

CITY OF JONESBORO, ARKANSAS

FEDERAL GRANTS

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

December 31, 2013

CITY OF JONESBORO, ARKANSAS

FEDERAL GRANTS

December 31, 2013

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 5
FINANCIAL STATEMENTS	
Combined Statement of Net Position - All Fund Types and Account Groups	6
Statement of Revenues, Expenses and Changes in Net Position	7
Notes to the Financial Statements	8 - 12
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	14 - 15
Notes to the Schedule of Expenditures of Federal Awards	16
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17 - 18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	19 - 20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21 - 22
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS	23

FREEMAN & COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

3712 E. Highland Drive, Jonesboro, Arkansas 72401 Phone: 870-932-4514

INDEPENDENT AUDITOR'S REPORT

City Council
City of Jonesboro, Arkansas
P. O. Box 1845
Jonesboro, AR 72403

Report on the Financial Statements

We have audited the accompanying financial statements of the federal grant funds of the City of Jonesboro, Arkansas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the federal grant funds of the City of Jonesboro, Arkansas's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1, the financial statements present only the federal grant funds of the City of Jonesboro, Arkansas, and do not purport to, and do not, present fairly the financial position of the City of Jonesboro, Arkansas, as of December 31, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the federal grant funds of the City of Jonesboro, Arkansas, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the federal grant funds of the City of Jonesboro, Arkansas's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2014, on our consideration of the City of Jonesboro, Arkansas, federal grant funds' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jonesboro, Arkansas, federal grant funds' internal control over financial reporting and compliance.

FREEMAN & COMPANY, INC.

A handwritten signature in cursive script that reads "Freeman & Company, Inc".

Jonesboro, Arkansas
July 22, 2014

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

COMBINED STATEMENT OF NET POSITION - ALL FUND TYPES
AND ACCOUNT GROUPS

December 31, 2013

	<u>Governmental Fund Types</u>	<u>Account Group General</u>	<u>Memorandum Total Only</u>
	<u>Special Revenues</u>	<u>Fixed Assets</u>	
ASSETS			
Accounts receivable – other governments (Note 3)	\$ 442,594		\$ 442,594
Property, plant and equipment (Note 4)	<u> </u>	\$ <u>1,886,527</u>	<u>1,886,527</u>
Total Assets	\$ <u>442,594</u>	\$ <u>1,886,527</u>	\$ <u>2,329,121</u>
 LIABILITIES AND NET POSITION			
Due to general fund	\$ <u>442,594</u>		\$ <u>442,594</u>
Total Liabilities	<u>442,594</u>		<u>442,594</u>
 NET POSITION			
Net investment in property, plant and equipment		\$ <u>1,886,527</u>	<u>1,886,527</u>
Total Liabilities and Net Position	\$ <u>442,594</u>	\$ <u>1,886,527</u>	\$ <u>2,329,121</u>

The accompanying notes are an integral part of the financial statements.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Year Ended December 31, 2013

	<u>Governmental Fund Types</u>	<u>Special Revenue</u>
REVENUE		
Grant revenues	\$ <u>2,199,503</u>	
Total Revenue		<u>2,199,503</u>
EXPENSES		
Grant program expenses	<u>2,199,503</u>	
Total Expenses		<u>2,199,503</u>
EXCESS REVENUE OVER EXPENSES		<u>0</u>
NET POSITION, BEGINNING OF YEAR		<u>0</u>
NET POSITION, END OF YEAR		\$ <u>0</u>

The accompanying notes are an integral part of the financial statements.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Nature of Operations -The entities on which these financial statements report are federal grant funds of the City of Jonesboro, Arkansas. The grants are the U.S. Department of Commerce, Investments for Public Works and Economic Development Facilities Grant; the U.S. Department of Housing and Urban Renewal, Community Development Block Grant and Community Development Block Grant/State's Program; the U.S. Department of Justice, Bulletproof Vest Partnership Program, Office of Community Oriented Policing Services (COPS), Edward Byrne Justice Assistance Grant; the U.S. Department of Transportation, Federal Transit Administration-Federal Transit Formula Grant, Federal Highway Administration - Safe Routes to Schools, Federal Transit - Metropolitan Planning Grant, Federal Transit Administration - Job Access Reverse Commute, Selective Traffic Enforcement Project (STEP), Arkansas Recreational Trails Program; and the Corporation for National and Community Service, AmeriCorps State and National Grant.

The U.S. Department of Commerce grant provided funds for construction of a rail spur and road improvements.

Under the U.S. Department of Housing and Urban Renewal Community Development Block Grant the City was provided funds for community development and disaster recovery activities.

The Bulletproof Vest Partnership Program funding is provided to purchase bulletproof vests for law enforcement officers. The U.S. Department of Justice COPS funding is to advance the practice of community policing as an effective strategy in communities' efforts to improve public safety. The Justice Assistance Grant provides funding for additional personnel, equipment, supplies, contractual support, training, technical assistance, and information systems for criminal justice.

Federal Transit Formula Grants provide funding for support of public transportation services in urbanized areas (cities with a population over 50,000). Funds may be used for capital projects to finance the planning, acquisition, construction, cost-effective lease, improvement, and maintenance of equipment and facilities for use in transit. These funds were used for the Jonesboro Economical Transit System (JETS) Program.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

The Safe Routes to School Program provided funds for the Jonesboro SRTS I project. The Phillips Drive streetscape project was funded by the AHTD Enhancement Grant. The Crowley's Ridge Parkway: Jonesboro Multi-Use Trail was funded by the AHTD Scenic Byways Grant.

The Metropolitan Planning Grant provides funding for activities which may include preparation of transportation plans including transportation improvement programs and management systems; studies related to transportation management, operations, capital requirements, and economic feasibility; evaluation of previously funded capital projects; and other related activities in preparation for the construction, acquisition, or improved operation of transportation systems, facilities, and equipment.

The Job Access and Reverse Commute Program provides funds to connect welfare recipients and low-income persons to employment and support services. The grant assists, through the JETs program, in funding the costs associated with adding reverse commute service from urban, rural, and other suburban locations to suburban work places.

The Selective Traffic Enforcement Program provides funding for overtime personnel involved in a national traffic safety campaign to increase seat belt use and to decrease alcohol related fatalities nationwide.

The Recreational Trails Program provides funding for the Turtle Creek Greenway Project connecting Downtown Jonesboro, Arkansas State University, Turtle Creek Mall, Nettleton Public School's Intermediate Center and Central Elementary, and Allen Park Community Center.

The Corporation for National and Community Service, AmeriCorps State and National Grant assists the North Jonesboro Neighborhood Initiative.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

Financial reporting - The financial reporting policies of the entities conform to generally accepted accounting principles.

Financial reporting entities - The entities are federal grant funds of the City of Jonesboro, a primary government. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the federal grant funds included herewith. This report does not include all funds, account groups, and programs, which are controlled by the entity's governing body. Other activities, funds, account groups, and programs are included in a government wide audit conducted by the Arkansas Department of Legislative Audit.

Fund Accounting - The accounts of the entities are organized on the basis of funds or account groups, each of which are considered to be a separate accounting unit. The operations of each fund are reported as a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, net position, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the funds are grouped, in the financial statements in this report, into one generic fund type (governmental) and the following broad fund categories:

GOVERNMENTAL FUND TYPES

Special Revenues Fund - The special revenues fund is used to account for grant funds expended by the City of Jonesboro, Arkansas.

Memorandum Totals Only - The total column on the combined financial statements are provided to aggregate the statement amounts by fund type and account group. The "memorandum only" total is not comparable to a consolidation and does not present consolidated financial information.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review of Subsequent Events - Management has evaluated subsequent events through July 22, 2014, the date which the financial statements were available to be issued.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE 2 - BASIS OF ACCOUNTING

All governmental fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. All major revenues are susceptible to accrual. Expenditures are generally recognized when the related fund liability is incurred.

NOTE 3 - ACCOUNTS RECEIVABLE-OTHER GOVERNMENTS

At December 31, 2013, accounts receivable-other governments consisted of the following:

U.S. Department of Housing and Urban Renewal—Arkansas State Office Community Planning and Development	\$ 237,279
U.S. Department of Housing and Urban Renewal—Arkansas Economic Development Commission	71,119
U.S. Department of Justice	62,135
U.S. Department of Transportation	46,396
U.S. Department of Transportation—Arkansas State Highway and Transportation Department	18,093
AmeriCorps State and National—Arkansas Department of Human Services	<u>7,572</u>
	\$ <u>442,594</u>

NOTE 4 - FIXED ASSETS

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. No depreciation expense has been provided. All property, plant and equipment are valued at historical costs. The General Fixed Assets Account Group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE 4 - FIXED ASSETS (CONTINUED)

A schedule of changes in fixed assets is as follows:

	Balance January 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2013</u>
Autos	\$ 761,523		\$ 26,000	\$ 735,523
Office furniture and equipment	407,641	\$ 44,296		451,937
Buildings	<u>699,067</u>	<u> </u>	<u> </u>	<u>699,067</u>
	\$ <u>1,868,231</u>	\$ <u>44,296</u>	\$ <u>26,000</u>	\$ <u>1,886,527</u>

NOTE 5 - CONTINGENCIES

The City is subject to possible examinations with respect to these grants made by regulators who determine compliance with terms, conditions, laws and regulations governing the grants. Any examinations made may result in required refunds by the City to grantor.

SUPPLEMENTARY INFORMATION

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2013

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity I. D. number</u>	<u>Federal Expenditures</u>
U. S. Department of Commerce - Economic Development Administration			
Direct Program:			
Investments for Public Works and Economic Development Facilities	11.300		\$ 10,554
U. S. Department of Housing and Urban Development			
Pass-through Program:			
Community Development Block Grant	14.218		
Pass-through program from Arkansas State Office Community Planning and Development		B-13-MC-05-0012	806,536
Community Development Block Grant/ State's Program	14.228		
Pass-through program from Arkansas Economic Development Commission		794-00145-08	<u>83,216</u>
Total U.S. Department of Housing and Urban Development			889,752
U. S. Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		8,100
ARRA - Office of Community Oriented Policing Services	16.710		276,690

See accompanying notes to schedule of expenditures of federal awards.

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity I. D. number</u>	<u>Federal Expenditures</u>
U. S. Department of Justice (Continued)			
Office of Community Oriented Policing Services – SOS	16.710		2,773
ARRA - Edward Byrne Justice Assistance Grant	16.804		<u>8,885</u>
Total U.S. Department of Justice			296,448
U. S. Department of Transportation			
Direct Programs:			
Federal Transit Administration Federal Transit Formula Grants	20.507		418,719
Pass-through Programs:			
Federal Highway Administration Safe Routes to Schools Program	20.205		
Pass-through program from Arkansas State Highway and Transportation Department		Job #: 100728, 753, 772	211,302
Federal Highway Administration Recreational Trails Program	20.219		
Pass-through program from Arkansas State Highway and Transportation Department		Job #: 100757	79,651
Federal Transit Administration Metropolitan Planning Grant	20.505		
Pass-through program from Arkansas State Highway and Transportation Department		AR-81-X017, 18	92,265

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended December 31, 2013

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity I. D. number</u>	<u>Federal Expenditures</u>
U. S. Department of Transportation (Continued)			
Federal Transit Administration Job Access Reverse Commute	20.516		
Pass-through program from Arkansas State Highway and Transportation Department		AR-37-X014	61,821
State & Community Highway Safety	20.600		
Pass-through program from Arkansas State Highway and Transportation Department		OP-2013-03-02-16/OP-2014-03-02-15 SE-2013-13-01-16/SE-2014-13-01-15	33,110
Alcohol Traffic Safety and Drunk Driving	20.601		
Pass-through program from Arkansas State Highway and Transportation Department		K8-2013-08-06-16/M8DDLE-2014-08-02-15	2,521
Occupant Incentive Grant	20.602		
Pass-through program from Arkansas State Highway and Transportation Department		K2-2013-14-02-16/K2-2014-14-02-15	<u>2,736</u>
Total U.S. Department of Transportation			902,125

See accompanying notes to schedule of expenditures of federal awards.

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity I. D. number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service			
Pass-through Program:			
AmeriCorps State and National	94.006		
Pass-through program from Arkansas Department of Human Services		#4600030278	<u>100,624</u>
Total expenditures of federal awards			\$ <u>2,199,503</u>

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2013

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Jonesboro, Arkansas, under programs of the federal government for the year ended December 31, 2013. 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*. Because the Schedule presents only a selected portion of the operations of the City of Jonesboro, Arkansas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jonesboro, Arkansas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

City Council
City of Jonesboro, Arkansas
P. O. Box 1845
Jonesboro, AR 72403

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the federal grant funds of the City of Jonesboro, Arkansas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jonesboro, Arkansas federal grant funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jonesboro, Arkansas federal grant funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jonesboro, Arkansas federal grant funds' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jonesboro, Arkansas, federal grant funds' financial statements are free of material misstatement, we performed tests of their 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FREEMAN & COMPANY, INC.

A handwritten signature in cursive script that reads "Freeman & Company, Inc".

Jonesboro, Arkansas
July 22, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

City Council
City of Jonesboro, Arkansas
P. O. Box 1845
Jonesboro, AR 72403

Report on Compliance for Each Major Federal Program

We have audited the City of Jonesboro, Arkansas, federal grant funds' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2013. The City of Jonesboro, Arkansas, federal grant funds' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jonesboro, Arkansas, federal grant funds' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jonesboro, Arkansas, federal grant funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Jonesboro, Arkansas, federal grant funds' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Jonesboro, Arkansas, federal grant funds complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FREEMAN & COMPANY, INC.



Jonesboro, Arkansas
July 22, 2014

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the federal grant funds of the City of Jonesboro, Arkansas.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the federal grant funds of the City of Jonesboro, Arkansas, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the federal grant funds of the City of Jonesboro, Arkansas, expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the federal grant funds of the City of Jonesboro, Arkansas, were disclosed during the audit.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA Number</u>
1. Community Development Block Grant	14.218
2. Federal Transit Administration Federal Transit Formula Grants	20.507

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The federal grant funds of the City of Jonesboro, Arkansas, were not determined to be low-risk auditees.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

FINDINGS - FINANCIAL STATEMENTS AUDIT

No audit findings relative to the financial statements of the City of Jonesboro, Arkansas, federal grant funds were disclosed during the audit.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No audit findings or questioned costs relative to the federal awards programs for the City of Jonesboro, Arkansas, federal grant funds were disclosed during the audit.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2013

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs relative to the federal awards programs for the City of Jonesboro, Arkansas, federal grant funds.