

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
COUNTY OF BERGEN  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
COUNTY OF BERGEN  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
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200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973.298.8500

11 Lawrence Road  
Newton, NJ 07860  
973.383.6699

[nisivoccia.com](http://nisivoccia.com)

Independent Member  
BKR International

December 11, 2020

The Honorable President and Members  
of the Board of Education  
Borough of Hillsdale School District  
County of Bergen, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Education of the Borough of Hillsdale School District in the County of Bergen for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 11, 2020.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents. This letter does not affect our report dated December 11, 2020, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended for the information of the Borough of Hillsdale School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

*Francis Jones of Nisivoccia LLP*

Francis Jones  
Licensed Public School Accountant #1154  
Certified Public Accountant

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Kelly Ippolito	Treasurer of School Monies	\$ 225,000
Lirca R. Garcia	Board Secretary/School Business Administrator - through 12/31/2019	225,000
Sacha Pouliot	Board Secretary/School Business Administrator - from 01/01/2020	225,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls approved by the Superintendent and were certified by the Superintendent, the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefit withholding due to the General Fund.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrator) to the New Jersey Department of Treasury was filed by the March 15<sup>th</sup> due date.

Finding:

During the review of the E-CERT1 certification it was noted that the District inadvertently listed the current fiscal year administrators as opposed to the prior fiscal year's administrators. As the District is aware of the error and income tax related documentation is available for inspection at the District board office, no formal recommendation is deemed necessary.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Finding:

During our review of the Board Secretary's records it was noted that the final budget amount for one budget line item was adjusted in error for the amount of prior year accounts payable cancelled in the current year, which resulted in an overexpenditure. As the overexpenditure was not material, no formal recommendation is deemed necessary.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

During our review of the Treasurers report compared to the bank reconciliations we noted a minor difference in comparison of the two reports. The treasurer is in process of investigating the small discrepancies.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I and II of the Elementary and Secondary Education Act as amended and reauthorized.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
(Continued)

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR. Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved. The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2020. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 2001, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made . . . ."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law . . . ."

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and N.J.S.A. 18A:18A-3(a) (as amended) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
(Continued)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2019-20.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. General compliance was noted.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

School Food Service

The school food service was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or the appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Non-program foods were purchased, prepared or offered for sale. The Statement of Revenue, Expenses and Changes in Net Position in the CAFR Schedule B-5 does separate program and non-program revenue and program and non-program cost of goods sold, except for credit card sales.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records, meal counts, noncompetitive procurements, modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
(Continued)

School Food Service (Cont'd)

Finding:

During our review of the school District records it was noted that net cash resources of the Food Service Fund exceeded three months average expenditures. With the closure of schools due to COVID-19, the District was unable to estimate food and other expense costs through the end of the school year. The District saw maintaining current cash balance as the prudent way to handle the COVID-19 situation to avoid running into a negative cash balance in the Food Service Fund. As the District is in the process of resolving this excess, a formal recommendation is not deemed necessary.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low income and bilingual students. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers with minor exceptions. The information that was included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments. The District maintained workpapers on the prescribed State forms or their equivalent. The District's written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2019-2020 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2020  
(Continued)

Facilities and Capital Assets

The District does not currently have any active construction projects which involve Schools Development Authority (“SDA”) grant agreements, transfer of local funds from the General Fund or from the Capital Reserve Account, or contracts for eligible facilities construction.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal travel policy and procedure pertaining to travel expenses and reimbursements for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending.

Employees and board members attending an event are then required to complete a post event report to be submitted to a designated person within the District.

Our review of the travel policies and records on a test basis revealed that the District is in general compliance with the travel regulations.

Testing for Lead of All Drinking Water in Educational Facilities

The District submitted the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements

Due to COVID-19, the GASB postponed the implementation of GASB Statement No. 84, *Fiduciary Activities*, until the fiscal year ended June 30, 2021. Based on guidance from the NJ Department of Education and GASB, the activity for student activities, payroll agency, unemployment compensation trust, flexible spending trust and private purpose scholarship trust funds will no longer be reported in the Fiduciary Fund financial statements. This activity will now be reported in the General (payroll agency, flexible spending and unemployment compensation) and Special Revenue (student activities and scholarship) Funds.

Effect on Internal Controls due to COVID-19

With the increase in employees working remotely due to COVID-19 especially those in the Business Office it is vital that the District routinely reviews the internal controls in place especially with respect to security of passwords as well as access rights to accounting software and bank information including bank wire transfers and the timely back-up of records.

Status of Prior Year's Findings/Recommendations

There were no audit findings in the prior year.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019

	2020-2021 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	ASSA	Workpapers	On Roll	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool-3 years	7	7	7				7		7			
Full Day Preschool-4 years	12	12	12				12		12			
Full Day Kindergarten	100	100	100				100		100			
Grade One	96	96	96				96		96			
Grade Two	85	85	85				85		85			
Grade Three	104	104	104				104		104			
Grade Four	99	99	99				99		99			
Grade Five	91	91	91				91		91			
Grade Six	98	98	98				98		98			
Grade Seven	105	105	105				105		105			
Grade Eight	104	104	104				104		104			
Subtotal	901	901	901				901		901			
Special Ed - Elementary School	120	120	120				13		13			
Special Ed - Middle School	83	83	83				9		9			
Subtotal	203	203	203				22		22			
Totals	1,104	1,104	1,104				923		923			-0-
Percentage Error							0.00 %		0.00 %			0.00 %

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2019

	Private Schools for Handicapped				Low Income					
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Preschool - 4 Years						2	-2	1	1	
Full Day Kindergarten					6	6		1	1	
Grade One					9	9		1	1	
Grade Two					7	7		1	1	
Grade Three					6	6		1	1	
Grade Four					6	6		1	1	
Grade Five					3	3		1	1	
Grade Six					3	3		1	1	
Grade Seven					6	6		1	1	
Grade Eight					3	3		1	1	
Subtotal					49	51	-2	7	7	
Special Ed - Elementary School	4	2	2		22	20	2	2	2	
Special Ed - Middle School	2				11	11		2	2	
Subtotal	6	2	2		33	31	2	4	4	
Totals	6	2	2		82	82		11	11	
Percentage Error				0.00 %			0.00 %			0.00 %

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident LEP not Low Income			Sample for Verification		
	Reported on ASSA as LEP not Low Income	Reported on Workpapers as LEP not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	3	3		1	1	
Grade One	2	2		1	1	
Grade Two	1	1				
Grade Four	1	1				
Subtotal	7	7		2	2	
Special Education:						
Elementary School	1	1		1	1	
Subtotal	1	1		1	1	
Totals	8	8	-0-	3	3	-0-
Percentage Error			0.00%			0.00%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores Application & Register	Sample Errors
Full Day Kindergarten	2	2		1	1	
Grade One	5	5		1	1	
Grade Two	4	4		1	1	
Grade Four	1	1				
Subtotal	12	12	0	3	3	
Special Education:						
Elementary School	4	4	0	2	2	
Subtotal	4	4	0	2	2	
Totals	16	16		5	5	0
Percentage Error			0.00%			0.00%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	72	72		8	8	
Regular - Special Education	7	7		2	2	
AIL - Non Public	13	13		3	3	
Special Needs - Public	16	16		3	3	
Special Needs - Private	9	9		2	2	
Totals	<u>117</u>	<u>117</u>	<u>-0-</u>	<u>18</u>	<u>18</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Reported	Re- calculated
Average Mileage - Regular Including Grade PK Students	2.7	2.7
Average Mileage - Regular Excluding Grade PK Students	2.7	2.7
Average Mileage - Special Education with Special Needs	3.9	3.9



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
YEAR ENDED JUNE 30, 2020  
(Continued)

**SECTION 3**

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ 988,399 (E)

**Recapitulation of Excess Surplus as of June 30, 2020**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 290,602 (C3)

Restricted Excess Surplus [(E)] \$ 988,399 (E)

Total [(C3)+(E)] \$1,279,001 (D)

**Detail of Allowable Adjustments**

Impact Aid \$ -0- (H)

Sale & Lease-back \$ -0- (I)

Extraordinary Aid \$ 34,978 (J1)

Additional Nonpublic School Transportation Aid \$ -0- (J2)

Total Adjustments [(H)+(I)+(J1)+(J2)] \$ 34,978 (K)

**Detail of Other Reserved Fund Balance**

Statutory Restrictions:

Approved Unspent Separate Proposal \$ -0-

Sale/Lease-back Reserve \$ -0-

Capital Reserve \$1,128,361

Emergency Reserve \$ -0-

Maintenance Reserve \$ 154,324

Tuition Reserve \$ -0-

Other State/Government Mandated Reserve \$ -0-

[Other Restricted Fund Balance Not Noted Above] \$ -0-

Total Other Restricted Fund Balance \$1,282,685 (C4)



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SUMMARY OF RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2020

It is recommended that:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
None
3. School Purchasing Program  
None
4. School Food Service  
None
5. Student Body Activities  
None
6. Application for State School Aid  
None
7. Pupil Transportation  
None
8. Facilities and Capital Assets  
None
9. Status of Prior Year's Findings/Recommendations  
None