

CITY OF JONESBORO, ARKANSAS

FEDERAL GRANTS

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

December 31, 2010

CITY OF JONESBORO, ARKANSAS

FEDERAL GRANTS

December 31, 2010

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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 72401

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, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Jonesboro, Arkansas's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

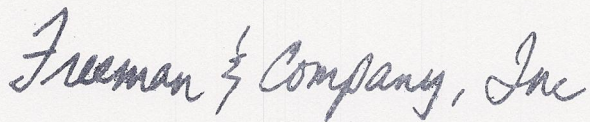
As discussed in Note 1, the financial statements present only the federal grant funds of the City of Jonesboro, Arkansas, and do not purport to, and do not, present fairly the financial position of the City of Jonesboro, Arkansas, as of December 31, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the federal grant funds of the City of Jonesboro, Arkansas, as of December 31, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

FREEMAN & COMPANY, INC.

A handwritten signature in cursive script that reads "Freeman & Company, Inc". The signature is written in dark ink and is positioned below the printed name of the company.

Jonesboro, Arkansas
September 12, 2011

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2010

	<u>Governmental Fund Types</u>	<u>Account Group</u>	
	<u>Special Revenues</u>	<u>General Fixed Assets</u>	<u>Memorandum Total Only</u>
ASSETS			
Accounts receivable - other governments (Note 3)	\$ 262,686		\$ 262,686
Due from general fund	161,419		161,419
Property, plant and equipment (Note 4)	<u> </u>	\$ <u>1,714,381</u>	<u>1,714,381</u>
Total Assets	\$ <u>424,105</u>	\$ <u>1,714,381</u>	\$ <u>2,138,486</u>
 LIABILITIES AND FUND BALANCES			
Due to general fund	\$ 262,686		\$ 262,686
Deferred revenue	<u>161,419</u>		<u>161,419</u>
Total Liabilities	<u>424,105</u>		<u>424,105</u>
 FUND BALANCES			
Net investment in property, plant and equipment		\$ <u>1,714,381</u>	<u>1,714,381</u>
Total Liabilities and Fund Balances	\$ <u>424,105</u>	\$ <u>1,714,381</u>	\$ <u>2,138,486</u>

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

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2010

	<u>Governmental Fund Types</u>	<u>Special Revenue</u>
REVENUE		
Grant revenues	\$ <u>3,209,595</u>	
Total Revenue	<u>3,209,595</u>	
EXPENDITURES		
Grant program expenditures	<u>3,209,595</u>	
Total Expenditures	<u>3,209,595</u>	
EXCESS REVENUE OVER EXPENDITURES	<u>0</u>	
FUND BALANCE, BEGINNING OF YEAR	<u>0</u>	
FUND BALANCE, 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, 2010

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 Agriculture, Cooperative Forestry Assistance Grant; the U.S. Department of Housing and Urban Renewal, Community Development Block Grant; the U.S. Department of Justice, Bulletproof Vest Partnership Program, Office of Community Oriented Policing Services (COPS), Edward Byrne Justice Assistance Grant, Internet Crimes Against Children, Enforcing Underage Drinking Laws; the U.S. Department of Transportation, ARRA - Federal Transit - Capital Investment Grant, Federal Transit Administration-Federal Transit Formula Grant, Federal Highway Administration - Safe Routes to Schools and Recreational Trails Program, Federal Transit - Metropolitan Planning Grant, Federal Transit Administration - Job Access Reverse Commute, Selective Traffic Enforcement Project (STEP); U.S. Department of Energy, ARRA - Energy Efficiency and Conservation Block Grant Program; and the Department of Homeland Security, Assistance to Firefighters Grant and Disaster Grant - Public Assistance.

The U.S. Department of Agriculture Cooperative Forestry Assistance grant provided funds and services for tree planting and arboriculture services.

Under the U.S. Department of Housing and Urban Renewal Community Development Block Grant the City was provided funds for community development 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. The Internet Crimes Against Children Grant provides funding for services with the Internet Crimes Against Children Task Force. The Enforcing Underage Drinking Laws Program supports and enhances efforts to prohibit the sale of alcoholic beverages to minors and the purchase and consumption of alcoholic beverages by minors.

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, 2010

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

The Safe Routes to School Program provided funds for the flashing beacons and turtle creek bridge projects. The Recreational Trails Program provided funds for the Turtle Creek Greenway project.

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 U.S. Department of Energy, ARRA - Energy Efficiency and Conservation Block Grant Program assists in creating and implementing a variety of energy efficiency and conservation projects.

The U.S. Department of Homeland Security, Assistance to Firefighters Grant purpose is to protect the health and safety of the public and firefighting personnel against fire and fire-related hazards. This program supplied funds for the purchase of equipment for the fire department. The Disaster Grant – Public Assistance assists State and local governments in recovering from devastating effects of disasters by providing assistance for debris removal, emergency protective measures and the repair, restoration, reconstruction or replacement of public facilities or infrastructure damaged or destroyed.

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2010

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, fund equity, 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 September 12, 2011, 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, 2010

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, 2010, accounts receivable-other governments consisted of the following:

U.S. Department of Housing and Urban Renewal—Arkansas State Office Community Planning and Development	\$ 32,579
U.S. Department of Justice	13,515
U.S. Department of Transportation	73,275
U.S. Department of Transportation—Arkansas State Highway and Transportation Department	141,042
U.S. Department of Energy	<u>2,275</u>
	\$ <u>262,686</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, 2010

NOTE 4 - FIXED ASSETS (CONTINUED)

A schedule of changes in fixed assets is as follows:

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2010</u>
Autos	\$ 316,604	\$ 297,137		\$ 613,741
Office furniture and equipment	674,238		\$ 272,665	401,573
Fuel depot	19,589		19,589	
Modular sub-station	12,531		12,531	
Buildings	<u> </u>	<u>699,067</u>	<u> </u>	<u>699,067</u>
	\$ <u>1,022,962</u>	\$ <u>996,204</u>	\$ <u>304,785</u>	\$ <u>1,714,381</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, 2010

Federal Expenditures	Pass-through City I.D. number	Federal CEA Number	Federal Grant/Pass-through Grant Program or Cluster Title
			U.S. Department of Agriculture Pass-through Programs
			Cooperative Forestry Assistance (Nor. F. 10-581)
2 161,333	US-F-12-09-01		Pass-through program from Arkansas Forestry Commission
			U.S. Department of Housing and Urban Development Pass-through Program
			Community Development Block Grant - 14514
339,373	B-10-510-02-0011		Pass-through program from Arkansas State Office Community Planning and Development
			ARRA - Community Development Block Grant
138,071	B-09-517-02-0011		Pass-through program from Arkansas State Office Community Planning and Development
687,448			Total U.S. Department of Housing and Urban Development

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			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		19,487
ARRA - Office of Community Oriented Policing Services	16.710		208,020
Edward Byrne Justice Assistance Grant	16.738		87,765
ARRA - Edward Byrne Justice Assistance Grant	16.804		89,302
Pass-through Programs:			
Internet Crimes Against Children	16.543		
Pass-through program from Arkansas State Police		ICAC07-021	20,000
Enforcing the Underage Drinking Laws	16.727		
Pass-through program from Arkansas Department of Finance and Administration	#2007-AH-FX-0030-DZ07-07-13		2,225
ARRA Internet Crimes Against Children	16.800		
Pass-through program from Arkansas State Police		ICAC-ARRA	<u>42,114</u>
Total U.S. Department of Justice			468,913

CITY OF KANSAS CITY, MISSOURI
 FEDERAL GRANTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended December 31, 2011

Federal Expenditures	Pass-through entity A.I.D. number	Federal CFDA Number	Federal Grant/Pass-through Grant Program or Cluster Title
701,033		20.300	ARRA - Federal Transit Capital Investment Grants
422,477		20.307	Federal Transit Administration Federal Transit Formula Grants
			Pass-through Programs
		20.305	Federal Highway Administration State Routes to Safety Program
342,392	Job # 100821/10050		Pass-through program from Arkansas State Highway and Transportation Department
		20.319	Recreational Trails Program
78,354	Job 100513		Pass-through program from Arkansas State Highway and Transportation Department
		20.303	Federal Transit Administration Metropolitan Planning Grant
102,982	AK 81-2012		Pass-through program from Arkansas State Highway and Transportation Department

The accompanying notes to schedules 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 Transportation (Continued)			
Pass-through Programs:			
Federal Transit Administration Job Access Reverse Commute	20.516		
Pass-through program from Arkansas State Highway and Transportation Department		H661	29,142
Selective Traffic Enforcement Project	20.600		
Pass-through program from Arkansas State Highway and Transportation Department		OP-2010-03-02-21/OP-2011-03-02-18	<u>53,104</u>
Total U.S. Department of Transportation			1,729,093
U. S. Department of Energy			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		42,580
U.S. Department of Homeland Security			
Direct Program:			
Assistance to Firefighters Grant	97.044		112,149
Pass-through Program:			
Disaster Grants – Public Assistance	97.036		
Pass-through program from Arkansas Department of Emergency Management		FEMA 1872-DR-AR	<u>7,882</u>
Total U.S. Department of Homeland Security			<u>120,031</u>
Total expenditures of federal awards			<u>\$ 3,209,595</u>

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

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, 2010. 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. 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.

NOTE 3: NONMONETARY ASSISTANCE

The U.S. Department of Agriculture, Cooperative Forestry Assistance grant passed through the Arkansas Forestry Commission reflected federal expenditures of \$161,532. Of this total \$41,200 was received in the form of funds. The remaining \$120,332 valued by the Arkansas Forestry Commission was received in the form of arboriculture services contracted and funded through the Arkansas Forestry Commission.

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 the financial statements of the federal grant funds of the City of Jonesboro, Arkansas, as of and for the year ended December 31, 2010, and have issued our report thereon dated September 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

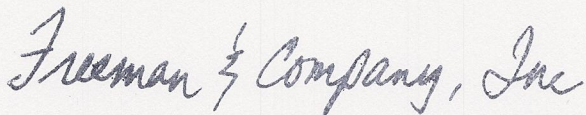
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of the City of Jonesboro, Arkansas, in a separate letter dated September 12, 2011.

This report is intended solely for the information and use of the City Council, 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.

FREEMAN & COMPANY, INC.

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

Jonesboro, Arkansas
September 12, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Jonesboro, Arkansas, federal grant funds with the types of compliance requirements described in the U. S. Office of Management and Budget (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, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of their major federal programs is the responsibility of the City of Jonesboro, Arkansas, federal grant funds' management. Our responsibility is to express an opinion on the City of Jonesboro, Arkansas, federal grant funds' compliance 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 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. Our audit does not provide a legal determination of the City of Jonesboro, Arkansas, federal grant funds' compliance with those requirements.

In our opinion, the City of Jonesboro, Arkansas, federal grant funds complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

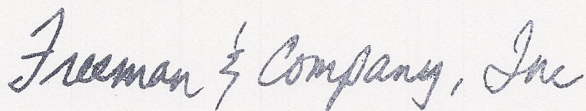
The management of the City of Jonesboro, Arkansas, federal grant funds is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jonesboro, Arkansas, federal grant funds' 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 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.

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 deficiencies, 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 City Council, management, others within the entity, 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.

FREEMAN & COMPANY, INC.



Jonesboro, Arkansas
September 12, 2011

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness identified _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.218, 14.253	U. S. Department of Housing and Urban Development Entitlement Grants Cluster
20.500, 20.507	U.S. Department of Transportation Federal Transit Cluster
20.205	U.S. Department of Transportation Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A
and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2010

U. S. DEPARTMENT OF HOMELAND SECURITY

2009-1 Disaster Grants – Public Assistance - 97.036; Grant No. FEMA 1804/1819-DR-AR;
Grant period – Year ended December 31, 2009.

Statement of Condition: Charges totaling \$375,515 were requested for reimbursement in the amount of \$281,636 for expenditures that the supporting documentation could not be provided by management.

Criteria: Expenditures requested for reimbursement should be adequately documented.

Effect of Condition: Future grant awards could be denied.

Cause of Condition: Retention of required documents was not monitored by management.

Recommendation: Management should supervise the employee responsible for retaining documentation pertinent to grant management. Management should continue to monitor this process to ensure retention of documents required for proper grant management.

View of Responsible Officials: The City of Jonesboro has reorganized staff to provide management overview of all grant related activity. On November 17, 2009, the council approved our new financial policies, which included specific grants policies and procedure, which all department heads will be required to learn and comply with. The retention of grants related documents is currently the sole responsibility of the Grants Department.

Furthermore, the Grants Administrator will also work closely with FEMA Project Specialist in the future to gain a full understanding of supported charges as presented on Project Worksheets. Whereas work on many of the projects claimed by the City of Jonesboro has been complete upon submission to FEMA, personnel did not fully understand how the calculations were derived. Working with the Project Specialist at the time of submission to retain all supporting documents will be the responsibility of the Grants Administrator.

Please contact Harold Perrin, Mayor of the City of Jonesboro, at 870-932-1052 should you have any questions concerning this response.

Current Status: No findings were noted in the 2010 audit related to this program.