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January 23, 2008

Honorable Mayor and Members of the
City Council of Jonesboro
City of Jonesboro
PO Box 1845
Jonesboro, Arkansas 72401

Re: Procedures Relating to Specific Expenditures in Compliance with State and Local Laws.

Dear Honorable Mayor and City Council Members:

This letter confirms the arrangements for Crowe Chizek and Company LLC ("Crowe Chizek" or "us" or "we" or "our") to provide assistance by performing a preliminary assessment and recommend further steps to address the Resolution to Enlist the Services of an Independent Auditing Firm to Determine if Certain City Expenditures or Services Occurred within the Requirements of State and Local Laws in Effect at the Time of the Expenditures ("Resolution") for the City of Jonesboro, Arkansas ("City" or "you").

We will perform the preliminary assessment and prepare our recommendations in two areas of focus: fiscal and compliance control analysis and financial accounting system analysis. Upon completion of the preliminary assessment and recommendations related to the Resolution we will discuss next steps with the City to understand the procedures that the City would like us to perform to further investigate matters noted in the Resolution and the order in which those procedures should be pursued.

These services will be performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The extent and sufficiency of the services and procedures to be performed will be determined with you.

Our services and work product are intended for the benefit and use of the City. This engagement will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe Chizek and constitute confidential information.

You agree to be responsible to: make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee our services; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and establish and maintain internal controls, including monitoring ongoing activities.

Areas of Focus

Fiscal and Compliance Controls Analysis

The financial and compliance control analysis will be performed to provide the City with a better understanding of the processes in place to ensure that expenditures occur within requirements of state and local laws. Our work will be performed to specifically address controls and risks surrounding compliance with state and local laws in the following areas identified in the City's Resolution:

- * Expenditures from the capital improvements fund since October 1, 2000,
- * fees owed by the City to the Craighead County Jail,
- * to provide a listing of the job location and dollar amounts regarding the number of employee and equipment hours of the street department since January 1, 2007,
- * to provide a listing of all advertising expenditures under the Jonesboro Economic Transportation System since January 1, 2005,
- * a listing and the amounts of all furniture and accessories purchased by the city since January 1, 2005,
- * a listing of all city funds used to promote convention center proposal since January 1, 2006.

Financial System Analysis

In order to understand the financial reporting problems we will perform an initial review of the accounting and reporting system of the City. This review will include the analysis of the financial processes employed by the City including review of the documentation available for the Springbrook system, identification of the basic processes used to input financial information and reporting capabilities of the systems used by the City. This will include the identification of business and technical individuals who we will need to interview to gain a thorough understanding of the daily functions of the City as they relate to the financial reporting process.

We will then interview the appropriate individuals and review available documentation and data to gain our understanding of the processes used by the City and determine where functional and financial gaps may exist within the systems. We will document our understanding of the systems employed by the City. Once our documentation is complete we will identify gaps, if any, and we will provide the City with a report summarizing any issues noted. The report will contain prioritized options for approaching issues identified.

Scope of Services

In order to provide these services to the City in the areas of focus previously described, we will perform the following tasks:

Issue Discovery

Task 1. Entrance Conference

We will hold an initial entrance conference with the City and key management staff to kick off the project. At the entrance conference, we will discuss the current situation of the operations of the City and clarify desired outcomes of the engagement. During the entrance conference, we will also present a preliminary project work program and review the program with the City. We will also discuss and establish project contacts, project tasks, project timeline and deliverable dates. At the meeting, we will also identify key data elements for the project including providing the City with an initial request for materials to be analyzed during the current state assessment.

Task 2. Initial Interviews

We will conduct initial interviews with representatives from City management and staff involved in the related operational matters subject to financial record keeping of the City. The purpose of these interviews is to gain an understanding of the current processes, policies, procedures, job descriptions, responsibilities and internal controls in place as well as identified weaknesses related to these functions. During the interviews, we will request additional information related to the current processes, policies, procedures, job descriptions, responsibilities and internal controls for the related functions, as deemed necessary.

Current State Assessment

Task 3. Documentation Analysis

In order to enhance our understanding of the current "as is" state of the City we will analyze the documentation collected at the entrance conference as well as in the initial interviews. Based upon the results of our documentation analysis, we may require limited follow-up interviews to verify information compiled during the documentation analysis stage of the project.

Task 4. Current State Assessment

We will summarize our assessment of the current state of the City's financial operations.

Recommendations

Task 5. Documentation of Issues Noted

Based on the information gathered in the previous tasks we will document the issues that we discovery during the performance of our work. We will also rely upon our knowledge of industry best practices related to the City's operations and benchmarking to develop recommendations for approaching the issues identified.

Task 6. Develop Draft Summary of Recommended Approach

Based upon the results of the desired outcomes identified in the planning process, the results of our initial interviews and our analysis of industry best practices; we will develop a draft summary of recommendations for the next steps in addressing the City's Resolution.

Task 7. Prepare Draft Report of Findings and Recommendations and Review the Draft Report with the City

We will prepare the draft analysis of recommendations to describe options for the City to consider to address matters noted in the Resolution. ~~The draft report will consist of the following areas:~~ *OH*

Task 8. Finalize Report of Findings and Recommendations and Present Final Report

Based upon feedback received from the City during the review of the draft report, we will update and finalize the report. We would then meet with the City to present the final report and discuss the recommendations contained in the report.

Timetable

We would anticipate conducting an entrance conference with the City on February 4, 2008, and conducting fieldwork throughout that week. We would anticipate follow-up calls the following week and potentially a second week of fieldwork conducted the week of February 18. We anticipate delivery of our report on or before February 29, 2008.

The timetable described above assumes that the City will approve the engagement by January 31, 2008, and that documentation will be provided by the City in a timely basis and that City personnel will cooperate fully with our work.

Next Steps

Based on the recommendations generated through the work performed in the preliminary assessment project we will work with the City to determine additional procedures that the City decides are necessary. Those additional procedures will be performed in accordance with a separate engagement letter that will be developed subsequent to the acceptance of a new scope of work by the City based on recommendations found in the results of procedures outlined in this engagement letter.

Conflicts of Interest

Based upon an understanding of the services to be performed, we have completed an initial review of our files for evidence of conflicts of interest. We are presently unaware that any exist. If a potential conflict arises, we will bring this to your attention in writing as soon as possible.

Workpapers and Work Product

Please note that it is our practice to retain correspondence, meeting notes, workpapers and reports in connection with our services. Some versions of documents may be overwritten and not maintained in original form.

All workpapers or other documents used by us during the course of this engagement will be maintained in segregated files. At the end of the engagement, you will have several options related to the documents or copies of documents that we do not need to retain in our files: (a) have us return all such documents to you; (b) authorize us to destroy them, or (c) direct us to store all or selected workpapers or documents, in which case City will pay for storage. At the end of the engagement, please contact us regarding your desired disposition of documents. We reserve the right to destroy or delete the documents if there are no instructions from you within ninety (90) days of the completion of our assignment. If you want us to adopt a different policy or practice with respect to retention of documents please advise me in writing.

Fees

Based on our understanding of the scope of the project, our estimated fee for these services is between \$73,000 and \$80,000, including travel and other out-of-pocket expenses. Our fees for the engagement will be based on our standard hourly rates based on the level of staff that will be necessary to conduct the engagement. Hourly billing rates for our professionals are currently as follows:

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|------------------------------|-----------------|
| Executives | \$ 275 - \$ 415 |
| Senior Managers and Managers | \$ 175 - \$ 275 |
| Staff Consultants | \$ 100 - \$ 175 |
| Paraprofessionals | \$ 75 - \$ 100 |

This engagement letter and the attached Crowe Chizek Engagement Terms reflect the entire agreement between us relating to the services covered by this letter. The headings included in this letter are to assist in ease of reading only; the letter and attachment are to be construed as a single document, with the provisions of each section applicable throughout. This agreement may not be amended or varied except by a written document signed by both parties. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter. The agreements of the City and

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Crowe Chizek contained in this engagement letter shall survive the completion or termination of this engagement. If any term hereof is found unenforceable or invalid, this shall not affect the other terms hereof, all of which shall continue in effect as if the stricken term had not been included. This agreement is governed by the internal laws of the State of Arkansas.

The above specifies the services we will perform and the terms of our engagement. If at any time you have questions regarding our services, please communicate with Bert Nuehring, (630) 706-2071 or bnuehring@crowechizek.com


Please acknowledge your agreement with the terms of this letter by signing and dating the enclosed original in the space provided. Please return a signed original of this letter for our files.

We appreciate the opportunity to work with you on this important engagement.

Very truly yours,

Crowe Chizek and Company LLC

By: _____



Bert Nuehring
Executive

Crowe Chizek Engagement Terms

We want you to understand the basis under which we offer our services to you and determine our fees, as well as to clarify the relationship and responsibilities between your organization and ours. These terms are part of our engagement letter and apply to all future services, unless a specific engagement letter is entered into for those services. We specifically note that no advice we may provide should be construed to be investment advice.

YOUR ASSISTANCE - For us to provide our services effectively and efficiently, you agree to provide us timely with the information we request and to make your employees available for our questions. You will also provide our personnel with access to the Internet (if available). The availability of your personnel and the timetable for their assistance are key elements in the successful completion of our services and in the determination of our fees. Completion of our work depends on appropriate and timely cooperation from your personnel; complete, accurate, and timely responses to our inquiries; and timely communication by you of all significant accounting and financial reporting matters of which you are aware. If for any reason this does not occur, a revised fee to reflect the additional time or resources required by us will be mutually agreed upon, and you agree to hold us harmless against all matters that arise in whole or in part from any resulting delay.

If circumstances arise that, in our professional judgment, prevent us from completing this engagement, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product or withdrawing from the engagement.

THIRD PARTY PROVIDER - We may use a third-party service provider in providing professional services to you which may require our sharing your confidential information with the provider. If we use a third-party service provider, we will enter into a confidentiality agreement with the provider to require them to maintain the confidentiality of your confidential information. The terms of our engagement letter and these engagement terms shall apply to any third party provider.

CONFIDENTIALITY - We will maintain the confidentiality of your confidential information in accordance with professional standards. You agree not to disclose any confidential material you obtain from us without our prior written consent, except to the extent such disclosure is an agreed objective of this engagement. Your use of our work product shall be limited to its stated purpose and to your business use only. We retain the right to use the ideas, concepts, techniques, industry data, and know-how we use or develop in the course of the engagement. You agree to the use of fax, email, and voicemail to communicate both sensitive and non-sensitive matters; provided, however, that nonpublic personal information regarding your customers or consumers shall not be communicated by unencrypted email.

CHANGES - We may periodically communicate changes in laws, rules, or regulations to you. However, you have not engaged us to and we do not undertake an obligation to advise you of changes in laws, rules, regulations, industry or market conditions, your own business practices, or other circumstances, except to the extent required by professional standards.

PUBLICATION - You agree to obtain our specific permission before using our report or our firm's name in a published document, and you agree to submit to us copies of such documents to obtain our permission before they are filed or published.

NO PUNITIVE OR CONSEQUENTIAL DAMAGES - Any liability of Crowe Chizek to you shall not include any special, consequential, incidental, punitive, or exemplary damages or loss nor any lost profits, savings, or business opportunity.

LIMIT OF LIABILITY - The provisions of this section establishing a limit of liability will not apply if, as determined in a judicial proceeding, we performed our services with gross negligence or willful misconduct. Our engagement with you is not intended to shift risks normally borne by you to us. With respect to any services or work product or this engagement in general, the liability of Crowe Chizek and its personnel shall not exceed the fees we receive for the portion of the work giving rise to liability. A claim for a return of fees paid shall be the exclusive remedy for any damages. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted. This limitation of liability shall also apply after termination of this agreement.

INDEMNIFICATION FOR THIRD-PARTY CLAIMS - The provisions of this section for indemnification will not apply if, as determined in a judicial proceeding, we performed our services with gross negligence or with willful misconduct. Our engagement with you is not intended to shift risks normally borne by you to us. In the event of a legal proceeding or other claim brought against us by a third party, you agree to indemnify and hold harmless Crowe Chizek and its personnel against all costs, fees, expenses, damages, and liabilities, including defense costs and legal fees, associated with such third-party claim arising from or relating to any services or work product that you use or disclose to others or this engagement generally. This indemnification is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted. This indemnification shall also apply after termination of this agreement.

NO TRANSFER OR ASSIGNMENT OF CLAIMS - No claim against Crowe Chizek, or any recovery from or against Crowe Chizek, may be sold, assigned or otherwise transferred, in whole or in part.

TIME LIMIT ON CLAIMS - In no event shall any action against you or Crowe Chizek, arising from or relating to this engagement letter or the services provided by Crowe Chizek relating to this engagement, be brought after the earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

RESPONSE TO LEGAL PROCESS - If we are requested by subpoena, other legal process, or other proceedings to produce documents pertaining to you and we are not a named party to the proceeding, you will reimburse us for our professional time, plus out-of-pocket expenses, as well as reasonable attorney fees we incur in responding to such request.

MEDIATION - If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between you or any of your affiliates or principals, and Crowe Chizek, and if the dispute cannot be settled through negotiation, you and Crowe Chizek agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. The results of mediation shall be binding only upon agreement of each party to be bound. Costs of any mediation shall be shared equally by both parties.

JURY TRIAL - In the unlikely event that differences concerning our services or fees arise between us that are not resolved by mutual agreement or mediation, you and we agree to waive a trial by jury to facilitate judicial resolution and save the time and expense of both parties.

LEGAL AND REGULATORY CHANGE - The scope of services and the fees for the services covered by the accompanying letter are based on current laws and regulations. If changes in laws or regulations change your requirements or the scope of our work, you and we agree that our fees will be modified to a mutually agreed-upon amount to reflect the changed level of our effort.

AFFILIATES - Crowe Chizek is a member of Horwath International Association, a Swiss association (Horwath). Each member firm of Horwath is a separate and independent legal entity. Crowe Chizek and its affiliates are not responsible or liable for any acts or omissions of any other member of Horwath and hereby specifically disclaim any and all responsibility or liability for acts or omissions of any other member of Horwath.