

SINGLE AUDIT SECTION

CITY OF LINCOLN, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Summer Food Service Program for Children	10.559	6/02-8/02	\$ 14,404	
Summer Food Service Program for Children	10.559	6/03-8/03	<u>56,643</u>	71,047
Pass-Through State Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2002	48,279	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2003	<u>384,292</u>	432,571
Nutrition Program for the Elderly (Commodities)	10.570			<u>162,136</u>
Total U.S. Department Of Agriculture				<u>\$ 665,754</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Congregate Housing Services Program (Mahoney Manor)	14.170	NE26-G940-001	\$ 63,104	
Congregate Housing Services Program (Burke Plaza)	14.170	NE26-G940-002	<u>42,020</u>	105,124
Community Development Block Grant	14.218	* B-02 MC-31-0001		3,675,721
Emergency Shelter Grant Program	14.231	S-02 MC-310002		80,288
HOME Investment Partnerships Program	14.239	* M-02 MC-31-0202		1,450,909
Community Development Block Grants/Economic Development Initiative	14.246	* B-99-SP-NE-1085	71,256	
Community Development Block Grants/Economic Development Initiative	14.246	* B-00-SP-NE-0233	272,600	
Community Development Block Grants/Economic Development Initiative (Special Project)	14.246	* B-01-SP-NE-0364	<u>997,800</u>	1,341,656
Fair Housing Assistance Program - State and Local	14.401	FF207K007017		54,331
Pass-Through State Department of Health and Human Services:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2002		<u>418</u>
Total U.S. Department Of Housing And Urban Development				<u>\$ 6,708,447</u>
U.S. DEPARTMENT OF THE INTERIOR				
Pass-Through State Historical Society:				
Historical Preservation Fund Grants-in-Aid	15.904	02/03	\$ 11,774	
Historical Preservation Fund Grants-in-Aid	15.904	03/04	<u>8,138</u>	<u>\$ 19,912</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	16.007	2002-TE-CX-0062	\$	83,658
Byrne Formula Grant Program (HIDTA)	16.579	I2PMWP636	48,105	
Byrne Formula Grant Program (HIDTA)	16.579	I3PMWP636	<u>3,239</u>	51,344
Local Law Enforcement Block Grant	16.592	2000-LB-BX-0438	120,750	
Local Law Enforcement Block Grant	16.592	2001-LB-BX-1268	<u>109,728</u>	230,478
Public Safety Partnership and Community Policing Grant (Cops Ahead)	16.710	95-CC-WX-0426		194,283
Pass-Through State Comm. On Law Enforcement And Criminal Justice:				
Crime Victim Assistance	16.575	01-VA-220/01-VA-900	13,350	
Crime Victim Assistance	16.575	02-VA-900/02-VA-234	<u>127,033</u>	140,383
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	01-DA-307	9,004	
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	02-DA-315	<u>414,533</u>	<u>423,537</u>
Total U.S. Department Of Justice				<u>\$ 1,123,683</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
U.S. DEPARTMENT OF LABOR			
Pass-Through State Department Of Health and Human Services:			
Senior Community Service Employment Program	17.235	NGA 2003-048	\$ 44,594
Pass-Through State Department Of Labor:			
WIA Cluster:			
Workforce Investment Act (Youth)	17.259	2000	2
Workforce Investment Act (Adult)	17.258	2001	5
Workforce Investment Act (Dislocated Worker)	17.260	2001	6
Workforce Investment Act (Adult)	17.258	2002	107,070
Workforce Investment Act (Youth)	17.259	2002	179,064
Workforce Investment Act (Incentive/Capacity)	17.258	2002	49,989
Workforce Investment Act (Dislocated Worker)	17.260	2002	275,854
Workforce Investment Act (Adult)	17.258	2003	4,384
Workforce Investment Act (Incentive/Capacity)	17.258	2003	3,171
Workforce Investment Act (Dislocated Worker)	17.260	2003	12,525
WIA Dislocated Workers	17.260	EM-11756-01-60	94,229
			<u>726,299</u>
Total U.S. Department Of Labor			\$ <u>770,893</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
Federal Transit Cluster:			
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X046	\$ 226
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X048	10,896
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X048	27,061
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X052	104,078
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X052	25,042
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X054	181,235
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X054	19,044
Federal Transit: Formula Grants (Sec. 9 Operating)	20.507	* NE-90-X056	747,115
Federal Transit: Formula Grants (Transit Planning)	20.507	* NE-90-X056	15,342
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X056	258,727
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-C990(022)	6,273
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-C990(023)	1,493
			<u>1,396,532</u>
Pass-Through State Department Of Roads:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction (Planning)	20.205	HPR-PL1(40)	136,736
Highway Planning and Construction (Bison Trail)	20.205	STPB-55(130)	90,151
Highway Planning and Construction (O Street - 52nd to Wedgewood)	20.205	EACNH-34-6(124)	4,379,146
Highway Planning and Construction (Antelope Valley)	20.205	STPAA -BR-TMT-5244(3)	2,559,435
Highway Planning and Construction (Baseball Pedestrian Overpass)	20.205	RABA-55(138)	95,389
Highway Planning and Construction (33rd Street & Sheridan)	20.205	STPP-5214(2)	40,000
Highway Planning and Construction (84th Street - Kathy Lane to Old Cheney)	20.205	STPAA-5249(5)	30,095
Highway Planning and Construction (84th Street - Cheney Ridge to Hwy 2)	20.205	STPAA-5249(6)	74,986
Highway Planning and Construction (South & East Beltway Study)	20.205	DPU-3300(1)	26,792
Highway Planning and Construction (Sun Valley Blvd & Charleston Bridge)	20.205	BR-5242(2)	1,636
Highway Planning and Construction (Old Cheney - Hwy 2 to 70th Street)	20.205	STPAA-5202(7)	1,099,322
			<u>8,533,688</u>
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(203)	14,465
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(204)	3,572
			<u>18,037</u>
Pass-Through State Department of Highway & Safety:			
Highway Safety Cluster:			
Injury Prevention and Control Research and State and Community Based Programs (CODES)	20.600	411-3-6	4,574
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	410-96-109	41,385
			<u>45,959</u>
Total U.S. Department Of Transportation			\$ <u>9,994,216</u>
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct Programs:			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	0/5010/0157	\$ 43,798
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass-Through State Library Commission:			
State Library Program (Net Lender Contract)	45.310		\$ 1,877

(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. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program:				
Vulnerability Assessments and Related Security Improvements at Large Drinking Water Utilities	66.476	EPA 98723601	\$	114,999
Pass-Through State Department Of Environmental Quality:				
Air Pollution Control Program Support	66.001	M-007056(02)	15,919	
Air Pollution Control Program Support	66.001	M-007056(03)	<u>97,000</u>	112,919
Nonpoint Source Implementation Grants (Safe Water Tomorrow-South)	66.460	C9007403-00-0	15	
Nonpoint Source Implementation Grants (Safe Water Tomorrow-South)	66.460	C9007403-00-0	311	
Nonpoint Source Implementation Grants (Holmes Lake Watershed & Sediment/Channel Stab)	66.460		<u>5,690</u>	6,016
Surveys, Studies, Investigations and Special Purpose Grants (Air Toxic Monitoring)	66.606	X-98705701-0	44,181	
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(02)	8,766	
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(03)	<u>17,286</u>	70,233
Total U.S. Environmental Protection Agency				\$ <u>304,167</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through State Library Commission:				
Urban Library System Resource Sharing	84.034	94/95	\$	<u>1,119</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Community Service Block Grant Discretionary Awards-Community Food & Nutrition Program	93.571	90EN0436	\$	7,220
Pass-Through State Department Of Health and Human Services:				
Special Programs for the Aging Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploit	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 2003-117	17,757	
Special Programs for the Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2004-042	<u>266</u>	18,023
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2002	15,770	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2003	<u>2,500</u>	18,270
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2002	8,438	
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2003	<u>11,156</u>	19,594
Primary Care Services Resource Coordination and Development (Peoples Health Center)	93.130	2003		15,000
Childhood Lead Poisoning Prevention Projects (CDC 03)	93.197	99033	34,801	
Childhood Lead Poisoning Prevention Projects (CDC 04)	93.197	99033	<u>1,968</u>	36,769
Immunization Grants (Hepatitis B)	93.268	2002	5,861	
Immunization Grants (Hepatitis B)	93.268	2003	7,680	
Immunization Grants (NE Immunization Action Plan)	93.268	2002	47,403	
Immunization Grants (NE Immunization Action Plan)	93.268	2003	<u>38,277</u>	99,221
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Control)	93.283	2003	43,272	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Control)	93.283	2004	13,728	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Smallpox Implementation)	93.283	EO67069	30,000	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Preparedness Program)	93.283	U90/CCU176975-03-1	27,761	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	1,842	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	50,185	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Worksite Asthma Program)	93.283	2001-2003	<u>15,560</u>	182,348
Cooperative Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Programs	93.919	2003	189,308	
Cooperative Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Programs	93.919	2004	<u>22,308</u>	211,616
HIV Prevention Activities Health Dept Based (HIV Prevention Program)	93.940	2002	5,430	
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039-15-1	592	
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039-15-1	18,771	
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039	34,661	
HIV Prevention Activities Health Dept Based (HIV Training & Quality Assurance CTR/PCRS)	93.940	U62/CCU702039	<u>6,246</u>	65,700
Assistance Programs for Chronic Disease Prevention and Control (CDC Census Track 20-Steps)	93.945	EO65261	3,500	
Assistance Programs for Chronic Disease Prevention and Control (CDC Census Track 20-Steps)	93.945	EO66865	2,695	
Assistance Programs for Chronic Disease Prevention and Control (CDC Walk to School)	93.945	U62/CCU702039-15-1	<u>1,500</u>	7,695

(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 (Diabetes)	93.991	2002	2,125	
Preventive Health and Health Services Block Grant (Diabetes)	93.991	2003	2,125	
Preventive Health and Health Services Block Grant (Injury Prevention & Control)	93.991	2003-PHHS-10-LHD-C	8,579	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2003-PHHS-08-LHD-C	22,024	
Preventive Health and Health Services Block Grant (Epidemiology 2001)	93.991	2003-PHHS-09-LHD-C	<u>18,339</u>	53,192
Maternal and Child Health Services Block Grant to the States (High Risk Newborns)	93.994	MCH-02-35	6,937	
Maternal and Child Health Services Block Grant to the States (High Risk Newborns)	93.994	MCH-03-50A	<u>29,867</u>	36,804
Aging Cluster:				
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2003-146	352,227	
Special Programs for the Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	NGA 2004-039	14,251	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2003-115	377,820	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2004-040	16,294	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2003-116	109,243	
Special Programs for the Aging Title III, Part C: Nutrition Services	93.045	NGA 2004-041	<u>5,267</u>	875,102
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2003-118	114,883	
Special Programs for the Aging Title III, Part E: National Family Caregiver Support	93.052	NGA 2004-043	<u>13,294</u>	128,177
Refugee and Entrant Assistance - Discretionary Grant (Elderly Refugee Services)	93.576	2001		11,680
Social Services Block Grant (SSBG)	93.667			19,932
Pass-Through State Department Of Labor:				
Temporary Assistance for Needy Families (Welfare to Work)	93.558	Y-7052-9-00-81-50		<u>284,515</u>
Total U.S. Department Of Health And Human Services				<u>\$ 2,095,858</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	02SRNNE 070	\$ 1,187	
Retired and Senior Volunteer Program	94.002	02SRNNE 070	<u>76,851</u>	78,038
Foster Grandparent / Senior Companion Cluster:				
Foster Grandparent Program	94.011	02SFNNE 068 (02/03)	97,285	
Foster Grandparent Program	94.011	02SFNNE 068 (03/04)	44,688	
Senior Companion Program	94.016	01SCNNE 011 (02/03)	120,243	
Senior Companion Program	94.016	01SCNNE 011 (03/04)	<u>14,301</u>	276,517
Pass-Through Nebraska Volunteer Commission:				
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(01)	533	
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(02)	<u>108,878</u>	109,411
Total Corporation For National And Community Service				<u>\$ 463,966</u>
DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-97-CA-0402	\$ 129,485	
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2003-CA-0046	<u>560,397</u>	689,882
Pass-Through Nebraska Emergency Management :				
Hazard Mitigation Grant	97.039	HS 82993501-01		<u>178,100</u>
Total Department of Homeland Security				<u>\$ 867,982</u>
Total Federal Expenditures				<u>\$ 23,061,672</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF LINCOLN, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2003**

(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, 2003, basic financial statements for LES are audited figures as of and for the year ended December 31, 2002.

(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, 2003</u>
14.218	Community Development Block Grant	\$ 10,637,345
14.239	HOME Investment Partnership Program	9,680,718
14.246	Community Development Block Grant	636,460

New loans included in the Schedule totaled \$991,116, \$1,368,348 and \$51,166, respectively.



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

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

We have audited the financial statements of the City of Lincoln, Nebraska (the "City") as of and for the year ended August 31, 2003, and have issued our report thereon dated January 5, 2004, 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However we noted other matters involving the internal control over financial reporting and its operation that we have reported to the City's management in a separate letter dated January 5, 2004.

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 5, 2004

Solutions
 for
 Success



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

The Honorable Mayor
and Members of 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, 2003. 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, 2003.

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.

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 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 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. However, we noted other matters involving the internal control over compliance and its operation that we have reported to the City's management in a separate letter dated January 5, 2004.

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 5, 2004

City of Lincoln, Nebraska
Schedule of Findings and Questioned Costs
Year Ended August 31, 2003

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 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
CDBG – Economic Development Initiative	14.246
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 \$1,248,167.

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, 2003

Findings Required to be Reported by *Government Auditing Standards*

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

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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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
FOR THE FISCAL YEAR ENDED AUGUST 31, 2003

Finding #02-01

Program: CFDA #20.507 – Federal Transit Cluster - Reporting

Federal Grantor Agency: U.S. Department of Transportation

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Criteria: 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.

Condition: Review procedures performed prior to the submission of the March 31, 2002 report did not discover reporting errors.

Corrective Action: The StarTran Accountant has prepared written procedures for collecting grant data and properly submitting this data to the FTA for the quarterly reporting requirement. These procedures are available to the StarTran Planner and Account Clerk, who review the quarterly reports to ensure accuracy. If the Accountant is not available, these StarTran staff members will prepare the reports by referring to the written procedures.

Finding #02-02

Program: CFDA #20.507 – Federal Transit Cluster – Davis-Bacon Act

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 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 Federally 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).

Condition: The City did not require contractors to submit certified payrolls.

Corrective Action: For federally funded construction projects, StarTran will include a requirement for the Project Manager to collect certified payroll documentation from the contractors/subcontractors. The Maintenance Supervisor and Accountant will review this payroll information to ensure compliance with the Davis-Bacon Act.