

## **SINGLE AUDIT SECTION**

**CITY OF LINCOLN, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY</b>				
Direct Programs:				
High Intensity Drug Trafficking Area	07.000	13PMWP636	\$	<u>65,736</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Direct Programs:				
Summer Food Service Program for Children	10.559	6/03-8/03	\$	16,224
Summer Food Service Program for Children	10.559	6/04-8/04	<u>69,590</u>	85,814
Pass-Through State Department Of Health And Human Services:				
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2003	48,489	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2004	<u>346,157</u>	394,646
Nutrition Program for the Elderly (Commodities)	10.570			<u>149,277</u>
Total U.S. Department Of Agriculture			\$	<u>629,737</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Direct Programs:				
Congregate Housing Services Program (Mahoney Manor)	14.170	NE26-G940-001	\$	56,405
Congregate Housing Services Program (Burke Plaza)	14.170	NE26-G940-002	<u>39,601</u>	96,006
Community Development Block Grant	14.218	* B-03 MC-31-0001		3,122,724
Emergency Shelter Grant Program	14.231	S-03 MC-310002		73,560
HOME Investment Partnerships Program	14.239	* M-03 MC-31-0202		1,500,676
Community Development Block Grants/Economic Development Initiative	14.246	B-99-SP-NE-1085	90,470	
Community Development Block Grants/Economic Development Initiative	14.246	B-00-SP-NE-0233	<u>236,150</u>	326,620
Fair Housing Assistance Program - State and Local	14.401	FF207K007017		66,659
Pass-Through State Department Of Health And Human Services:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2003	3,740	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2004	<u>3,478</u>	7,218
Total U.S. Department Of Housing And Urban Development			\$	<u>5,193,463</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>				
Pass-Through State Historical Society:				
Historical Preservation Fund Grants-in-Aid	15.904	03/04	\$	14,492
Historical Preservation Fund Grants-in-Aid	15.904	04/05	<u>7,532</u>	<u>\$ 22,024</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Direct Programs:				
Local Law Enforcement Block Grant	16.592	2001-LB-BX-1268	\$	15,430
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2052	132,703	
Local Law Enforcement Block Grant	16.592	2003-LB-BX-0607	<u>130,476</u>	278,609
Bulletproof Vest Partnership Program	16.607			4,033
Public Safety Partnership and Community Policing Grant (Cops Ahead)	16.710	95-CC-WX-0426		155,592
Pass-Through Lancaster County:				
Violence Against Women Formula Grants	16.588	02-VW-719		25,732
Pass-Through Nebraska State Patrol:				
Crime Laboratory Improvement Combined Offender DNA Index System Backlog Reduction	16.564	03-NS-01		1,858
Pass-Through State Comm. On Law Enforcement And Criminal Justice:				
Crime Victim Assistance	16.575	02-VA-900/02-VA-234	11,967	
Crime Victim Assistance	16.575	03-VS-900/03-VA-239	<u>123,268</u>	135,235
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	02-DA-315	7,990	
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	03-DA-305	<u>371,687</u>	379,677
Community Prosecution and Project Safe Neighborhoods	16.609	04SN-8902		<u>20,943</u>
Total U.S. Department Of Justice			\$	<u>1,001,679</u>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

(Expenditures of Federal Awards, Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
<b>U.S. DEPARTMENT OF LABOR</b>				
Pass-Through State Department Of Health And Human Services:				
Senior Community Service Employment Program	17.235	NGA 2004-045	\$ 37,287	
Senior Community Service Employment Program	17.235	NGA 2005-012	<u>4,008</u>	41,295
Pass-Through State Department Of Labor:				
WIA Cluster:				
Workforce Investment Act (Dislocated Worker)	17.260	2002	938	
Workforce Investment Act (Adult)	17.258	2003	69,540	
Workforce Investment Act Incentive/Capacity	17.258	2003	53,844	
Workforce Investment Act (Youth)	17.259	2003	153,214	
Workforce Investment Act (Dislocated Worker)	17.260	2003	349,972	
Workforce Investment Act (Adult)	17.258	2004	10,006	
Workforce Investment Act Incentive/Capacity	17.258	2004	4,668	
Workforce Investment Act (Youth)	17.259	2004	21,778	
Workforce Investment Act (Dislocated Worker)	17.260	2004	43,704	
Workforce Investment Act (Dislocated Worker)	17.260	EM-11756-01-60	<u>93,972</u>	<u>801,636</u>
Total U.S. Department Of Labor			<u>\$ 842,931</u>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X052	\$ 48,235	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X054	34,622	
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X056	10,874	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X056	787,467	
Federal Transit: Formula Grants (Sec. 9 Operating)	20.507	* NE-90-X058	1,320,000	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X058	258,248	
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X058	244	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X060	1,168,339	
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-C990(023)	60,827	
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-C990(024)	<u>25,542</u>	<u>3,714,398</u>
Pass-Through State Department Of Roads:				
Highway Planning And Construction Cluster:				
Highway Planning and Construction (Planning)	20.205	HPR-PL1(40)	57	
Highway Planning and Construction (Planning)	20.205	HPR-PL1(41)	283,054	
Highway Planning and Construction (Planning)	20.205	HPR-PL1(42)	77,987	
Highway Planning and Construction (O Street - 52nd to Wedgewood)	20.205	EACNH-34-6(124)	852,164	
Highway Planning and Construction (84th Street - Kathy Lane to Old Cheney)	20.205	STPAA-5249(5)	239,441	
Highway Planning and Construction (84th Street - Cheney Ridge to Hwy 2)	20.205	STPAA-5249(6)	1,223,369	
Highway Planning and Construction (South & East Beltway Study)	20.205	DPU-3300(1)	439	
Highway Planning and Construction (40th and Sheridan Roundabout)	20.205	STPP-5214(3)	120,656	
Highway Planning and Construction (27th and O Street EB/WB Left Turnlane)	20.205	STPP-34-6(134)	175,643	
Highway Planning and Construction (27th and Hwy 2 North Dual Left Turnlane)	20.205	STPP-5231(11)	278,922	
Highway Planning and Construction (Salt Creek Bridge Replacement)	20.205	BR-STPC-5220(2)	698,956	
Highway Planning and Construction (City/State Overlay)	20.205	RD-6-6(1040)	89	
Highway Planning and Construction (Harris Overpass)	20.205	BR-5266(1)	1,053	
Highway Planning and Construction (JAVA)	20.205		<u>7,227,770</u>	<u>11,179,600</u>
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(204)	27,354	
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(205)	<u>2,776</u>	<u>30,130</u>
Pass-Through State Department Of Highway And Safety:				
Highway Safety Cluster:				
State and Community Highway Safety (CODES)	20.600	411-3-6	15,426	
State and Community Highway Safety (CODES)	20.600	411-04-03	<u>360</u>	<u>15,786</u>
Total U.S. Department Of Transportation			<u>\$ 14,939,914</u>	
<b>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	0/5010/0157	\$ 45,150	
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
Pass-Through State Library Commission:				
State Library Program (Library Services and Technology Act)	45.310	04.11	\$ 5,977	
State Library Program (Net Lender Contract)	45.310		<u>5,463</u>	<u>\$ 11,440</u>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

(Expenditures of Federal Awards, Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct Program:			
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-98738401-0	\$ 18,118
Surveys, Studies, Investigations and Special Purpose Grants (Salt Creek Relief Sewer)	66.606	XP98723601	1,316,900
Pass-Through State Department Of Environmental Quality:			
Air Pollution Control Program Support	66.001	M-007056(03)	16,585
Air Pollution Control Program Support	66.001	M-007056(04)	<u>97,000</u>
			113,585
Nonpoint Source Implementation Grants (Safe Water Tomorrow-South)	66.460	C9007403-00-0	36,558
Nonpoint Source Implementation Grants (Safe Water Tomorrow-South)	66.460	C9007403-00-0	17,093
Nonpoint Source Implementation Grants (Holmes Lake Water Shed & Sediment/Channel Stab)	66.460		16,212
Nonpoint Source Implementation Grants (Holmes Lake Excavation)	66.460		<u>986,937</u>
			1,056,800
Surveys, Studies, Investigations and Special Purpose Grants (Air Toxic Monitoring)	66.606	X-98705701-0	2,826
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(03)	16,099
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(04)	<u>16,846</u>
			35,771
Total U.S. Environmental Protection Agency			<u>\$ 2,541,174</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Pass-Through State Library Commission:			
Urban Library System Resource Sharing	84.034	94/95	<u>\$ 200</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs:			
Community Service Block Grant Discretionary Awards-Community Food & Nutrition Program	93.571	90EN0460101	\$ 30,108
Refugee and Entrant Assistance - Discretionary Grant (Elderly Refugee Services)	93.576	902F 0033	34,462
Pass-Through State Department Of Health And Human Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2003	2,500
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2004	<u>1,712</u>
			4,212
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2003	7,274
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2004	<u>11,717</u>
			18,991
Injury Prevention and Control Research and State and Community Based Programs (Falls Prevention CDC)	93.136	2004	2,662
Childhood Lead Poisoning Prevention Projects (CDC 04)	93.197	99033	41,869
Immunization Grants (Hepatitis B)	93.268	2003	5,462
Immunization Grants (Hepatitis B)	93.268	2004	9,293
Immunization Grants (NE Immunization Action Plan)	93.268	2003	29,473
Immunization Grants (NE Immunization Action Plan)	93.268	2004	<u>40,601</u>
			84,829
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Control)	93.283	2004	43,072
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Control)	93.283	2005	5,592
Centers for Disease Control and Prevention: Investigations and Tech Assistance (West Nile Virus Program)	93.283	24080097	2,689
Centers for Disease Control and Prevention: Investigations and Tech Assistance (School Based Surveillance)	93.283	BT 187-33104	277
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Preparedness Program ERC)	93.283	U90/CCU176975-03-1	6,644
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tools for Schools)	93.283	EO67964	15,000
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tools for Schools)	93.283	3100002	6,603
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Nebraska Bioterrorism Plan)	93.283	U90/CCU716975-03	333,059
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Nebraska Bioterrorism Plan)	93.283	U90/CCU716975-03	29,440
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	24,569
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Worksite Asthma Program)	93.283	2001-2003	9,441
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Worksite Asthma Program)	93.283	3120087	<u>21,741</u>
			498,127
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Programs	93.919	2003	153
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Programs	93.919	2004	164,619
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Programs	93.919	2005	<u>19,964</u>
			184,736
HIV Prevention Activities Health Dept Based (CDC/Women Lead the Way)	93.940	EO67911	3,416
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039	22,212
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	1813-04	32,943
HIV Prevention Activities Health Dept Based (HIV Training & Quality Assurance CTR/PCRS)	93.940	U62/CCU702039	2,750
HIV Prevention Activities Health Dept Based (HIV Training & Quality Assurance CTR/PCRS)	93.940	U62/CCU702039	<u>4,145</u>
			65,466
Assistance Programs for Chronic Disease Prevention and Control (Healthy Lifestyles Support)	93.945	U57/CCU7191-66	21
Assistance Programs for Chronic Disease Prevention and Control (CDC Census Track 20-Steps)	93.945	EO66865	<u>559</u>
			580

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

## (Expenditures of Federal Awards, Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
Preventive Health and Health Services Block Grant (Physical Activity and Nutrition)	93.991	3110003	3	
Preventive Health and Health Services Block Grant (Heart Disease and Stroke)	93.991	3110004	545	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2003-PHHS-08-LHD-C	2,900	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2004-PHHSBG-10-CMPT	21,486	
Preventive Health and Health Services Block Grant (Diabetes)	93.991	2003	2,125	
Preventive Health and Health Services Block Grant (Diabetes)	93.991	2004	1,062	
Preventive Health and Health Services Block Grant (Epidemiology 2001)	93.991	2004-PHHSBG-11-CMPT	<u>26,015</u>	54,136
Maternal and Child Health Services Block Grant to the States (High Risk Newborns)	93.994	MCH-03-50A	4,949	
Maternal and Child Health Services Block Grant to the States (High Risk Newborns)	93.994	MCH-04-50A	<u>30,862</u>	35,811
Special Programs for the Aging Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	93.042	NGA 2003-049		5,000
Special Programs for the Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2004-102	16,544	
Special Programs for the Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2005-010	<u>200</u>	16,744
Aging Cluster:				
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2004-137	340,766	
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2005-007	15,452	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2004-100	407,718	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2005-008	14,890	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2004-101	120,385	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2005-009	<u>4,631</u>	903,842
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2004-103	182,151	
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2005-011	<u>16,845</u>	198,996
Social Services Block Grant (SSBG)	93.667			15,752
Pass-Through State Department Of Labor:				
Temporary Assistance for Needy Families (Welfare to Work)	93.558	Y-7052-9-00-81-50		<u>7,421</u>
Total U.S. Department Of Health And Human Services				<u>\$ 2,203,744</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	02SRNNE 070 (02/03)	\$ 3,074	
Retired and Senior Volunteer Program	94.002	02SRNNE 070 (03/04)	<u>76,379</u>	79,453
Foster Grandparent / Senior Companion Cluster:				
Foster Grandparent Program	94.011	02SFNNE 068 (03/04)	99,975	
Foster Grandparent Program	94.011	02SFNNE 068 (04/05)	42,633	
Senior Companion Program	94.016	01SCNNE 011 (03/04)	130,375	
Senior Companion Program	94.016	01SCNNE 011 (04/05)	<u>13,391</u>	286,374
Volunteers In Service To America (Youth Achievement)	94.013	2003-DVSA-61321-A21-4101		49,407
Pass-Through Nebraska Volunteer Commission:				
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(02)	1,775	
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(03)	<u>48,119</u>	49,894
Total Corporation For National And Community Service				<u>\$ 465,128</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0062	\$	81,047
National Urban Search and Rescue (US&R) Response System	97.025	EMW-97-CA-0402	74,225	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2003-CA-0046	179,603	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2003-CA-0262	<u>894,939</u>	1,148,767
Assistance to Firefighters Grant	97.044	EMW-2003-FG-06293	251,586	
Assistance to Firefighters Grant	97.044	EMW-2003-FP-00453	<u>1,852</u>	253,438
Pass-Through Nebraska Emergency Management:				
Hazard Mitigation Grant	97.039	1480-DR-NE		<u>167,604</u>
Total Department Of Homeland Security				<u>\$ 1,650,856</u>
Total Federal Expenditures				<u>\$ 29,613,176</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**CITY OF LINCOLN, NEBRASKA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AUGUST 31, 2004**

**(1) BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards (the Schedule) is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

**(2) REPORTING ENTITY**

The City of Lincoln, Nebraska, for purposes of the Schedule, includes all funds of the City as defined in Note 1 of the Notes to the Financial Statements, including Lincoln Electric System, Lincoln Water System, and Lincoln Wastewater System.

Lincoln Electric System (LES) operates on a calendar year basis for reporting purposes as opposed to the August 31 fiscal year basis of the City. As a result, the amounts included in the City's August 31, 2004, basic financial statements for LES are audited figures as of and for the year ended December 31, 2003.

**(3) PASS-THROUGH AWARDS**

The City of Lincoln receives certain federal awards in the form of pass-through awards from the State of Nebraska. Such amounts received as pass-through awards are specifically identified on the Schedule.

**(4) MAJOR PROGRAMS**

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (\*) are determined by the independent auditor to be major programs.

**(5) FEDERAL LOANS OUTSTANDING**

The City administers the following loan programs for which the federal government imposes continuing compliance requirements on the following outstanding balances:

<u>CFDA#</u>	<u>Program</u>	<u>Outstanding Balance as of August 31, 2004</u>
14.218	Community Development Block Grant	\$ 12,674,033
14.239	HOME Investment Partnership Program	8,819,895
14.246	Community Development Block Grant/ Economic Development Initiative	565,625

New loans included in the Schedule totaled \$1,324,984, \$1,204,418 and \$0, respectively.



**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

The Honorable Mayor  
and Members of the City Council  
City of Lincoln, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lincoln, Nebraska (the "City") as of and for the year ended August 31, 2004, which collectively comprise its basic financial statements and have issued our report thereon dated January 19, 2005, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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*.

We noted certain matters that we reported to the City's management in a separate letter dated January 19, 2005.

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1120 South 101st Street, Suite 410    Omaha, Nebraska 68124-1088    402 392-1040    Fax 402 392-1772

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

January 19, 2005



## Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

The Honorable Mayor  
and Members of the City Council  
City of Lincoln, Nebraska

### Compliance

We have audited the compliance of the City of Lincoln, Nebraska (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2004. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lincoln, Nebraska based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Lincoln, Nebraska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2004.

### Internal Control Over Compliance

The management of the City of Lincoln, Nebraska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

January 19, 2005

**City of Lincoln, Nebraska**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2004**

**Summary of Auditor's Results**

1. The opinions expressed in the independent accountants' report were:  
 Unqualified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
 Reportable conditions noted considered a material weakness?     Yes     No  
 Reportable conditions noted that are not considered to be a material weakness?     Yes     No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?     Yes     No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
 Reportable conditions noted considered a material weakness?     Yes     No  
 Reportable conditions noted that are not considered to be a material weakness?     Yes     No
  
5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?     Yes     No
  
7. The Organization's major programs were:

Cluster/Program	CFDA Number
CDBG – Entitlement and Small Cities Cluster	14.218
HOME Investment Partnerships Program	14.239
Federal Transit Cluster	20.507

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,550,182.
  
9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?     Yes     No

**City of Lincoln, Nebraska**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2004**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No findings required to be reported by *Government Auditing Standards*

**Findings Required to be Reported by OMB Circular A-133**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No findings required to be reported by OMB Circular A-133

**City of Lincoln, Nebraska**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended August 31, 2004**

Reference Number	Summary of Finding	Status
02-01	<p><b>Criteria:</b> The Code of Federal Regulations requires quarterly submission of the SF-269A, Financial Status Report. Recipients have the responsibility to ensure compliance with Federal requirements through the use of sound internal controls.</p> <p><b>Condition:</b> Review procedures performed prior to the submission of the March 31, 2002 report did not discover reporting errors.</p>	<b>Resolved</b>
02-02	<p><b>Criteria:</b> Non-Federal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federal Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).</p> <p><b>Condition:</b> The City did not require contractors to submit certified payrolls.</p>	<b>Resolved</b>