

Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International



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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to other auditors who audited the financial statements of the Shelby County Health Care Corporation, Agricenter International, Inc., Emergency Communications District of Shelby County, Tennessee, 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 of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

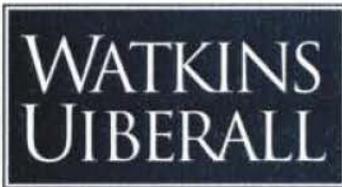
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Purpose of this Report

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

Memphis, Tennessee
November 22, 2013

Wentham Wilberall, PLLC
Banks, Jorley, White & Co.



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors

Independent Member of BKRI International



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

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

Report on Compliance for Each Major Federal Program

We have audited Shelby County, Tennessee (the "County")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's financial statements include the operations of the Shelby County Health Care Corporation (a component unit of the County), which received \$3,786,919 in federal awards which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the Shelby County Health Care Corporation because the entity engaged another auditor to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures 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 County's internal control over compliance.

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

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

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

Memphis Tennessee
November 22, 2013

Walter Universal, PLLC
Banks, Finley, White & Co.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2013

Federal Agency/Pass-Through Agency/Program	CFDA Number	Contract Number	Total Expenditures
Department of Agriculture			
TN Department of Health/ WIC Program	10.557	GG-133450800	\$ 5,457,903
<i>Food Distribution Cluster</i>			
TN Department of Health/ Supplemental Food	10.565	GG-1237333	92,707
TN Department of Health/ Supplemental Food	10.565	GG-133538300	347,738
TN Department of Agriculture/ Commodities	10.568	20857	102,564
<i>Total Food Distribution Cluster</i>			<u>543,009</u>
Total Department of Agriculture			6,000,912
Department of Housing and Urban Development			
Direct Award/ Community Development Block	14.218	BU10C47002	26,522
Direct Award/ Community Development Block	14.218	B-11-UC-47-002	277,986
Direct Award/ Community Development Block	14.218	B-12-UC-47-002	760,632
Direct Award/ Community Development Block	14.218	B-08-UC-47-002	74,265
Direct Award/ CDBG Disaster Grant	14.218	B-10-UF-47-0001	582,074
Direct Award/ Neighborhood Stabilization	14.218	B-08-UN-47-0001	788,445
			<u>2,509,924</u>
Direct Award/ Home Entitlement - HUD	14.239	M-10-UC-47-002	50,309
Direct Award/ Home Entitlement - HUD	14.239	M-11-UC-47-0205	198,251
Direct Award/ Home Entitlement - HUD	14.239	M-12-UC-47-0205	152,032
			<u>400,592</u>
Direct Award/ Co-Occurrence Expansion	14.703	TNRIP0069-11	606,736
Direct Award/ International Trade Corridor	14.703	TNRIP0069-11	190,000
			<u>796,736</u>
Direct Award/ Federal Lead Based Paint Grant	14.900	TNLHB0442-09	392,720
Direct Award/ City Lead Grant Program	14.900	28920	168,118
Direct Award/ City Lead Grant	14.900	28887	18,900
Direct Award/ Federal Lead Based Paint	14.900	TNLHB0342-06	14,490
			<u>594,228</u>
Total Department of Housing and Urban Development			4,301,480
Department of the Interior Direct Programs			
Direct Award/ U.S. Geological Survey Research and Data Collection	15.808	12-009-09	30,000
Department of Justice			
Direct Award/ Federal Equitable Sharing Agreement	16.000	TN0790000	407,813
TN Department of Children's Services/ Juvenile Accountability	16.523	12130	117,838
TN Department of Children's Services/ Juvenile Court Accountability	16.523	31601-01712	51,270
			<u>169,108</u>

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Agency/Pass-Through Agency/Program	CFDA Number	Contract Number	Total Expenditures
Direct Award/ JAG ARRA	16.575	2009-SB-B9-2466	328,655
TN Office of Criminal Justice Programs/ State Of Tennessee Grant	16.575	19703	<u>621,489</u>
			950,144
Direct Award/ Operation Safe Community	16.580	2010-DD-BX-0574	25,531
Direct Award/ Adult Drug Court Enhancement Program	16.585	2011-DC-BX-0030	65,587
TN Office of Violence Against Women/ Stop Grant Sex Crimes	16.588	19127	56,566
Direct Award/ Arrest Policies-Blueprint For Safety	16.590	2011-WE-AX-K002	90,760
Direct Award/ Arrest Policies Grant	16.590	2008-WE-AX-0037	<u>602,856</u>
			693,616
Direct Award/ Project Safe Neighborhood-Gun Crime	16.609	2009-GP-BX-0069	3,012
Direct Award/ Violent Gang And Gun Crime	16.609	2011-GP-BX-0054	<u>84,763</u>
			87,775
Direct Award/ DOJ-Defending Childhood Initiative	16.730	2011-MU-MU-K005	862,373
<i>JAG Program Cluster</i>			
Direct Award/ Byrne Justice Assistance Grant	16.738	2011-DJ-BX-3445	152,381
Direct Award/ Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0421	55,010
Direct Award/ Operation Safe Community	16.738	2009-D1-BX-0178	195,678
Direct Award/ Justice Assistance Grant	16.738	2012-DJ-BX-0077	578,976
TN Office of Criminal Justice Programs/ Drug Task Force	16.738	4034	464,367
TN Department of Mental Health/ Mentally Ill Inmate Services	16.803	GG-10-28271	65,344
Direct Award/ Female Re-Entry Program	16.803	16048	143,744
Direct Award/ Justice Assistance Grant	16.803	2010-DJ-BX-1563	<u>74,966</u>
<i>Total JAG Program Cluster</i>			<u>1,730,466</u>
Total Department of Justice			5,048,979
Department of Transportation			
Direct Award/ MSDOT Section 8	20.205	MX011	337
Direct Award/ Rideshare Project	20.205	080030	522,839
MS Department of Transportation/ Transportation Planning MDOT	20.205	76008-0700410	188,649
TN Department of Transportation/ Transportation Planning TDOT	20.205	GG1237135-1	784,245
TN Department of Transportation/ County Schools Bus Retrofit	20.205	11004	975
TN Department of Transportation/ CMAQ Intersection Improvement Grant	20.205	CA1314427	961,859
TN Department of Transportation/ Safe Routes To School	20.205	CA1214394	223,576
TN Department of Transportation/ Metro Planning FTA	20.205	GG-07-26824-00	<u>13,558</u>
			2,696,038
Direct Award/ Alcohol Countermeasures	20.607	154AL-13-207	139,800
Direct Award/ GHSO Network Coordinator	20.607	PT-13-48	12,824
TN Department of Transportation/ TN Child Passenger Safety	20.607	OP-12-02	35,127
TN Governor's Highway Safety Office/ Network Coordinator	20.607	154AL-12-104	3,353
TN Governor's Highway Safety Office/ Alcohol Countermeasures	20.607	154AL-12-105/PT-12-31	<u>70,257</u>
			261,361

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Agency/Pass-Through Agency/Program	CFDA Number	Contract Number	Total Expenditures
Direct Award/ Combined Message Enforcement	20.614	DTNH22-10-H-00328	10,000
Total Department of Transportation			2,967,399
Environmental Protection Agency			
Direct Award/ Air Pollution	66.001	A-00408210-04	454,447
Direct Award/ Air Pollution	66.001	A-00408210-05	1,195,439
			1,649,886
Direct Award/ Air Pollution-Roadside Agreement	66.034	XA-95495812-0	1,800
Direct Award/ Air Pollution Special Studies	66.034	XA-95490112-0	69,801
Direct Award/ Special Air Pollution	66.034	PM-96497508-9	88,193
			159,794
Direct Award/ Wolf River Brownfields Assessment	66.818	BF-95463110-0	231,244
Total Environmental Protection Agency			2,040,924
Department of Energy			
Direct Award/ Weatherization Assistance	81.042	Z-10-000413	75
TN Housing Development Agency/ Weatherization Assistance	81.042	WAP-12-09	54,860
			54,935
Direct Award/ Energy Conservation Block Grant	81.128	DE-SC0002241	98,633
Total Department of Energy			153,568
Delta Regional Authority			
Direct Award/ Brunswick Community Sewer	90.201	CA11102030	45,443
Department of Health and Human Services			
Direct Award/ Medical Reserve Corps	93.008	MRC-11-0150/13-0150	3,194
TN Commission on Aging/ Aging Program	93.041	31602-13019	5,534
TN Commission on Aging/ Aging Program	93.042	31602-13019	53,498
TN Commission on Aging/ Aging Program	93.043	31602-13019	64,760
<i>Aging Cluster</i>			
TN Commission on Aging/ Aging Program	93.044	31602-13019	2,429,490
TN Commission on Aging/ Aging Program	93.045	31602-13019	1,437,148
TN Commission on Aging/ Aging Program	93.053	31602-13019	264,371
<i>Total Aging Cluster</i>			4,131,009
TN Commission on Aging/ Aging Program	93.052	31602-13019	482,158
Direct Award/ Project MOST Program-Year 1/3	93.086	90FK003701	276,756
Direct Award/ Project MOST Program-Year 2/3	93.086	90FK003702	535,189
			811,945

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Agency/Pass-Through Agency/Program	CFDA Number	Contract Number	Total Expenditures
TN Department of Mental Health/ Just Care Family Network	93.104	30843-GG1238239	1,615,592
TN Department of Health/ TB Outreach	93.116	133425400	1,565,953
TN Department of Health/ Family Planning	93.217	GG-13-33806-00	1,518,628
Direct Award/ SAMHSA Treatment	93.243	1H79TI021892-01	65,801
TN Department of Health/ Immunization	93.268	1239788	243,825
TN Department of Health/ Immunization	93.268	GG13-37212-00	264,988
			<u>508,813</u>
TN Department of Health/ CDC Antiterrorism Grant	93.283	GG13-35406	12,656
TN Department of Health/ Tobacco Risk	93.283	GG1239790	36,469
TN Department of Health/ Tobacco Risk	93.283	Pending	10,093
TN Department of Health/ Public Health Emergency Services	93.283	GG1237334	176,406
TN Department of Health/ Public Health Emergency Services	93.283	GG133968100	1,060,441
TN Department of Health/ Breast And Cervical Cancer	93.283	GG-13-39492	121,944
			<u>1,418,009</u>
TN Governor's Office of Children's Care/ Parenting Success	93.500	GG1136105	1,969,340
TN Department of Human Services/ Title IV-D(Process Paper)Grant	93.563	GG-11-32442	654,673
TN Department of Human Services/ DHS IV-D Child Support Service	93.563	GG-1339728	1,442,510
TN Department of Human Services/ DHS Advocacy Services	93.563	GG-1339444	241,270
			<u>2,338,453</u>
TN Department of Human Services/ LIHEAP	93.568	GG-12-36994	380
TN Department of Human Services/ LIHEAP	93.568	Z-05-021704-09	1,018
TN Department of Human Services/ LIHEAP	93.568	Z-13-49214	10,742,952
			<u>10,744,350</u>
TN Department of Human Services/ Community Service Block Grant	93.569	Z-13-49115	2,529,262
Direct Award/ Head Start	93.600	04CH3447	23,530,275
TN Department of Human Services/ Direct Appropriation	93.667	CA075023	22,415
TN Department of Health/ Infant Mortality Coordinator	93.778	GG-11-32226	448,114
TN Commission on Aging/ Aging Program	93.779	31602-13019	147,299
Direct Award/ Ryan White Part A	93.914	6H89HA11464-05-01	5,971
Direct Award/ Ryan White Part A	93.914	2H89HA11464-04-00	49,091
Direct Award/ Ryan White MAI	93.914	6H89HA07940-01-01	84,188
Direct Award/ Ryan White HIV Services	93.914	6H89HA07940-02-01	208,134
Direct Award/ Ryan White MAI	93.914	CA14-1064	146,640
Direct Award/ Ryan White MAI	93.914	CA13-1064	352,400
Direct Award/ Ryan White Part A	93.914	CA13-1064	3,957,272
Direct Award/ Ryan White Part A	93.914	CA14-1064	1,526,809
			<u>6,330,505</u>

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Agency/Pass-Through Agency/Program	CFDA Number	Contract Number	Total Expenditures
Direct Award/ Healthy Start Initiative	93.926	H49MC00036-12-00	614,491
Direct Award/ Healthy Start Initiative	93.926	H49MC00036-13-01	36,434
			650,925
TN Department of Health/ HIV Case Management-COE	93.940	GG-1336912-00	21,460
TN Department of Health/ HIV Case Management-COE	93.940	GG-1332870-00	55,640
TN Department of Health/ Rapid HIV Testing	93.940	GG1237614-00	177,051
TN Department of Health/ HIV Prevention & Intervention	93.940	CA1311825	195,164
			449,315
TN Department of Health/ HIV	93.944	GG-1237993-00	887,501
TN Department of Health/ HIV	93.944	GG-1336394-00	980,837
			1,868,338
TN Department of Health/ Health Risk Reduction	93.991	G-13-39680	108,107
TN Department of Health/ Childhood Lead Paint Prevent	93.994	GU-13-32848	195,318
TN Department of Health/ Children's Special Services	93.994	GG-13-33273	721,754
			917,072
Total Department of Health and Human Services			64,298,664
Office of National Drug Control Policy			
Direct Award/ HIDTA Parcel Post	95.001	G10GC0005A	98,249
Direct Award/ HIDTA Grant	95.001	G12GC0005A	45,998
Direct Award/ High Intensity Drug Trafficking	95.001	G11GC0005A	51,838
			196,085
Department of Homeland Security			
Direct Award/ Hazmat Emergency Preparedness	97.036	34101-23412	4,337
Direct Award/ Federal Hazard Mitigation Grant	97.039	CA1211935-1	188,701
Direct Award/ USDHS Fire Equipment	97.044	EMW-2011-FO-09328	107,953
Direct Award/ TEMA Mitigation Planning	97.047	LPDM-04-TN-2010-001	37,003
Direct Award/ Interoperable Communications	97.055	2010-IP-T0-0021	62,788
Direct Award/ Port Security	97.056	2008-GB-T8-K074	99,518
Direct Award/ Port Security	97.056	2009-PU-T9-K045	49,999
Direct Award/ Domain Awareness Port Security	97.056	29388	376,149
			525,666
Direct Award/ MMRS	97.067	2010-SS-T0-0027	307,471
Direct Award/ UASI	97.067	2010-SS-T0-0027	2,970,347
Direct Award/ Citizen Corp	97.067	2010-SS-T0-0027	3,467
Direct Award/ Homeland Security UASI	97.067	39101-19512	19,825
			3,301,110
Total Department of Homeland Security			4,227,558
Total federal awards			89,311,012

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

For the Year Ended June 30, 2013

Contract Number	Program Name	Grantor Agency	Total Expenditures
H3-92-TN-0004-I-A	Hope III Implementation	Department of Housing and Urban Development	326,999
GG1334701	Project Diabetes Initiative	TN Department of Health	74,178
N/A	City Courts Child Safety Seat	City of Memphis City Courts	106,229
N/A	TennCare EPSD&T	TN Department of Human Services	1,172,654
GG-1339493	TennCare Dental Prevention	TN Department of Health	1,419,112
N/A	Drug Court Support Treatment	TN Office of Criminal Justice Programs	72,547
31602-13019	Aging Program	TN Commission on Aging and Disability	2,109,393
31602-13019	Aging Program	TN Commission on Aging and Disability	827
N/A	Annie E. Casey JDAI	Annie E. Casey Foundation	15,906
N/A	City Police Drug Court Grant	City of Memphis	225,072
2010-GP-BX-0049	PSN Initiative 2010	City of Memphis	5,101
Z13LIT079	Roadside Grant	TN Highway Beautification Office	193,085
CA-131075	Child Support Mediation	TN Administrative Office of the Courts	12,479
N/A	Offender Re-Entry Program	TN Department of Corrections	288,330
CA1314451	CMAQ Air Quality	TN Department of Transportation	95,868
CA123779	Tire Recycling	TN Department of Environment and Conservation	520,720
GG-09-25326-00	Household Hazardous Waste	TN Department of Environment and Conservation	149,525
N/A	BCS Enrollments And Deferrals	TN Department of Health	3,180
N/A	Johnnie Dawson Charitable Foundation	Johnnie Dawson Charitable Foundation	10,000
N/A	SCAAP-State Alien Assistance	US Department of Justice	44,181
N/A	Mosquito Surveillance	City of Memphis	448,662
03-47-64531-00-1	Head Start CACFP	TN Department of Human Services	289,107
03-47-64531-00-1	Head Start CACFP	TN Department of Human Services	1,249,515
N/A	Wells Fargo Housing Initiative	Wells Fargo Bank N.A.	315,662
33392	Residential Drug Treatment	TN Department of Mental Health/ Substance Abuse	441,186
N/A	Chickasaw Basin Authority	Chickasaw Basin Authority	29,548
CA1311231	MCS Early Childhood	Memphis City Schools	1,627,498
N/A	Industrial Development Board	Industrial Development Board	297,900
CA131075	Court-Appointed Spec Advocates	TN Department of Children's Services	9,000
CA1315540	Shelby Farms Trailhead	TN Department of Environment Conservation	12,305
GG-13-38283	Tenndercare Outreach	TN Department of Health	1,162,999
GU-13-39494	Fetal Infant Mortality Review	TN Department of Health	278,207
GG-13-38496	Home Visiting Services	TN Department of Health	485,358
Total state awards			<u>13,492,333</u>
Total federal and state awards			<u>\$ 102,803,345</u>

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2013

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	\$ 102,803,345
Add: Expenditures not shown on this schedule	894,630
Add: County matching	10,298,242
Less: Expenditures not shown in the grants fund	<u>(437,813)</u>
Total grant fund expenditures	<u><u>\$ 113,558,404</u></u>

SHELBY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Shelby County, Tennessee.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Shelby County, Tennessee were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Shelby County, Tennessee expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:
 - CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
 - CFDA 93.044, 93.045, and 93.053 – Aging Cluster
 - CFDA 93.600 – Head Start
8. The threshold for distinguishing between Type A and B programs was \$2,679,300.
9. Shelby County, Tennessee qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None

SHELBY COUNTY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2013

None