SINGLE AUDIT SECTION

CITY OF LINCOLN, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
OFFICE OF NATIONAL DRUG CONTROL POLICY				
Pass-Through Nebraska State Patrol:				
High Intensity Drug Trafficking Area	07	I8PMWP6347-2	$ 17,746	
High Intensity Drug Trafficking Area	07	I7PMWP6347-2	56,185	
High Intensity Drug Trafficking Area	07	I6PMWP634F	30,230	$ 104,161
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Community Food Projects (Open Harvenst)	10.225	2006-33800-17641	$	50,279
Pass-Through State Department Of Health And Human Services:				
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2007	57,702	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2008	556,409	614,111
Summer Food Service Program for Children	10.559	06/07-08/07	26,996	
Summer Food Service Program for Children	10.559	06/08-08/08	139,240	166,236
Nutrition Program for the Elderly (Commodities)	10.570			141,558
Total U.S. Department Of Agriculture				$ 972,184
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Congregate Housing Services Program (Mahoney Manor)	14.170	NE26-G940-001	$ 58,282	
Congregate Housing Services Program (Burke Plaza)	14.170	NE26-G940-002	44,510	102,792
Community Development Block Grant	14.218	B-06 MC-31-0001		2,987,220
HOME Investment Partnerships Program	14.239	M-06 MC-31-0202		1,978,829
Community Development Block Grants/Economic Development Initiative	14.246	B-06-SP-NE-0621		391,985
Fair Housing Assistance Program - State and Local	14.401	FF207K677017		138,853
Pass-Through State Department Of Health And Human Services:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2007	559	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2008	4,515	5,074
Total U.S. Department Of Housing And Urban Development				$ 5,604,753
U.S. DEPARTMENT OF INTERIOR				
Pass-Through State Historical Society:				
Historical Preservation Fund Grants-in-Aid	15.904	07/08	$ 18,645	
Historical Preservation Fund Grants-in-Aid	15.904	08/09	1,750	$ 20,395
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Crime Victim Assistance	16.575	08-021	$	4,746
Grants to Encourage Arrest Policies and Enforcement of Protection Orders (VAWA Interpreters)	16.590	2007-WE-AX-0057		26,220
Public Safety Partnership and Community Policing Grant (Cops Interoperable Communications Technology Grant Award)	16.710	2004INWX0014	577,115	
Public Safety Partnership and Community Policing Grant (Meth 360)	16.710		3,237	580,352
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1406	1,450	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0532	283,962	285,412
Pass-Through Lancaster County:				
Violence Against Women Formula Grants	16.588	06-VW-713		34,949
Grants to Encourage Arrest Policies and Enforcement of Protection Orders (VAWA Interpreters)	16.590	2004-WE-AZ-0049-C-07-0196		9,512
Pass-Through Nebraska State Patrol:				
Missing Children's Assistance (Internet Crimes Against Children)	16.543	07-IC-03		4,955
Public Safety Partnership and Community Policing Grant (Methamphetamine Initiative)	16.710	04-ML-03	6,891	
Public Safety Partnership and Community Policing Grant (Methamphetamine Initiative)	16.710	05-ME-03	7,246	
Public Safety Partnership and Community Policing Grant (Methamphetamine Initiative)	16.710	06-ME-03	1,268	15,405
Pass-Through State Comm. On Law Enforcement And Criminal Justice:				
Crime Victim Assistance	16.575	07-VA-218/07-VS-900		129,929
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	07-DA-308/04-DA-321	171,856	
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	06-DA-300/05-DA-315	28,195	200,051
Community Prosecution and Project Safe Neighborhoods	16.609	07-SN-8901	47,805	
Community Prosecution and Project Safe Neighborhoods	16.609	06-SN-8903	3,210	51,015
Total U.S. Department Of Justice				$ 1,342,546

(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	
U.S. DEPARTMENT OF LABOR				
Pass-Through State Department Of Health And Human Services:				
Senior Community Service Employment Program	17.235	NGA 2008-122	$ 40,112	
Senior Community Service Employment Program	17.235	NGA 2009-069	4,198	44,310
Pass-Through State Department Of Labor:				
WIA Cluster:				
Workforce Investment Act (Adult)	17.258	2006	8	
Workforce Investment Act (Dislocated Worker)	17.260	2006	30	
Workforce Investment Act Incentive/Capacity	17.258	2006	520	
Workforce Investment Act (Adult)	17.258	2007	192,041	
Workforce Investment Act (Youth)	17.259	2007	161,535	
Workforce Investment Act (Dislocated Worker)	17.260	2007	302,992	
Workforce Investment Act Incentive/Capacity	17.258	2007	55,420	
Workforce Investment Act (Adult)	17.258	2008	14,092	
Workforce Investment Act (Youth)	17.259	2008	32,640	
Workforce Investment Act (Dislocated Worker)	17.260	2008	32,571	
Workforce Investment Act Incentive/Capacity	17.258	2008	5,699	
Workforce Investment Act (Dislocated Worker)	17.260	EM-17484-08-60-A-31	767	798,315
Total U.S. Department Of Labor				$ 842,625
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
New Freedom Program	20.521	NE-57-0001	$	9,685
Federal Transit Cluster:				
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-90-X058	79,826	
Federal Transit: Formula Grants (AVL System)	20.507	NE-26-0001	406,111	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-90-X064	36,258	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-03-0039	127,132	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-04-0001	3,965	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-90-0068	78,590	
Federal Transit: Formula Grants (Transit Planning)	20.507	NE-90-0067	32,639	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	NE-90-0068	1,450,000	
Pass-Through Nebraska Department Of Roads:				
Federal Transit: Formula Grants (Transit Planning)	20.507	RPT -C990(027)	48,293	
Federal Transit: Formula Grants (Transit Planning)	20.507	RPT -C990(028)	49,586	2,312,400
Pass-Through Nebraska Department Of Roads:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Planning)	20.205	* HPR-PL1(45)	292,591	
Highway Planning and Construction (Planning)	20.205	* HPR-PL1(46)	81,108	
Highway Planning and Construction (Surface Transportation Program - West O Street)	20.205	* ENH-5266(2)	20	
Highway Planning and Construction (Harris Overpass)	20.205	* BR-5266(1)	13,275,523	
Highway Planning and Construction (N 56th Street and Cornhusker Hwy)	20.205	* STPP-6-6(158)	80,587	
Highway Planning and Construction (9th-10th Street and Van Dorn)	20.205	* STPP-5236(1)	549,467	
Highway Planning and Construction (East Beltway)	20.205	* DPU-55(156)	269,048	
Highway Planning and Construction (JAVA)	20.205	*	12,252,799	26,801,143
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(209)	4,631	
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(208)	25,767	30,398
Total U.S. Department Of Transportation				$ 29,153,626
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	6FPSLP0107		$ 34,542
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Pass-Through State Library Commission:				
State Library Program (Library Services and Technology Act)	45.310	06.11	$ 1,019	
State Library Program (Library Services and Technology Act)	45.310	08.13	2,556	
State Library Program (Library Services and Technology Act)	45.310	08.14	7,930	
State Library Program (Net Lender Contract)	45.310		6,004	$ 17,509
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-987634-01	$	46,162
Pass-Through State Department Of Environmental Quality:				
Air Pollution Control Program Support	66.001	M-007056(07)	12,715	
Air Pollution Control Program Support	66.001	M-007056(08)	104,137	116,852
Nonpoint Source Implementation Grants (Test Your Well Statewide Project)	66.460	56-359	7,610	
Nonpoint Source Implementation Grants (Holmes Lake Watershed Project)	66.460	C900740314	151,476	
Nonpoint Source Implementation Grants (Urban Retrofit Pollution Reduction)	66.460	C900740313	16,495	175,581
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(07)	11,511	
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	EO 080925	7,984	19,495
Total U.S. Environmental Protection Agency				$ 358,090

(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	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through State Department Of Health And Human Services:				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	STTMP051026	$	379
Special Programs for the Aging Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	93.042	NGA 2008-020		5,000
Special Programs for the Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2009-043	992	
Special Programs for the Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2008-111	5,205	6,197
Aging Cluster:				
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2008-108	321,902	
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2009-040	26,015	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2008-109	389,090	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2009-041	21,805	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2008-110	112,198	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2009-042	8,845	879,855
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2009-044	15,142	
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2008-112	160,469	175,611
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2006	10,000	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	090CCU707864	10,189	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	DO 536	9,823	30,012
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2007	18,893	
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2008	15,280	34,173
Injury Prevention and Control Research and State and Community Based Programs	93.136	01/08-07/08		1,252
Immunization Grants (Hepatitis B)	93.268	2007	6,605	
Immunization Grants (Hepatitis B)	93.268	2008	12,576	
Immunization Grants (NE Immunization Action Plan)	93.268	2007	15,069	
Immunization Grants (NE Immunization Action Plan)	93.268	2008	29,010	63,260
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Control)	93.283	2008	44,892	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (West Nile Virus Program)	93.283	20480180 2007	1,507	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (West Nile Virus Program)	93.283	20480180 2008	11,798	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bright Futures)	93.283	U58/722780-03	145	58,342
Refugee and Entrant Assistance Program (Health Screening)	93.566	3120090 2008		4,779
Social Services Block Grant (SSBG)	93.667			7,962
National Bioterrorism Hospital Preparedness Program	93.889	BT-579-033108	202,279	
National Bioterrorism Hospital Preparedness Program	93.889	BT-645-123108	93,759	
National Bioterrorism Hospital Preparedness Program (Pandemic)	93.889	BT-579-033108	57,402	
National Bioterrorism Hospital Preparedness Program (Pandemic)	93.889	BT-645-123108	40,982	394,422
Cooperative Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Programs	93.919	2007	139	
Cooperative Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Programs	93.919	22106-04	5,788	5,927
HIV Prevention Activities Health Dept Based (Sista Sista / HIV Prevention)	93.940	5120145 2007	7,688	
HIV Prevention Activities Health Dept Based (Sista Sista / HIV Prevention)	93.940	5120145 2008	14,777	
HIV Prevention Activities Health Dept Based (HIV Testing)	93.940	5U62PS723501-05	28,293	
HIV Prevention Activities Health Dept Based (HIV / Train & Quality Assurance CTR/PCRS)	93.940	5U62PS723501-05	4,652	55,410
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups (HIV Testing)	93.943	U62/CCU723301	13,414	
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups (HIV Training and Quality Accurance)	93.943	U62/CCU723501	3,079	16,493
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2008-PHHSBG-01-LHD	35,959	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2007-PHHSBG-10-CMPT	1,459	
Preventive Health and Health Services Block Grant (Epidemiology 2001)	93.991	2007-PHHSBG-11-CMPT	3,808	41,226
Maternal and Child Health Services Block Grant to the States (Injury)	93.994	MCH-07-06	3,369	
Maternal and Child Health Services Block Grant to the States (Injury)	93.994	MCH-08-06	38,441	41,810
Bioterrorism Training and Curriculum Development Program	93.996	BT-566-123107	119,374	
Bioterrorism Training and Curriculum Development Program	93.996	BT-623-123108	49,356	168,730
Total U.S. Department Of Health And Human Services				$ 1,990,840
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	07SRNNE 006 (07/08)	$ 81,001	
Retired and Senior Volunteer Program	94.002	04SRNNE 004 (06/07)	477	81,478
Foster Grandparent Program	94.011	08SFNNE 004 (08/09)	43,174	
Foster Grandparent Program	94.011	05SFNNE 004 (07/08)	93,473	136,647
Volunteers In Service To America (Youth Achievement)	94.013	2004-DVSA-61321-A21-4101		78,295

(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	
Senior Companion Program	94.016	07SCNNE 001 (07/08)	97,854	
Senior Companion Program	94.016	07SCNNE 001 (08/09)	9,897	107,751
Pass-Through Nebraska Volunteer Commission:				
AmeriCorps (Urban Revitalization Project)	94.006	06AFHNE001003	6,650	
AmeriCorps (Star City Treasures 2007)	94.006		272,204	
AmeriCorps (Reach for the Stars)	94.006	06ACHNE0010002	510	279,364
Total Corporation For National And Community Service				$ 683,535
DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2005-CA-0257	$ 45,083	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2006-CA-0224	68,003	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2007-CA-0170	759,065	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2008-CA-0525	51,906	924,057
Assistance to Firefighters Grant	97.044	EMW-2007-FP-01862		32,044
Metropolitan Medical Response System	97.071	EMW-2004-GR-0807		22,203
Pass-Through Nebraska Emergency Management Agency:				
Homeland Security Grant Program (N.E.M.A.)	97.067	2005-GE-T5-0020	9,513	
Homeland Security Grant Program (N.E.M.A.)	97.067	2005-GE-T5-0020	174,954	184,467
Total Department Of Homeland Security				$ 1,162,771
Total Federal Expenditures				$ 42,287,577

See Accoumpanying Notes to Schedule of Expenditures of Federal Awards

CITY OF LINCOLN, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

(1) BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the Schedule) is presented on the modified 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, 2008, basic financial statements for LES are audited figures as of and for the year ended December 31, 2007.

(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) SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

CFDA#	Program	Amount
Pass-Through to County Aging Programs:		
10.570	Nutrition Program for the Elderly	$ 64,038
93.044	Title III, Part B: Grants for Supportive Services and Senior Centers	38,857
93.045	Title III, Part C: Nutrition Services	147,263
93.052	Title III, Part E: National Family Caregiver Support	20,887
Pass-Through to Joint Antelope Valley Authority:		
20.205	Highway Planning and Construction (JAVA)	$ 12,252,799

(6) FEDERAL LOANS OUTSTANDING

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

CFDA#	Program	Outstanding Balance as of August 31, 2008
14.218	Community Development Block Grant	$ 11,080,000
14.239	HOME Investment Partnership Program	11,126,000

New loans included in the Schedule totaled $750,000 and $1,387,000, respectively.

BKD LLP
CPAs & Advisors

Tier One Center
1221 N Street, Suite 600
Lincoln, NE 68508-2042
402.473.7600 Fax 402.473.7698 www.bkd.com

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 City of Lincoln, Nebraska (the "City") as of and for the year ended August 31, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated February 11, 2009, which contained a reference to the report of other accountants and contained an explanatory paragraph regarding changes in accounting principles. 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. Other accountants audited the financial statements of Lincoln Electric System, as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

experience BKD

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

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 also noted certain additional matters that we reported to the City's management in a separate letter dated February 11, 2009.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the City 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

February 11, 2009

BKD LLP
CPAs & Advisors

Tier One Center
1221 N Street, Suite 600
Lincoln, NE 68508-2042
402.473.7600 Fax 402.473.7698 www.bkd.com

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 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, 2008. 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 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, 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, 2008.

Internal Control Over Compliance

The management of City of Lincoln, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, 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.

experience BKD

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

February 11, 2009

City of Lincoln, Nebraska

Schedule of Findings and Questioned Costs

For The Year Ended August 31, 2008

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report was (were):

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency noted considered to be a material weakness? ☐ Yes ☒ No

   Significant deficiency noted that is 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:

   Significant deficiency noted considered to be a material weakness? ☐ Yes ☒ No

   Significant deficiency noted that is not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):

   ☒ 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
Highway Planning and Construction Cluster	20.205

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $1,934,807.

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

For The Year Ended August 31, 2008

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	Significant Deficiency	
08-01	***Criteria or Specific Requirement*** – The objectives of internal control are to provide reasonable rather than absolute assurance that assets are safeguarded and financial statements are reliable. ***Condition*** – Audit procedures identified an adjustment that was required to adjust the balance of loans receivable to actual within the Federal Grants Fund, a fund of the City. The balance of loans receivable had been adjusted based on a detail report which included loan commitments as well as loans disbursed. ***Context*** – The accuracy of financial statement balances and presentation is dependent upon the accuracy of the underlying supporting schedules and detail analysis. ***Effect*** – An adjustment was recorded in the current year financial statements. Although the adjustment is not material to the government-wide financial statements, it was more than insignificant or inconsequential to the Federal Grants Fund. ***Cause*** – Formal procedures are not currently in place for the periodic review of loans outstanding. Such a review would assist in ensuring the propriety of the listing. ***Recommendation*** – City management should evaluate and modify procedures and controls that are currently in place, to provide for periodic reviews of loan information by several members of management including a detail analysis of potential collectibility issues. ***Views of Responsible Officials and Planned Corrective Actions (Management's Response)*** – City management concurs with the finding and recommendation. Periodic reviews of the loan receivables will be performed. The City does not expect to experience collection issues any different from previous years.	None

City of Lincoln, Nebraska

Schedule of Findings and Questioned Costs - Continued

For The Year Ended August 31, 2008

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs

No matters are reportable.

City of Lincoln, Nebraska

Summary Schedule of Prior Audit Findings

For The Year Ended August 31, 2008

Reference Number	Summary of Finding	Status

No matters are reportable.