SHELBY COUNTY, TENNESSEE
FEDERAL I.D. #62-6000841

SINGLE AUDIT REPORT
For the Year Ended June 30, 2009

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' 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*	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	3
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	19

WATKINS UIBERALL

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

To the Chairperson and Members of the
Shelby County Board of Commissioners and
Mayor of Shelby County, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shelby County, Tennessee, (the "County") as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 28, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Shelby County Health Care Corporation, Agricenter International, Inc., and Shelby County Retirement System, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs and shown as 2009-1 to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated December 28, 2009.

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

This report is intended solely for the information and use of the County Mayor and Commissioners, management, the audit committee, the State of Tennessee, 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.

Watkins Uiberall, PLLC
Banks, Finley, White & Co.

Memphis, Tennessee
December 28, 2009

WATKINS UIBERALL

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Chairperson and Members of the
Shelby County Board of Commissioners and
Mayor of Shelby County, Tennessee

Compliance

We have audited the compliance of Shelby County, Tennessee (the "County") 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 June 30, 2009. The County's major federal programs are identified in the summary of auditors' 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 program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Shelby County Board of Education, which received $27,407,737 in federal awards that is not included in the schedule during the year ended June 30, 2009. Our audit, described below, did not include the operations of the Shelby County Board of Education because the component unit issues separate financial statements performed in accordance with OMB Circular A-133.

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 County'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 of the County's compliance with those requirements.

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In our opinion, the County 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 June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-2 through 2009-8.

Internal Control Over Compliance

The management of the County 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 County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*

Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of the County Mayor and Commissioners, management, the audit committee, the State of Tennessee, 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.

Watkins Uiberall, PLLC
Banks, Finley, Lite & Co.

Memphis Tennessee
December 28, 2009

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2009

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
10.557	GG-08-22746-00	WIC PROGRAM	TDH	$ 1,082,795
10.557	GG-08-22746-00	WIC PROGRAM	TDH	2,410,005
			Total special supplemental nutrion program for WIIC	3,492,800
10.565	GG-08-22217-00	CSFP	TDH	106,663
10.565	GG-09-26647-00	CSFP	TDH	324,099
			Total commodity supplemental food program	430,762
10.568	DG-08-22325-00/Z-08-200151-01	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	38,295
10.568	Z-09-21332-00	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	89,249
			Total emergency food assistance program	127,544
14.218	B-04-UC-47-0002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	55,375
14.218	B-05-UC-47-0002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	192,724
14.218	B-U6-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	68,826
14.218	B-02-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	225,488
14.218	B03UC47002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	782,072
14.218	B-08-UN-47-0001	AFFORDABLE HOUSING	DEPT OF HOUSING AND URBAN DEVELOPMENT	13,414
			Total community development block grants	1,337,899
14.235	TN37B701017	SUPPORTIVE HOUSING PROGRAM	DEPT OF HOUSING AND URBAN DEVELOPMENT	131,191
14.235	TN37B601001	SUPPORTIVE HOUSING PROGRAM	DEPT OF HOUSING AND URBAN DEVELOPMENT	164,358
			Total community planning and development grants	295,549
14.239	M-02-UC-47-0205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	78,060
14.239	M-08-UC-47-0205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	273,734
			Total home investment partnerships program	351,794
14.900	23372/CA071794	CITY OF MEMPHIS - HOUSING & COMM DEV	CITY OF MEMPHIS - HOUSING & COMM DEV	27,666
14.900	CD90050/CA071794	CITY OF MEMPHIS - HOUSING & COMM DEV	CITY OF MEMPHIS - HOUSING & COMM DEV	19,408
14.900	TNLHB0342-06	Lead-Based Paint Reduction	HUD	1,286,300
			Total lead based paint hazard control	1,333,374
16.505	2007-RE-CX-0023	SCDOC RE-ENTRY PROGRAM	TDOC	50,215
16.523	GG-09-26155-00	CHILD & FAMILY INTERVENTION	TN DEPT OF CHILDREN'S SERVICES	67,625
16.523	GG-08-22856-00	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	31,111
16.523	GG-09-26434-00/CJABG-PT-03-08	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	121,446
			Total juvenile accountability block grants	220,182
16.527	2006-CW-AX-0027	SAFE EXCHANGE PROGRAM	DJOVAW	70,294
16.556	2008-DD-BX-0282	OPERATION SAFE COMMUNITY	US DOJ OJP	103,661
16.575	DG-0702009	STOP Grant	OFFICE OF CRIMINAL JUSTICE PROGRAMS	45,983
16.580	2007-DJ-BX-0640	Edward Byrne Justice Assistance Grant	DOJ-OJP	294,172
16.580	Z-06-027530-00	SCHOOL RESOURCE DEPUTY INITIATIVE	TN DEPT OF FINANCE & ADMIN	75,000
16.580	2007-DD-BX-0655	Targeting Violent Crime Initiative	USDOJ-OJP Bureau of Justice Assistance	885,882
			Total Edward Byrne justice assistance grant	1,255,054
16.582	2004-WE-AX-0031	Arrest Policies	CITY OF MEMPHIS	125,214
16.590	2008-WE-AX	Arrest Policies	USDOJ-OVAW	136,951
16.592	2006-DJ-BX-0730	Edward Byrne Justice Assistance Grant	USDOJ Bureau of Justice Assistance	13,489
16.609	2007-GP-CX-0071	PROJECT SAFE NEIGHBORHOODS	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	26,173
16.710	2007-CK-WX-0184	COPS IN SCHOOLS	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	223,235

See accompanying notes to schedule of expenditures of federal and state awards.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2009

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
16.738	2005DJBX1160	Edward Byrne Justice Assistance Grant	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	41,545
16.738	2008-DJ-BX-0465	Edward Byrne Justice Assistance Grant	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	79,716
16.738	Z-06-027495-01	VIOLENT CRIME & DRUG TASK FORCE	TN Dept of Finance & Admin	365,630
16.738	DG-06-0963-02	INMATE FOOD SERVICE TRAINING	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	56,620
			Total Edward Byrne Memorial justice assistance grant	543,511
16.744	2006-PG-BX-0088	Anti-Gang Initiative	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	78,497
16.744	2007-PB-BX-0036	Anti-Gang Initiative	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	37,517
				116,014
17.258	24486	DISPATCHERS ON THE JOB TRAINING	CITY OF MEMPHIS	15,226
17.258	23058	New-Recruit Training	WORKFORCE INVESTMENT NETWORK	4,155
			Total WIA adult program	19,381
20.205	Z-07-036299-00	Economic Impact Study	DEPARTMENT OF TRANSPORTATION	546,532
20.205	Z-07-036299-00	TRANSPORTATION PLANNING	DEPARTMENT OF TRANSPORTATION	101,966
20.205	76008-0700410/105365/101000	MDOT PL GRANT	MDOT	280,363
20.205	CM-STP-9409 (89) / 070078	CMAQ RIDESHARE	DEPARTMENT OF TRANSPORTATION	263,749
20.205	CM-NHE-7900-28	CMAQ INTERSECTION IMPVTS GRANT	TDOT	521,568
20.205	GG-07-20767-00/TN-80-0001-01	Transit Planning	TDOT	76,459
			Total highway planning and construction	1,790,637
20.505	MS-80-X008	MDOT SECTION 8	MDOT MEMPHIS AREA RIDESHARE	20,075
20.600	Z-08-200105-00/OP-08-04	WTCPSP	State of TN	104,448
20.600	Z-09-214402-00	TRAFFIC SATURATIONS & CHECKPOINTS	TDOT	112,452
20.600	Z-08-023675-00/PT-08-48	NETWORK COORDINATOR	TDOT Governor's Highway Safety Office	4,907
			Total state and community highway safety	221,807
20.601	PT-08-23/Z-08-023686-00	MULTI-VIOLATIONS INITIATIVE	TDOT Governor's Highway Safety Office	64,439
20.600/20.613	Z-09-214401-00	VEHICLE SAFETY AWARENESS COORDINATOR	TDOT Governor's Highway Safety Office	15,686
20.600-20.607	Z-09-214657-00	DUI Checkpoints	TDOT Governor's Highway Safety Office	118,795
20.607	Z-09-214711-00	CHILD PASSENGER SAFETY	TDOT Governor's Highway Safety Office	204,922
20.607	Z-08-024028-00	Youth DUI Grant	TDOT Governor's Highway Safety Office	47,004
			Total alcohol open container requirements	370,721
66.001	A004082-08-2	AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	174,823
66.001	A004082-08-0	AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	394,073
			Total air pollution control program support	568,896
66.034	PM-96497508-1	SPECIAL AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	99,998
66.818	BF-95408108-0	BROWNFIELD SITE REVITALIZATION	US EPA	324,624
81.042	Z-05-021680-05	WEATHERIZATION	DEPARTMENT OF HUMAN SERVICES	887,081
84.184L	Q184L050266-06 -extended	Safe Schools/Healthy Students Grant	U. S. DEPARTMENT OF EDUCATION	15,783
84.184L	Q184L050266-06 -extended	Safe Schools/Healthy Students Grant	U. S. DEPARTMENT OF EDUCATION	27,729
			Total Safe and drug-free schools	43,512
84.255A	Q255A030048/Q255A060093	WOMEN IN COMMUNITY SERVICE	U. S. DEPARTMENT OF EDUCATION	10,865
90.201	TN-3052	Brunswick Sewer Project	Delta Regional Authority	14,425
93.008	MRC-0801580	MEDICAL RESERVE CORPS	NACCHO	4,825

See accompanying notes to schedule of expenditures of federal and state awards.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2009

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
93.086	90FR0067/02	PROJECT REACHH	PROMOTING RESPONSIBLE FATHERHOOD	223,748
93.086	90FR0067/03	PROJECT REACHH	PROMOTING RESPONSIBLE FATHERHOOD	295,233
93.086	90FR0067/02	PROJECT REACHH	PROMOTING RESPONSIBLE FATHERHOOD	162,587
93.086	90FR0067/03	PROJECT REACHH	PROMOTING RESPONSIBLE FATHERHOOD	305,511
			Total healthy marriage promotion	987,079
93.116	GG-09-26379-00	T.B OUTREACH	TN DEPARTMENT OF HEALTH	1,365,653
93.153	MAYAHMSCHD2007-1010/CA08641:	Methodist Youthcare	Methodist LeBonheur Healthcare Foundation	56,169
93.217	GU-08-20993-00	FAMILY PLANNING	DEPARTMENT OF HEALTH	597,562
93.268	GG-08-23836-00	WIC IMMUNIZATION	TDH	128,991
93.268	GG-09-28371-00	IMMUNIZATION	TDH	464,591
93.268	2H49MC00036-09-00	IMMUNIZATION	DHHS SUBSTANCE ABUSE & MENTAL HEALTH SERVICES	38,347
			Total immunization grants	631,929
93.283	GG-09-25771-00	Central Lab/Bio Terrorism	TDH	101,649
93.283	GG-09-26536-00	TOBACCO RISK	TDH	27,514
93.283	GG-09-25635-01	HOMELAND SECURITY BIOTERRORISM	DEPARTMENT OF HEALTH	1,173,315
93.283	GG-08-2263-00	HOMELAND SECURITY BIOTERRORISM	DEPARTMENT OF HEALTH	289,905
93.283	GG-09-25432-00	BREAST & CERVICAL CANCER	DEPARTMENT OF HEALTH	117,308
93.283	GG-08-21230-00	BREAST & CERVICAL CANCER	DEPARTMENT OF HEALTH	4,756
			Total centers for disease control	1,714,447
93.563	GG-09-25343	CHILD SUPPORT IV-D	DEPARTMENT OF HUMAN SERVICES	15,163,827
93.568	Z-05-021704-09	LIHEAP	DEPARTMENT OF HUMAN SERVICES	10,766,458
93.568	Z-05-021680-05	LIHEAP	DEPARTMENT OF HUMAN SERVICES	858,558
			Total low-income home energy assistance	11,625,016
93.569	Z-05-020698-06	COMMUNITY SCVS BLOCK GRANT	DEPARTMENT OF HUMAN SERVICES	2,273,101
93.600	04CH3447-40	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	619,710
93.600	O4CH3447/41	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	11,566,057
93.600	04CH3447/42	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	9,663,962
			Total Head Start	21,849,729
93.667	CA075023	CSA-Special Funding	TN DEPARTMENT OF HUMAN SERVICES	24,673
93.778	GG-08-235500-01	INFANT MORTALITY COORDINATOR	BUREAU OF TENNCARE	63,729
93.914	6 H89HA07940-02-01	HIV Emergency Relief Project Grant	HRSA	5,026,705
93.914	1H89HA1146-01-00/6 H89HA1464-0	HIV Emergency Relief Project Grant	HRSA	1,879,437
93.914	6 H3MHA08475-02-03	MINORITY AIDS INITIATIVE	DHHS-HRSA	146,925
			Total HIV emergency relief projects	7,053,067
93.917	GG-08-24788-00	HIV/AIDS CASE MANAGEMENT	THD	152,918
93.917	GG-08-24788-00	HIV/AIDS CASE MANAGEMENT	THD	45,548
			Total HIV care forumula	198,466
93.926	5H49MC00036-08-01	HEALTHY START INITIATIVE	DHS MATERNAL & CHILD BUREAU	731,859
93.940	GG-08-23832-00	HIV Prevention	TDH	877,662
93.940	GG-08-24030-00	EXPANDED RAPID HIV TESTING	TDH	34,934
93.940	GG-09-28912-00	HIV SURVEILLANCE	TDH	836,590
93.940	GG-09-27048-00	HIV RAPID TESTING	TDH	178,119
			Total HIV prevention activities	1,927,305
93.958	CA-086448	ST DEPT OF MENTAL HEALTH & DEV DISABILITIE:	TN DEPARTMENT OF MENTAL HEALTH	74,415
93.991	GG-08-23003-00	COMMUNITHY PREVENTION INITIATIVE	TDH	457
93.991	GG-09-26591-00	COMMUNITHY PREVENTION INITIATIVE	TDH	122,417
93.991	GG-09-25633-00	HEALTH PLANNING	TDH BHS	74,696
93.991	GG-09-27249-00	Health Risk Reduction	TN DEPT OF HEALTH	111,106
93.991	GG-09-25634-00	HOME VISIT	TDH	548,539
			Total preventive health and health services	857,215

See accompanying notes to schedule of expenditures of federal and state awards.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2009

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
93.944		CHILDHOOD LEAD POISONING	HEALTH & HUMAN SERVICES	198,315
93.994	GG-09-25430-00	TOLL FREE BABIES HOTLINE	TN DEPARTMENT OF HEALTH	20,100
93.994	GG-09-25930-00	CHILDREN'S SPECIAL SERVICES	DEPARTMENT OF HEALTH	487,878
93.994	GG-09-29530-00	CHILDREN'S SPECIAL SERVICES	DEPARTMENT OF HEALTH	363,760
			Total maternal and child health services	1,070,053
94.002	07SRSTN007	Retired and Senior Volunteer Program	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	67,415
97.008	GG-06-12933-01/GG-06-12330-00	2004 UASI	TEMA	60,891
97.036	Z-08-212852-00	STORM RELIEF 2008	TEMA	87,628
97.067	2007-GE-T7-0051/GG-08-24733-00	URBAN AREA SECURITY INITIATIVE	TEMA	197,125
97.067	GG-07-21399-00	MMRS PROGRAM	TEMA	232,287
97.067	GG-07-21348-00	CCP	TEMA	37,445
97.067	2006-GE-T6-0011/GG-07-21350-00	URBAN AREA SECURITY INITIATIVE	TEMA	2,929,859
			Total homeland security grant program	3,396,716
97.078	GG-08-24423-00	Buffer Zone Protection Plan	TEMA	561,978
			Total Federal Awards	87,196,592

See accompanying notes to schedule of expenditures of federal and state awards.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2009

Contract Number	Program Name	Grantor Agency	State Expenditures Incurred
Z-09-22903-00	STATE SUPPLEMENTAL GRANT	Tennessee Commission on Children and Youth	9,000
GG-0612010-00/GU-07-03456-00	JUVENILE OFF. RESIDENTIAL CARE & TREATMENT	TN DEPT OF CHILDREN'S SERVICES	151,924
2002-VF-GX-K015/DG-07-02010-00	VOCA Bilinqual Counselor	OFFICE OF CRIMINAL JUSTICE PROGRAMS	34,821
GG-09-26689-00	TENDERCARE OUTREACH	TDH	1,153,507
Verbal extention - TDFA/GG-07-12979-(	Govenor's Initiative Grant	STATE OF TENNESSEE OCJP	81,053
GG-09-27482-00/343.47-326-09	FETAL INFANT MORTALITY REVIEW	TN DEPT OF HEALTH HAS	34,602
N/A	GIRLS JUMPING IN MEMPHIS	GENERAL MILLS FOUNDATION	1,791
N/A	City Courts Child Safety Seats	CITY OF MEMPHIS CITY COURTS	213,191
N/A	Generator	Shelby County 911 District	171,169
N/A	EPSDT	TDH	988,935
GG-09-25007-00/CA090329	SERVICE COORDINATION	TENNESSEE COMMISSION ON AGING AND DISABILITY	4,483,726
GG-08-20849-00	TENNCARE DENTAL PROGRAM	TENNESSEE DEPARTMENT OF HEALTH	6,075
GG-08-20849-00	TENNCARE DENTAL PROGRAM	TENNESSEE DEPARTMENT OF HEALTH	1,653,562
Z00099343-01/DG-07-02010-00	VOCA HOMICIDE RESPONSE	Office of Criminal Justice Programs	85,863
N/A	OUTPATIENT TREATMENT	TN DMHDD	274,946
2006-EW-AX-K010	COMPASS Training Grant	COMPASS Coordination Inc.	3,875
Z-05-025540-00	Drug Court Support Treatment	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	100,918
CERT Z-03-015515-01	VOTING MACHINES	TN DSDE	147,160
DMC-01-08/Z-09-213561-00	Disproportionate Minority Contact Special Emphasis Programs	TN Commission on Children and Youth	34,757
GG-09-25584-00	HOME & COMMUNITY-BASED SERVICES	TENNESSEE COMMISSION ON AGING	2,104,972
CURRENT CONTRACT	Shelby County Drug Court	CITY OF MEMPHIS POLICE DEPARTMENT	192,962
CA-086409	Crash Recovery System	Wal-Mart	960
GG-08-22581-00	COMMUTER TRANSPORTATION ASSISTANCE	TDOT	74,878
CA086415	GANG AND CRIME EDUCATION	TN SECRETARY OF STATE	19,286
N/A	ENERGY SMART MEMPHIS INITIATIVE	MLGW	458,917
Z-09-212797-00	TDOT Roadside Litter Grant	TN Highway Beautificaion Office	189,082
	CHILD SUPPORT MEDIATION	TN ADMIN OFFICE OF THE COURTS	323
CA097105	SPECIAL PROSECUTOR	CITY OF MEMPHIS	106,154
FEMA1786-DR-LA	Hurrican Gustav Evacuation	TEMA	210,936
N/A	CSA Special Funding WORLD OVERCOMERS	WORLD OVERCOMERS	54,364
Z-08-020268-00	Tire Recycling	TN DEPARTMENT OF ENVIRONMENT & CONSERVATION	519,676
GG-07-12743-00	Household Hazardous Waste Facility	City of Memphis	144,951
GG-09-27256-00	GRANT-IN-AID	TN DOH	917,800
	Correctiions Center Security	BJA	21,148
	Correctiions Center Security	BJA	7,607
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	256,561
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	1,092,458
GG-08-23541-00	TOBACCO ENDOWMENT	TDH	1,807
CA076143	City Schools Nursing	CITY BOARD OF EDUCATION	253,424
	Aging	TCAD	12,642
CA096211	County Schools Nursing	COUNTY BOARD OF EDUCATION	1,550,975
N/A	FRIENDS OF SCOUTING/HEALTHFAIR	TN DEPT OF STATE	116,400
Z05025510-00	Shelby County Residential Drug Court Project	TN OCJP	487,238
N/A	Chickasaw Basin Authority Operations	STATE OF TENNESSEE	45,961
N/A	DUI Offenders	TDOT GHSO	40,430
No. 2002422 / STP-EN-7900(33)	SHELBY FARMS TRAILS GATEWAY IMPROVEMENTS	TDOT	24,315
N/A	At-Risk Youth	MEMPHIS CITY SCHOOLS	992,967
N/A	Industrial Development Board	INDUSTRIAL DEVELOPMENT BOARD	623,281
N/A	Industrial Development Board	INDUSTRIAL DEVELOPMENT BOARD	277,455
N/A	Integrated Delivery System	Health Loop - The Regional Medical Center	1,315,225
GG-09-27003-00	Endowment Grant - Regional Medical Center Primary & Indigent Care		5,000,000
		Total State Awards	26,746,031
		Total federal and state awards	$ 113,942,623

See accompanying notes to schedule of expenditures of federal and state awards.

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal and state awards includes the transactions related to the receipt of federal funds by Shelby County, Tennessee (the "County"). The Shelby County Board of Education, a component unit of the County, issues a separate financial report under OMB Circular A-133 and is not included in this schedule.

The schedule of expenditures of federal and state awards is presented on the modified accrual basis of accounting, consistent with accounting for governmental type funds. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"), which is generally when the allowable program expenditures are incurred. Expenditures and transfers out are recorded when the related program liability is incurred, except for certain compensated absences.

NOTE 2 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the schedule of expenditures of federal and state awards to the expenditure balances in the grant fund, per the County's financial statements:

Totals per schedule of expenditures	$ 113,942,623
Add: Expenditures not shown on this schedule	664,529
Less: Expenditures shown in the general fund	(5,000,000)
Less: Expenditures shown in capital projects fund	(29,701)
Less: Transfers out	(276,801)
Total grant fund expenditures	$ 109,300,650

SHELBY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Shelby County, Tennessee.

2. A significant deficiency was disclosed during the audit of the financial statements and is listed below as 2009-1. The deficiency is reported as a material weakness.

3. No instances of noncompliance material to the financial statements of Shelby County, Tennessee were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs are reported.

5. The auditors' report on compliance for the major federal award programs for Shelby County, Tennessee expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included:

   20.205 – Highway Planning and Construction
   93.283 – Center for Disease Control and Prevention, Investigations, and Technical Assistance
   93.600 – Head Start
   97.067 – Homeland Security Grant Program

8. The threshold for distinguishing between Type A and B programs was $2,615,898.

9. Shelby County, Tennessee qualified as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2009-1 General Sessions Civil Court Bank Reconciliations

Condition: General Sessions Civil Court bank reconciliations were not completed in a timely manner. As a result of audit work performed, material adjustments of $3,291,538 were made to decrease the bank balance of General Sessions Civil Court. This bank account balance is included in the County's fiduciary funds and shown as part of the Constitutional Officers Agency Fund.

Criteria: Internal controls should be in place that require timely bank reconciliations. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Cause: There are no procedures in place that require timely bank reconciliations.

Effect: Cash was overstated at June 30, 2009 by $3,291,538 before adjustment.

Recommendation: We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial reports.

Response: General Sessions Civil Court management agrees with the finding and the recommended procedures will be implemented.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2009-2 Head Start – CFDA No. 93.600

Condition: Shelby County Head Start is in violation of the targeted 10% earmark for enrolling children with disabilities.

Criteria: According to the Office of Head Start, Department of Health and Human Services, 10% of the total number of enrolled children must be of children with disabilities.

Effects: Shelby County is not in compliance with the Office of Head Start, Department of Health and Human Services regulations and not in compliance with OMB Circular A-133 compliance requirement related to Earmarking.

Cause: Per inquiry of Head Start personnel, there were some barriers related to enrollment, the referral process, and evaluations.

Recommendations: We recommend Shelby County, Head Start, adhere to the Office of Head Start, Department of Health and Human Services and enroll the proper number of children with disabilities.

Response: Head Start has devised a Risk Management Plan which was required to be submitted to the Regional Head Start to assist with the increase in the disability enrollment percentage.

2009-3 Homeland Security – Urban Areas Security Initiative (UASI) – CFDA No. 97.067

Condition: Shelby County Office of Preparedness did not include the inventory control report with their final expenditure close out report according to the grant agreement.

Criteria: According to the UASI program grant award document, paragraph E.4, Shelby County must maintain an inventory control report and must perform a physical inventory annually. The inventory control report must be submitted to the State of Tennessee with the final expenditure report.

Effect: Shelby County Government is not in compliance with the UASI grant agreement.

Cause: Per discussion with Shelby County Office of Preparedness personnel, equipment is listed on the cost reimbursement report as items are purchased and the State has never requested an inventory control report.

Recommendations: We recommend the Shelby County Office of Preparedness adhere to the grant award document and perform an annual physical inventory and submit the required inventory control report to the State.

Response: The County complied with the grantor's interpretation of the grant contract and supplied the Tennessee Emergency Agency with information in form and content that was satisfactory to it. In the future, the County will perform an annual physical inventory and submit the inventory report to the State.

2009-4 Center for Disease Control and Prevention, Investigations, and Technical Assistance – CFDA No. 93.283

Condition: Shelby County Office of Emergency Preparedness did not maintain evidence that reports were submitted by the Emergency Response Coordinator to the PHEEP Coordinator on or before July 29, 2008.

Criteria: According to the grant document, A.1.e.10, the Emergency Response Coordinator is to submit to the PHEEP Coordinator reports on or before July 29, 2008.

Effects: Shelby County Government is not in compliance with the grant agreement.

Cause: Due to turnover in management of the program, in addition to the transition of electronic reporting to the State of this documentation, certain information could not be located. Prior to the 2008-09 grant year, reports were submitted in hard copy format to Tennessee Department of Health (TDH). Currently, reports are maintained on the Tennessee Health Alert Network (THAN).

Recommendations: We recommend the Shelby County Office of Emergency Preparedness, adhere to requirements of the grant and maintain the required reports and documents.

Response: The Shelby County Office of Emergency Preparedness has someone acting in the role of manager, and has a system in place to maintain documents and reports which can be located by Public Health Emergency Preparedness Program employees if necessary.

2009-5 Center for Disease Control and Prevention, Investigations, and Technical Assistance – CFDA No. 93.283

Condition: Satellite phones were not purchased; therefore, not operable or maintained.

Criteria: According to the grant agreement A.1.O.7, the County is to "ensure that satellite phones and associated equipment are operable and properly maintained and documented."

Effects: Shelby County Government is in violation of the grant agreement.

Cause: There were problems with the County's contracting with a satellite phone vendor. There was a lot of time involved in negotiating a mutually agreeable contract with the vendor. Additionally, the County had difficulty determining which service plan would be

most advantageous. There were also delays because the County did not have an Emergency Preparedness IT employee who could research this matter and make an informed decision.

Recommendations: We recommend Shelby County purchase the necessary equipment required under the grant.

Response: As of December 31, 2009 the County has purchased the satellite phones and is working to enable the phone system for use.

2009-6 Center for Disease Control and Prevention, Investigations, and Technical Assistance – No. 93.283

Condition: There was no supporting documentation regarding planning activities related to SNS Receiving Staging and Storage (RSS).

Criteria: According to the grant contract, A.1.e.4, the program is to submit reports of planning activities related to the SNS RSS, as well as updated lists of RSS lead staff, to the Tennessee Department of Health SNS Coordinator by July 29, 2008.

Effect: Shelby County Government is in violation of the grant agreement.

Cause: There is no supporting documentation regarding planning activities SNS/RSS that were submitted to Tennessee Department of Health by July 29, 2008.

Recommendations: We recommend Shelby County PHEPP maintain necessary supporting documentation to remain in compliance with the grant contract requirements.

Response: The MSCHD Emergency Response Coordinator (ERC) will confirm future deadlines for submission and, in a timely manner, will attach the reports to THAN with courtesy emails to Tennessee Department of Health PHEPP Manager and MSCHD Administration documenting the process.

2009-7 Center for Disease Control and Prevention, Investigations, and Technical Assistance – CFDA No. 93.283

Condition: There is no evidence of purchasing and maintenance records and logs for delivery upon request to the State for the Respiratory Protection Program (RPP).

Criteria: According to grant contract A.1.L.4, a Respiratory Protection Program is to be maintained, which includes purchasing and maintenance records and logs for delivery upon request to the State.

Effects: Shelby County Government is in violation of the grant agreement.

Cause: The PHEPP Regional Epidemiologist is tasked with this responsibility and the position was vacant from December 2008 – September 2009.

Recommendations: We recommend that Shelby County Government adhere to the grant and maintain necessary records and logs to provide to the State upon request.

Response: The Regional Epidemiologist position has been filled and monthly maintenance records and logs are being maintained. PHEPP will work with the Regional Epidemiologist to develop a procedure to ensure there is a back-up to complete the required records and logs documentation in absence of the Regional Epidemiologist. PHEPP also will seek specific clarification from TDH within the grant guidance regarding the frequency of record-keeping and procurement of RPP related items.

2009-8 Center for Disease Control and Prevention, Investigations, and Technical Assistance – CFDA No. 93.283

Condition: There were no Public Health Investigation Team (PHIT) meeting minutes maintained.

Criteria: According to the grant contract A.1.q, Public Health Investigation Team (PHIT) members must meet annually and meetings are to be documented and submitted to the Tennessee Department of Health PHEPP.

Effect: Shelby County Government is in violation of the grant agreement.

Cause: This condition was considered a violation for two reasons - (1) the first reason being a lack of clarity on behalf of the TDH grant guidance, clarifying and (2) elaborating on the definition of frequency of meetings and how to designate "minutes." The PHEPP PHIT team did meet and conducted trainings to further educate and prepare PHIT team members for operations; however, since these were trainings and not "sit-down" meetings (in the traditional sense), there were no minutes kept. There are records of training logs in the form of sign-in sheets, however, minutes of the training were not recorded. PHEPP feels this grant guidance requirement to be ambiguous.

Recommendations: We recommend Shelby County Government adhere to the grant agreement and hold meetings with the Public Health Investigation Team members and maintain minutes.

Response: If the new TDH grant guidance requires the maintenance of the PHIT Team, PHEPP PHIT will meet at least once a year in the traditional sense and capture the minutes for submission to TDH as required under the grant guidance.

SHELBY COUNTY, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2009

There were no prior year findings related to federal awards programs.