

**CITY OF UKIAH**

**Single Audit Report on  
Federal Award Programs  
June 30, 2015**

**CITY OF UKIAH**  
**SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS**  
Year Ended June 30, 2015

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3 - 5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 15
Summary Schedule of Prior Audit Findings	16



**Independent Auditor's 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***

City Council  
City of Ukiah  
Ukiah, California

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 governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ukiah (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described as item 2015-1 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-3 and 2015-4 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-2.

### **City of Ukiah's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*Van Lant & Fankhaed, LLP*

June 7, 2016



## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

City Council  
City of Ukiah  
Ukiah, California

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Ukiah's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about the City'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 program. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City of Ukiah, 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 programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 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 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.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Ukiah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional

analysis as required by OMB Circular A-133 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Van Lant & Fankhaed, LLP*

June 7, 2016

**CITY OF UKIAH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(SUPPLEMENTARY INFORMATION)**  
Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
<b><u>Federal Highway Administration</u></b>			
<i>Passed through the California Department of Transportation:</i>			
State Street Streetscape	20.205	HSIPL5049 (025)	\$ 4,160
State Street Road Diet	20.205	HSIPL5049 (026)	4,160
Subtotal			<u>8,320</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through to the California Department of Housing and Community Development:</i>			
HOME Investment Partnership Program Activities	14.239	11-HOME-7654	311,555*
Community Development Block Grant	14.228	10-EDEF-7261	210,173
Community Development Block Grant	14.228	13-CDBG-8940	18,733
Subtotal			<u>540,461</u>
Total Federal Financial Assistance			<u>\$ 548,781</u>

\*Major Program

**CITY OF UKIAH**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS**

**A) Scope of Presentation**

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Ukiah that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received from pass-through entities by the City of Ukiah. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with the state, local or other non-federal funds are excluded from the accompanying schedule.

**B) Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the accrual basis of accounting, expenditures are incurred when the City of Ukiah becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

**C) Major Programs**

The City had one major program for the year ended June 30, 2015, consisting of the HOME Investment Partnership Program Activities, which had total disbursements of \$311,555. This amount calculates to 56.8% of the total disbursements from federal awards.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of Auditors’ Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	Yes
Significant Deficiencies Identified not Considered to be Material Weaknesses?	Yes
Noncompliance Material to Financial Statements Noted?	No

**Federal Awards**

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With OMB Circular A-133, Section 510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.239	U.S. Department of Housing and Urban Development HOME Investment Partnership Program Activities

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>300,000</u>
--	-------------------

Auditee Qualified as Low-Risk Auditee?	No
--	----

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***2015-1 Accuracy and Timeliness of Accounting Records***

*Finding:*

The City's management is responsible for establishing and maintaining effective internal controls over financial reporting to help ensure that appropriate goals and objectives are met. This responsibility includes the selection and application of accounting principles, ensuring that financial information is reliable and properly recorded, and evaluating and monitoring ongoing activities.

In preparation for the annual audit, the City's Finance staff performed significant analysis and reconciliations of various accounts in the City's general ledger. However, when we began our year-end audit fieldwork, it became apparent that certain accounts had not yet been thoroughly analyzed and reconciled to supporting records. This includes grant receivables, unavailable revenue accounts, pooled cash accounts, long-term debt, capital assets and accounts payable. In addition, while performing audit procedures, we identified and proposed several material adjusting entries to the City's accounting records. Furthermore, *Statements on Auditing Standards No. 115, "Communicating Internal Control Related Matters Identified in an Audit"* states that "indicators of material weaknesses in internal control include: identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate the misstatement would not have been detected by the entity's internal control."

Reconciliation and review of all balance sheet accounts and various revenue and expenditure accounts on a recurring basis, and especially at year-end, is a vital part of maintaining the integrity of the accounting and financial reporting system. Periodic reconciliations of balance sheet and other selected accounts provide accurate data from which to base decisions, prevent costly errors and provide ease in identifying potential adjustments and corrections. If this is not done in a timely manner throughout the fiscal year, the year-end closing process tends to be more difficult and time-consuming, and may contribute to delays in issuing year-end reports. It should be noted, adjusting journal entries were being made to the City's accounting records as late as March 2016, approximately 9 months after the end of the fiscal year.

*Recommendation:*

Therefore, in order to maintain the integrity of the accounting and financial reporting system, and to ensure timely reporting, we recommend that all balance sheet accounts and other selected accounts be analyzed on a monthly, quarterly or other periodic basis as appropriate. We suggest a schedule of accounting functions to be performed monthly, quarterly, etc., be prepared with the provision for signing off by date and initials when the procedure is complete.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2015

***2015-1 Accuracy and Timeliness of Accounting Records - Continued***

*Management's Response:*

City management agrees with the recommendation and takes full responsibility for this material weakness in the effectiveness of the City's internal control. The deficiency is earnestly noted, that certain accounts in the City's general ledger had not been thoroughly analyzed and reconciled to supporting records during the fiscal year. Management clearly understands that, as a result of the deficiency, material misstatements in the City's June 30, 2015 financial statements would not have been detected by the City's internal control. Adjusting journal entries were made later to correct the City's accounting records, but the delay made the year-end closing process more difficult and time-consuming, which postponed year-end reports.

The City expects to successfully remedy the internal control weakness with the addition of trained accounting and financial reporting personnel, skilled hand-on leadership in the Finance Department, and improved system functionality and controls. This includes timely balance sheet account analysis and reconciliations. The City's measures will ensure the noted weaknesses are corrected permanently.

***2015-2 Electric Revenue Bonds Rate Covenant***

*Finding:*

The Indenture of Trust between the City of Ukiah and Bank of America National Trust and Savings Association, as Trustee for the Electric Revenue Refunding 1992 Bonds includes a requirement to:

"...prescribe, revise and collect such rates and charges for the services, facilities and electricity of Electric System which, after making allowances for contingencies and error in estimates, shall be at least sufficient to pay the following amounts in the order set forth:

- (a) Operating and Maintenance Expenses;
- (b) The interest on, principal and accreted Value (or Mandatory Sinking Account Payment) of the Outstanding Bonds (whether Serial or Term Bonds) as they become due and payable;
- (c) All other payments required for compliance with the Indenture or any Supplemental Indentures;  
and
- (d) All other payments required to meet any other obligations of the City which are charges, liens or encumbrances upon or payable from Net Operating Revenues.

The Charges shall be so fixed that the Net Operating Revenues, plus any surplus amounts on deposit with the Trustee pledged to the payment thereof, shall be at least 1.25 times the amounts payable under (b) above and 1.0 times the amounts payable under (c) and (d) above."

For the 2014-15 fiscal year, the City's Electric Enterprise Fund did not meet the required rate covenant requirement for the Electric Revenue Refunding 1992 Bonds as described above.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

***2015-2 Electric Revenue Bonds Rate Covenant - Continued***

*Recommendation:*

We recommend the City, throughout the fiscal year, calculate and project their ability to meet the required bond rate covenants, and make any changes to the rate structure, if allowable, and/or expense reductions.

*Management's Response:*

City management agrees with the recommendation and has put into place procedures to review the cash flows of the electric utility and monitor the revenues and expenses during the year. In addition, there will be a review of the reserve balances held in various accounts to make the appropriate transfers to the Trustee to comply with the rate coverage of the 1992 bonds.

***2015-3 Fraud Prevention and Detection Program***

*Finding:*

Management of the City is responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

*Recommendation:*

While the City has taken steps to address the risk of fraud in certain areas, such as segregation of duties and other internal controls, we recommend the City consider taking a more formal, proactive approach to fraud prevention and deterrence. This would involve establishing an ongoing program of formally identifying and measuring fraud risks, taking steps to mitigate identified risks, and implementing and monitoring any necessary preventive and deterrent measures.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

***2015-3 Fraud Prevention and Detection Program - Continued***

For example, the City should consider establishing a more formal training program for its employees regarding fraud. New employees should be trained at the time of hiring about the entity's values and its code of conduct. This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to the training at the time of hiring, employees should receive refresher training periodically thereafter.

As mentioned above, management needs to provide information to employees on how to communicate fraud related matters. Research has shown that the majority of fraud is detected by fellow employees, and not outside auditors or internal controls. It is important for the City to establish and communicate to employees a reporting system that is appropriate for the City. The City should consider establishing a confidential reporting mechanism, which may include a combination of internal reporting and an anonymous tip hotline, not only for employees, but also for vendors and customers of the City.

In summary, the City has established controls over fraud in many areas. However, the City should evaluate whether a more formal, proactive approach to preventing fraud would be appropriate. The above comments do not address all components of a strong antifraud program. Additional information can be provided to the City's management regarding this issue.

*Management's Response:*

City management agrees with the recommendation and will take proactive steps to formally identify risks of fraud and to implement and monitor any necessary preventive and deterrent measures to minimize fraud. The City's new Finance Director, who starts on July 25, 2016, is a Certified Public Accountant and is well experienced in effective administrative, accounting, and financial reporting procedures that can deter workplace fraud. Additionally, the new Finance Director will work with the City Manager and the Human Resources Department to establish an ongoing employee training program that will explicitly cover expectations of all employees regarding their duty to communicate actual or suspected fraud as well as information on how to communicate these matters to City management.

***2015-4 Segregation of Duties***

*Finding:*

*Community Services Cash Receipts*

As part of our audit procedures we reviewed the process of collecting cash receipts at the Community Services Department in order to gain an understanding of the internal controls in this area. During our review we noted several weaknesses in the cash collection process. Below is a list of the issues identified:

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

***2015-4 Segregation of Duties - Continued***

- 1) No numerical reconciliation of the manual receipts issued, and through discussions with City staff, the issuance of receipts is not mandatory.
- 2) Cash payments are taken by instructors without the issuance of receipts.
- 3) Reconciliation of the number of people registered for classes to the number of people in attendance in a class is not done on a consistent basis.
- 4) Lack of segregation of duties for the receptionist/clerk who collects payments, inputs receipts, and reconciles the cash and checks collected.

Lack of internal controls over the collection of payments at the Community Services Department could result in payments collected that are not ultimately recorded in the City's general ledger and deposited into the City's bank accounts.

**Cash Disbursements**

While obtaining an understanding of the internal controls over the accounts payable and cash disbursements process, we found there is a lack of segregation of incompatible duties for the Administrative Analyst – AP Clerk. The Administrative Analyst, enters new vendors into the vendor file, changes/updates vendor information, inputs the payments to be made for each check run, obtains the signed and printed checks from the printer, and places the checks in envelopes to be mailed. Also, the Purchasing Supervisor can create purchase order's (PO's), issue PO's, make and approve purchases, request vendors to be added to the AP system, and approve receiving copy or invoice if necessary.

In a strong internal control environment, the individual responsible for entering payments to be made for each check run should not have access to the vendor master file, and also should not have access to the checks once they have been printed and signed. These functions should be segregated to reduce the potential for misappropriation of City funds. In addition, because the PO system does not require multiple approvals to generate PO's, the Purchasing Supervisor has an incompatible duty of being able to create and generate PO's and approve the invoice/purchase.

***Recommendation:***

The City should evaluate the various functions discussed above (and all City functions), and determine what practical steps can be taken to segregate incompatible duties. The City should perform risk assessment procedures, on a regular basis, to determine significant risks to which the City is exposed, which risks the City is willing to accept, and the risks for which the City should take action to mitigate. Cost versus benefit analysis should be considered throughout the risk assessment process.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

***2015-4 Segregation of Duties - Continued***

*Management's Response:*

Community Services Cash Receipts

City management agrees with the recommendation and has taken appropriate measures to address the noted weaknesses in the Community Services' cash collection processes. In May 2016, the Community Services Department implemented RecDesk, a Web-based accounting and reporting system that manages online registrations for Community Services' programs and issues appropriate receipts for registration payments. Customers are encouraged to register online for programs. In addition, receipt books are used by staff to record payments received in the field, although such payments are seldom made. On a daily basis, all receipts are reconciled to RecDesk by the Department Receptionist and separately by another Community Services staff member. All receipts are forwarded to the Finance Department on a daily basis for deposit in the City's bank accounts and for appropriate coding in the City's general ledger.

Cash Disbursements

City management agrees with the recommendation, although a clear segregation of primary accounts payable responsibilities (vendor file maintenance, payment check processing and distribution) is not entirely possible given the small size of the City staff. However, mitigating measures are being established to ensure all vendor payments are appropriately authorized and reviewed for correctness. Such measures will provide a sound level of internal control over the City's purchasing and cash disbursement processes.

**CITY OF UKIAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no auditor's findings required to be reported in accordance with paragraph 510(a) of OMB Circular A-133.

**CITY OF UKIAH**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***2013-02 Noncompliance with Rate Covenants:***

**Status:** This finding has not been resolved. See Finding 2015-2 in the Summary Schedule of Findings and Questioned Costs.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no auditor's findings required to be reported in accordance with OMB Circular A-133 in the prior year.