund is held as a reserve against the expense of administering and servicing NJCLASS loans in future years.
6. Higher Education Assistance – Capital Reserves - consists of residual Authority reserves available for loan capital and future depository accounts for bond proceeds remaining after retirement of bonds.
7. NJ Governor’s World Class Economy Scholarship Program - consists of private donations previously being held for incorporation into the Teacher’s Loan Forgiveness program that have been re-designated by the donor to fund Dana Christmas Scholarships for Heroism.

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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose 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.

Federal Income Taxes

The Authority, which is a body corporate and politic that is in, but not of, the Department of State of the State of New Jersey and an instrumentality of the State of New Jersey exercising public and essential governmental functions of the State of New Jersey, is deemed to be an essential governmental function of the State and, as such, is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

NOTE 2 – FEES RECEIVABLE

Under program regulations and contractual terms, the NJBEST Administrative Fund receives fee income from the fund managers of the NJBEST 529 College Savings Program, Franklin Templeton Investments. This income is received on a monthly basis. The amounts of fees receivable at June 30, 2013 and 2012, of \$374,119 and \$314,784, respectively, which represents the June fee income received in July 2013 and 2012, respectively.

During FY 2012 HESAA entered into a contract whereby the Authority receives monthly revenues from the servicing of Federal Direct Student Loans serviced by MOHELA on behalf of the HESAA and the USDE. The amount of fees receivable at June 30, 2013 of \$21,702 represents the June fee income which was received in July 2013. At June 30, 2012 the fee receivable of \$1,302,670 represents the May 2012 and June 2012 fee income received in July and August 2012.

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk

The Federal Collections Escrow Fund, a component of Other HESAA Programs and Funds, utilizes lockbox accounts to clear cash receipts on behalf of FFELP. Amounts on deposit in the FFELP lockbox accounts at Wells Fargo Bank and Bank of America are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy.

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NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

All investments held by Other HESAA Programs and Funds are on deposit in the NJCMF. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund’s participants. Assets of the NJCMF are reported at fair value and consist of the following categories:

- Money Market Instruments (including short-term U.S. Government and Agency obligations)
- Other U.S. Government Agency and Corporate Obligations

Investments with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The Fund does not have a credit rating.

The amounts on deposit in cash and investment accounts at June 30, 2013 and 2012, were as follows:

	2013	2012
Lockbox Cash (Wells Fargo Bank/Bank of America)	\$ 215,997	\$ 217,576
New Jersey Cash Management Fund	16,995,583	17,005,714
	\$ 17,211,580	\$ 17,223,290

Interest Rate Risk

The Authority’s investments are in the NJCMF. In this type of investment, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, investments are not subject to interest rate risk.

NOTE 4 – DUE TO/FROM OTHER FUNDS

Amount Due To/From NJCLASS and NJCLASS Loan Reserve Fund

Under the terms of the various indentures of trust regulating the NJCLASS/FFELP loan program, the NJCLASS Loan Reserve Fund receives 70% of collections from defaulted NJCLASS loans that were disbursed from the 2008 and earlier bonds issues. At June 30, 2013 and 2012, the amounts due to the NJCLASS Loan Reserve Fund from the NJCLASS/FFELP Loan Program for default collections were \$269,900 and \$299,338, respectively.

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NOTE 4 – DUE TO/FROM OTHER FUNDS (CONTINUED)

Amount Due To/From NJCLASS and NJCLASS Loan Reserve Fund (Continued)

The purpose of the NJCLASS Loan Reserve Fund is to protect the interests of NJCLASS/FFELP bond holders by reimbursing the various HESAA bond issues when loans default. At June 30, 2013 and 2012, the amounts due to the NJCLASS/FFELP bond issues as a result of loan defaults were \$46,258,397 and \$41,903,540, respectively.

The Combined Statements of Fiduciary Net Position present the “Net” amounts of \$45,988,497 at June 30, 2013 and \$41,604,202 at June 30, 2012, due to the NJCLASS/FFELP loan program from the Loan Reserve Fund. This netting is presented via an elimination column on the Combining Schedules of Fiduciary Net Position at June 30, 2013 and 2012, which are included in the Supplementary Information to these financial statements.

Due from NJCLASS/FFELP Loan Program

At June 30, 2013 and 2012, \$881,326 and \$854,750, respectively, was due to the Life of Loan Servicing Reserve Fund from the NJCLASS/FFELP program for administrative fees and the Fund’s share of collections on defaulted NJCLASS loans.

Due to Guaranty Agency Trust Fund

The amounts due to Guaranty Agency Trust Fund represent collections from defaulted FFELP borrowers that are scheduled for transfer from the Federal Collections Escrow New Jersey Cash Management Fund account to the guaranty agency trust fund on the next transfer date. At June 30, 2013 and 2012, these amounts were \$1,217,857 and \$918,683, respectively.

Due to NJCLASS Administrative Fund

At June 30, 2013 and 2012, \$2,400,907 and \$1,921,801, respectively, were due to the NJCLASS Administrative Fund appropriation unit within the State General Fund, (the General Fund) from the Life of Loan Servicing Reserve Fund. These amounts were transferred to the General Fund during July 2013 and 2012, respectively, as the final installment of the \$13,475,424 and \$10,610,350, respectively, in transfers made during the year to reimburse expenses initially paid from the General Fund for administration of the NJCLASS Loan Program.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

At June 30, 2013 and 2012, approximately 99% and 99%, respectively, of all funds within the HESAA Other Programs and Funds were invested in the NJCMF, a fund not subject to custodial credit risk as discussed in Note 3 above.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 – TRANSACTIONS WITH THE NJCLASS/FFELP LOAN PROGRAM

In April 2013, the Life of Loan Servicing Fund made an additional \$660,000 capital contribution to the NJCLASS/FFELP 2012-1 bond issue trust. In June 2013, the Life of Loan Servicing Fund made a \$5,000,000 capital contribution to the NJCLASS/FFELP 2013-1 bond issue within 2012-1 trust. In addition, during the year ended June 30, 2013, the Direct Loan Servicing Fund incurred bond closing costs \$1,200,000 relating to the NJCLASS/FFELP 2013-1 bond issue. For the year ended June 30, 2012, the Life of Loan Servicing Reserve Fund incurred bond closing costs of \$3,861,475 relating to the NJCLASS/FFELP 2011-1 and 2012-1 bond issues.

In June 2013, the NJBEST Administrative Fund advanced \$5,000,000 on behalf of the Life of Loan Servicing Fund for a capital contribution relating to the NJCLASS/FFELP 2013-1 bond issue. This amount will be repaid to the NJBEST Administrative Fund by the Life of Loan Servicing Fund, with interest, from future 2010-FFELP Bonds Parity Release income.

In June 2012, the NJBEST Administrative Fund advanced \$7,886,000 on behalf of the Life of Loan Servicing Fund for a capital contribution relating to the NJCLASS/FFELP 2012-1 bond issue. This amount will be repaid to the NJBEST Administrative Fund by the Life of Loan Servicing Fund, with interest, over the life of the 2012-1 Bond Issue.

The “Net Position” in the Authority’s Life of Loan Servicing Reserve Fund will be replenished over time through origination, administrative and servicing fees collected from the NJCLASS program.

NOTE 7 – SUBSEQUENT EVENTS

Management evaluated subsequent events through October 29, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to October 29, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2013.

Management did not identify any subsequent events that required adjustment to or disclosure in the financial statements for the year ended June 30, 2012.

NOTE 8 — NEW ACCOUNTING

Standards Adopted

For the year ending June 30, 2013, the Authority adopted a new statement of financial accounting standard issued by the Governmental Accounting Standards Board:

- GASB Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position* which changed the Statement of Net Assets to the Statement of Net Position and provides guidance for reporting deferred outflows and inflows of resources.

This information is an integral part of the accompanying combined financial statements.

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
June 30, 2013**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination/ Reclassification	Combined Programs and Funds
ASSETS									
Current Assets									
Cash	\$ 215,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,997
New Jersey Cash Management Fund	1,217,857	655,900	8,741,100	1,191	3,606	276,039	6,099,890	-	16,995,583
Fees receivable	-	21,702	374,119	-	-	-	-	-	395,821
Due from NJCLASS/FFELP loan program	-	-	-	-	269,900	-	881,326	269,900	881,326
Due from Life of Loan - current	-	-	1,169,672	-	-	-	-	1,169,672	-
Interest receivable	-	-	7,462	-	-	-	-	7,462	-
Default collections receivable	-	-	-	-	174,204	-	62,107	-	236,311
Total Current Assets	1,433,854	677,602	10,292,353	1,191	447,710	276,039	7,043,323	1,447,034	18,725,038
Other Assets									
Due from Life of Loan - non-current	-	-	11,553,480	-	-	-	-	11,553,480	-
TOTAL ASSETS	\$ 1,433,854	\$ 677,602	\$ 21,845,833	\$ 1,191	\$ 447,710	\$ 276,039	\$ 7,043,323	\$ 13,000,514	\$ 18,725,038
LIABILITIES									
Current Liabilities									
Accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 854	\$ -	\$ 88,544	\$ -	\$ 89,398
Accrued interest payable	-	-	-	-	-	-	7,462	7,462	-
Due to NJCLASS/FFELP loan program	-	-	-	-	46,258,397	-	-	269,900	45,988,497
Due to NJBEST Admin Fund - current	-	-	-	-	-	-	1,169,672	1,169,672	-
Due to NJCLASS Administrative Fund	-	-	-	-	-	-	2,400,907	-	2,400,907
Due to Guaranty Agency Trust Fund	1,217,857	-	-	-	-	-	-	-	1,217,857
Total Current Liabilities	1,217,857	-	-	-	46,259,251	-	3,666,585	1,447,034	49,696,659
Other Liabilities									
Due to NJBEST Admin Fund - non-current	-	-	-	-	-	-	11,553,480	11,553,480	-
TOTAL LIABILITIES	1,217,857	-	-	-	46,259,251	-	15,220,065	13,000,514	49,696,659
NET POSITION - RESTRICTED	215,997	677,602	21,845,833	1,191	(45,811,541)	276,039	(8,176,742)	-	(30,971,621)
TOTAL LIABILITIES AND NET POSITION	\$ 1,433,854	\$ 677,602	\$ 21,845,833	\$ 1,191	\$ 447,710	\$ 276,039	\$ 7,043,323	\$ 13,000,514	\$ 18,725,038

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
June 30, 2012**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ASSETS									
Current Assets									
Cash	\$ 217,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,576
New Jersey Cash Management Fund	918,683	159,197	9,902,378	1,191	12,705	275,868	5,735,692	-	17,005,714
Fees receivable	-	1,302,670	314,784	-	-	-	-	-	1,617,454
Due from NJCLASS/FFELP loan program	-	-	-	-	299,338	-	854,750	299,338	854,750
Due from Life of Loan - current	-	-	162,848	-	-	-	-	162,848	-
Default collections receivable	-	-	-	-	115,176	-	55,499	-	170,675
Total Current Assets	1,136,259	1,461,867	10,380,010	1,191	427,219	275,868	6,645,941	462,186	19,866,169
Other Assets									
Due from Life of Loan - non-current	-	-	7,723,152	-	-	-	-	7,723,152	-
TOTAL ASSETS	\$ 1,136,259	\$ 1,461,867	\$ 18,103,162	\$ 1,191	\$ 427,219	\$ 275,868	\$ 6,645,941	\$ 8,185,338	\$ 19,866,169
LIABILITIES									
Current Liabilities									
Accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 555	\$ -	\$ 35,460	\$ -	\$ 36,015
Due to NJCLASS/FFELP loan program	-	-	-	-	41,903,540	-	-	299,338	41,604,202
Due to NJBEST Admin Fund - current	-	-	-	-	-	-	162,848	162,848	-
Due to NJCLASS Administrative Fund	-	-	-	-	-	-	1,921,801	-	1,921,801
Due to Guaranty Agency Trust Fund	918,683	-	-	-	-	-	-	-	918,683
Total Current Liabilities	918,683	-	-	-	41,904,095	-	2,120,109	462,186	44,480,701
Other Liabilities									
Due to NJBEST Admin Fund - non-current	-	-	-	-	-	-	7,723,152	7,723,152	-
TOTAL LIABILITIES	918,683	-	-	-	41,904,095	-	9,843,261	8,185,338	44,480,701
NET POSITION - RESTRICTED	217,576	1,461,867	18,103,162	1,191	(41,476,876)	275,868	(3,197,320)	-	(24,614,532)
TOTAL LIABILITIES AND NET POSITION	\$ 1,136,259	\$ 1,461,867	\$ 18,103,162	\$ 1,191	\$ 427,219	\$ 275,868	\$ 6,645,941	\$ 8,185,338	\$ 19,866,169

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2013**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS									
Trust Receipts									
Defaulted FFELP loan receipts	\$ 38,411,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,411,853
Fee income	-	414,724	4,239,710	-	-	-	12,254,793	12,254,793	4,654,434
Defaulted NJCLASS loan receipts	-	-	-	-	4,695,010	-	-	-	4,695,010
Total trust receipts	38,411,853	414,724	4,239,710	-	4,695,010	-	12,254,793	12,254,793	47,761,297
Parity release - income	-	-	-	-	-	-	2,288,177	-	2,288,177
Interest income - Life of Loan	-	-	337,885	-	-	-	-	337,885	-
Income on investments	1,546	1,011	15,076	-	135	171	4,002	-	21,941
TOTAL ADDITIONS	38,413,399	415,735	4,592,671	-	4,695,145	171	14,546,972	12,592,678	50,071,415
DEDUCTIONS									
Transfers to Guaranty Agency Trust Funds	38,412,053	-	-	-	-	-	-	-	38,412,053
Transfer to NJCLASS Administrative Fund	-	-	-	-	-	-	13,475,424	12,254,793	1,220,631
NJCLASS defaulted loans expense	-	-	-	-	9,029,810	-	-	-	9,029,810
NJCLASS bond issue closing costs	-	1,200,000	-	-	-	-	-	-	1,200,000
Capital contribution to NJCLASS/FFELP bond issue	-	-	-	-	-	-	5,660,000	-	5,660,000
Program expense	-	-	850,000	-	-	-	-	-	850,000
Administrative expense - net	2,925	-	-	-	-	-	53,085	-	56,010
Interest expense - NJBEST Admin Fund	-	-	-	-	-	-	337,885	337,885	-
TOTAL DEDUCTIONS	38,414,978	1,200,000	850,000	-	9,029,810	-	19,526,394	12,592,678	56,428,504
CHANGES IN NET POSITION HELD IN TRUST	(1,579)	(784,265)	3,742,671	-	(4,334,665)	171	(4,979,422)	-	(6,357,089)
NET POSITION, BEGINNING OF YEAR	217,576	1,461,867	18,103,162	1,191	(41,476,876)	275,868	(3,197,320)	-	(24,614,532)
NET POSITION, END OF YEAR	\$ 215,997	\$ 677,602	\$ 21,845,833	\$ 1,191	\$ (45,811,541)	\$ 276,039	\$ (8,176,742)	\$ -	\$ (30,971,621)

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2012**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS									
Trust Receipts									
Defaulted FFELP loan receipts	\$ 39,399,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,399,838
Fee income	-	1,342,911	3,758,031	-	-	-	12,515,007	10,610,350	7,005,599
Defaulted NJCLASS loan receipts	-	-	-	-	4,829,129	-	-	-	4,829,129
Total trust receipts	39,399,838	1,342,911	3,758,031	-	4,829,129	-	12,515,007	10,610,350	51,234,566
Income on investments	1,086	55	24,437	3	123	125	2,945	-	28,774
TOTAL ADDITIONS	<u>39,400,924</u>	<u>1,342,966</u>	<u>3,782,468</u>	<u>3</u>	<u>4,829,252</u>	<u>125</u>	<u>12,517,952</u>	<u>10,610,350</u>	<u>51,263,340</u>
DEDUCTIONS									
Transfers to Guaranty Agency Trust Funds	39,569,164	-	-	-	-	-	-	-	39,569,164
Transfer to NJCLASS Administrative Fund	-	-	-	-	-	-	10,610,350	10,610,350	-
NJCLASS defaulted loans expense	-	-	-	-	12,261,221	-	-	-	12,261,221
NJCLASS bond issue closing costs	-	-	-	-	-	-	3,861,475	-	3,861,475
Capital Contribution to NJCLASS/FFELP Bond Issue	-	-	-	-	-	-	7,886,000	-	7,886,000
Program expense	-	-	660,000	30,000	-	-	-	-	690,000
Administrative expense - net	3,067	-	-	-	102	-	(40,837)	-	(37,668)
TOTAL DEDUCTIONS	<u>39,572,231</u>	<u>-</u>	<u>660,000</u>	<u>30,000</u>	<u>12,261,323</u>	<u>-</u>	<u>22,316,988</u>	<u>10,610,350</u>	<u>64,230,192</u>
CHANGES IN NET POSITION HELD IN TRUST	(171,307)	1,342,966	3,122,468	(29,997)	(7,432,071)	125	(9,799,036)	-	(12,966,852)
NET POSITION, BEGINNING OF YEAR	<u>388,883</u>	<u>118,901</u>	<u>14,980,694</u>	<u>31,188</u>	<u>(34,044,805)</u>	<u>275,743</u>	<u>6,601,716</u>	<u>-</u>	<u>(11,647,680)</u>
NET POSITION, END OF YEAR	<u>\$ 217,576</u>	<u>\$ 1,461,867</u>	<u>\$ 18,103,162</u>	<u>\$ 1,191</u>	<u>\$ (41,476,876)</u>	<u>\$ 275,868</u>	<u>\$ (3,197,320)</u>	<u>\$ -</u>	<u>\$ (24,614,532)</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board Members of
New Jersey Higher Education Assistance Authority
Trenton, New Jersey

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 combined financial statements of Other HESAA Programs and Funds of New Jersey Higher Education Student Assistance Authority (the Other HESAA Programs) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Other HESAA Programs' basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Other HESAA Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Other HESAA Programs' 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 the Other HESAA Programs' financial statements are free of 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 result 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Mt. Laurel, New Jersey
October 29, 2013