

SHELBY COUNTY, TENNESSEE
FEDERAL I.D. #62-600841

SINGLE AUDIT REPORT
For the Year Ended June 30, 2008

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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 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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 23, 2008. 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

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 2008-1 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 not 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 23, 2008.

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.

Memphis, Tennessee
December 23, 2008

Watkins Universal PLLC
Banks, Finley, White & Co.



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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, 2008. 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 \$22,545,368 in federal awards that is not included in the schedule during the year ended June 30, 2008. 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.

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, 2008.

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, 2008, and have issued our report thereon dated December 23, 2008. 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.

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 Liberiall, PCC
Banks, Finley, White & Co.*

Memphis Tennessee
December 23, 2008

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2008

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
10.557	GG-07-20478-00	WIC PROGRAM	TDH	\$ 1,000,776
10.557	GG-08-22746-00	WIC PROGRAM	TDH	2,341,474
			Total special supplemental nutrition program for WIIC	<u>3,342,250</u>
10.565	GG-07-12959-00	CSFP	TDH	115,346
10.565	GG-08-22217-00	CSFP	TDH	324,264
			Total commodity supplemental food program	<u>439,610</u>
10.568	DG-07-02048-00 / Z-07-037095-01	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	38,659
10.568	DG-08-22325-00/Z-08-200151-01	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	106,705
			Total emergency food assistance program	<u>145,364</u>
14.218	B-04-UC-47-0002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	12,725
14.218	B-05-UC-47-0002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	57,278
14.218	B-U6-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	324,916
14.218	B-02-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	664,593
14.218	B03UC47002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	43,364
			Total community development block grants	<u>1,102,876</u>
14.239	MO6UC470205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	260,631
14.239	M-02-UC-47-0205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	388,316
			Total home investment partnerships program	<u>648,947</u>
14.240	H3-92-TN-0004-I-A	HOPE 3	DEPT OF HOUSING AND URBAN DEVELOPMENT	69,423
14.900	23372/CA071794	CITY OF MEMPHIS - HOUSING & COMM DEV		92,545
14.900	TNLHB0342-06	Lead-Based Paint Reduction	HUD	1,102,137
			Total lead based paint hazard control	<u>1,194,682</u>
16.523	GG-08-22097-00	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	90,250
16.523	GG-07-12752-00	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	54,625
16.523	GG-08-22856-00	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	163,150
			Total juvenile accountability block grants	<u>308,025</u>
16.527	2006-CW-AX-0027	SAFE EXCHANGE PROGRAM	DJOVAW	3,332
16.527	2006-CW-AX-0027	SAFE EXCHANGE PROGRAM	DJOVAW	118,377
			Total supervised visitation, safe havens for children	<u>121,709</u>
16.575	Z00001401-01/DG-07-02010-00	STOP Grant	OFFICE OF CRIMINAL JUSTICE PROGRAMS	60,720
16.580	2007-DJ-BX-0640	Edward Byrne Justice Assistance Grant	DOJ-OJP	273,608
16.580	2007-DD-BX-0655	Targeting Violent Crime Initiative	USDOJ-OJP Bureau of Justice Assistance	93,531
			Total Edward Byrne justice assistance grant	<u>367,139</u>
16.582	2004-WE-AX-0031	Arrest Policies	CITY OF MEMPHIS	265,227
16.592	2006-DJ-BX-0730	Edward Byrne Justice Assistance Grant	USDOJ Bureau of Justice Assistance	107,768
16.607	N/A	BULLETPROOF VEST PROGRAM	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	39,258
16.609	2007-GP-CX-0071	PROJECT SAFE NEIGHBORHOODS	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	7,498
16.710	2004SHWX0182	COPS IN SCHOOLS 2004	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	65,467
16.710	2007-CK-WX-0184	COPS IN SCHOOLS	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	162,963
			Total public safety partnership and community policing	<u>228,430</u>
16.738	2005DJBX1160	Edward Byrne Justice Assistance Grant	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	8,772
16.738	Z-06-027530-00	SCHOOL RESOURCE DEPUTY INITIATIVE	TN DEPT OF FINANCE & ADMIN	100,000
16.738	Z-06-027495-01	VIOLENT CRIME & DRUG TASK FORCE	TN Dept of Finance & Admin	372,792
16.738	Z-06027531-00	INMATE FOOD SERVICE TRAINING	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	21,620
			Total Edward Byrne Memorial justice assistance grant	<u>503,184</u>
16.744	2006-PG-BX-0088	Anti-Gang Initiative	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	42,695
16.744	2007-PB-BX-0036	Anti-Gang Initiative	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	97,600
			Total anti-gang initiative	<u>140,301</u>

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, 2008

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
17.258	24486	DISPATCHERS ON THE JOB TRAINING	CITY OF MEMPHIS	13,043
17.258	24271	New-Recruit Training	CITY OF MEMPHIS	100,170
17.258	23057	SHERIFF ON THE JOB TRAINING	WIN/CITY OF MEMPHIS	75,874
17.258	23580	SHERIFF ON THE JOB TRAINING	WIN/CITY OF MEMPHIS	80,288
17.258	23910	SHERIFF ON THE JOB TRAINING	WIN/CITY OF MEMPHIS	77,868
			Total WIA adult program	<u>347,243</u>
20.205	Z-07-036299-00	Economic Impact Study	DEPARTMENT OF TRANSPORTATION	221,597
20.205	Z-07-036299-00	Economic Impact Study	DEPARTMENT OF TRANSPORTATION	707,823
20.205	76008-0700410	TRANSPORTATION PLANNING	DEPARTMENT OF TRANSPORTATION	3,851
20.205	76008-0700410	TRANSPORTATION PLANNING	DEPARTMENT OF TRANSPORTATION	241,354
20.205	CM-STP-9409 (89) / 070078	CMAQ RIDESHARE	DEPARTMENT OF TRANSPORTATION	807,466
20.205	CM-NHE-7900-28	CMAQ INTERSECTION IMPVTS GRANT	TDOT	1,908,270
20.205	79-5303-53-004	FTA	TDOT	1,936
20.205	GG-07-20767-00	Transit Planning	TDOT	14,923
			Total highway planning and construction	<u>3,907,220</u>
20.505	MS-80-X008	MDOT SECTION 8	MDOT MEMPHIS AREA RIDESHARE	4,212
20.505	2002421	TDOT	TDOT STP-EN-7900(32)	213,878
			Total federal transit capital investments grant	<u>218,090</u>
20.600	Z-08-200105-00	WTCPSP	State of TN	176,862
20.600	Z-08-023675-00	NETWORK COORDINATOR	TDOT Governor's Highway Safety Office	7,289
			Total state and community highway safety	<u>184,151</u>
20.601	PT-08-23/Z-08-023686-00	MULTI-VIOLATIONS INITIATIVE	TDOT Governor's Highway Safety Office	83,833
20.601	J8-07-04/Z-07-036099-00	DUI Unit Overtime	TDOT Governor's Highway Safety Office	22,822
			Total alcohol traffic safety	<u>106,655</u>
20.600/1	K4-07-281/Z-07-035968-00	HIGH VISIBILITY LAW ENFORCEMENT	TDOT GOVERNOR'S HIGHWAY SAFETY OFFICE	4,342
20.600/5	K4-07-281/Z-07-035685-00	DUI Unit Overtime	TDOT Governor's Highway Safety Office	16,555
20.600/5	PT-07-27/Z-07-036099-00	DUI Unit Overtime	TDOT Governor's Highway Safety Office	15,536
			Total safety incentives	<u>32,091</u>
20.607	Z-08-024028-00	Youth DUI Grant	TDOT Governor's Highway Safety Office	121,455
20.703	GG-07-20453-00	HAZARDOUS MATERIAL EMERG PREP	TEMA	6,684
66.001	A-00408207-1	AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	364,671
66.001	A004082-08-0	AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	1,298,244
			Total air pollution control program support	<u>1,662,915</u>
66.034	PM-964377-05-0	SPECIAL AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	74,326
66.034	PM-96497508-1	SPECIAL AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	25,002
				<u>99,328</u>
66.038	PM-964377-05-1	SPECIAL AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	58,051
81.042	Z-05-021680-05	WEATHERIZATION	DEPARTMENT OF HUMAN SERVICES	578,685
84.184L	Q184L050266	Safe Schools/Healthy Students Grant	U. S. DEPARTMENT OF EDUCATION	13,056
84.184L	Q184L050266-06	Safe Schools/Healthy Students Grant	U. S. DEPARTMENT OF EDUCATION	40,434
			Total Safe and drug-free schools	<u>53,490</u>
84.255A	Q255A030048/Q255A060093	WOMEN IN COMMUNITY SERVICE	U. S. DEPARTMENT OF EDUCATION	361,320
90.201	TN-3052	Brunswick Sewer Project	Delta Regional Authority	90,150
93.008	MRC-07254	MEDICAL RESERVE CORPS	NACCHO	9,248
93.042	GG-08-22690-00	AGING PROGRAM - FAMILY CAREGIVER	TENNESSEE COMMISSION ON AGING	474,967

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, 2008

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
93.043	GG-08-22690-00	SHIP I&A	TENNESSEE COMMISSION ON AGING	281,205
93.043	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	67,200
			Total special programs for the aging	348,405
93.044	GG-08-22690-00	AGING PROGRAM - SUPPORTIVE SERVICES	TENNESSEE COMMISSION ON AGING	1,829,517
93.045	GG-08-22690-00	AGING PROGRAM - NUTRITION SERVICES	TENNESSEE COMMISSION ON AGING	608,800
93.045	GG-08-22690-00	AGING PROGRAM - NSIP	TENNESSEE COMMISSION ON AGING	734,761
93.045	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	49,300
			Total special programs for the aging	1,392,861
93.053	GG-08-22690-00	AGING PROGRAM - NSIP	TENNESSEE COMMISSION ON AGING	328,000
93.086	CFFG-38-06	PROJECT REACHH	US DEPT OF HEALTH & HUMAN SERVICES	9,632
93.086	90FR0095/01	PROJECT REACHH	US DEPT OF HEALTH & HUMAN SERVICES	152,776
93.086	90FR0067-01	PROJECT REACHH	US DEPT OF HEALTH & HUMAN SERVICES	169,743
93.086	90FR0095/02	PROJECT REACHH	US DEPT OF HEALTH & HUMAN SERVICES	201,348
93.086	90FR0095/02	PROJECT REACHH	US DEPT OF HEALTH & HUMAN SERVICES	203,626
			Total healthy marriage promotion	737,125
93.116	GG-08-21314-00	T.B OUTREACH	TN DEPARTMENT OF HEALTH	1,356,079
93.217	GU-08-20993-00	FAMILY PLANNING	DEPARTMENT OF HEALTH	1,202,837
93.243	5H79T116384-02-1	SAMHSA CO-OCCURRENCE	DHHS SUBSTANCE ABUSE & MENTAL HEALTH SERVICES	198,051
93.268	GG-07-21311-00	WIC IMMUNIZATION	TDH	68,710
93.268	GG-08-23836-00	WIC IMMUNIZATION	TDH	65,859
93.268	GG-07-21311-00	IMMUNIZATION	TDH	223,050
93.268	GG-08-23836-00	IMMUNIZATION	TDH	216,973
			Total immunization grants	574,592
93.283	GG-07-12531-00	Central Lab/Bio Terrorism	TDH	10,190
93.283	GG-08-21986-00	Central Lab/Bio Terrorism	TDH	103,044
93.283	GG-08-21892-00	TOBACCO RISK	TDH	84,263
93.283	GG-07-12997-00	HOMELAND SECURITY BIOTERRORISM	DEPARTMENT OF HEALTH	508,970
93.283	GG-08-22636-00	HOMELAND SECURITY BIOTERRORISM	DEPARTMENT OF HEALTH	877,564
93.283	GG-07-12540-00	BREAST & CERVICAL CANCER	DEPARTMENT OF HEALTH	4,554
93.283	GG-08-21230-00	BREAST & CERVICAL CANCER	DEPARTMENT OF HEALTH	83,183
			Total centers for disease control	1,671,768
93.563	GG-07-12365-01	CHILD SUPPORT ENFORCEMENT	DEPARTMENT OF HUMAN SERVICES	14,316,019
93.563	GG-08-22206-00	State IVD - Juvenile Court Clerk	TN DHS	499,493
			Total child support enforcement	14,815,512
93.568	Z-05-021704-00	LIHEAP	DEPARTMENT OF HUMAN SERVICES	5,279,019
93.568	Z-05-021680-05	LIHEAP	DEPARTMENT OF HUMAN SERVICES	415,750
			Total low-income home energy assistance	5,694,769
93.569	Z-05-020698-04	COMMUNITY SCVS BLOCK GRANT	DEPARTMENT OF HUMAN SERVICES	2,392,833
93.600	O4CH3447-40	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	13,076,826
93.600	O4CH3447/41	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	9,624,602
			Total Head Start	22,701,428
93.667	CA075023	CSA-Special Funding	TN DEPARTMENT OF HUMAN SERVICES	25,000
93.778	GG-07-12764-00	INFANT MORTALITY COORDINATOR	BUREAU OF TENNCARE	16,633
93.778	GG-08-235500-00	INFANT MORTALITY COORDINATOR	BUREAU OF TENNCARE	46,667
				63,300
93.914	4 H89HA07940-01-02	HIV Emergency Relief Project Grant	HRSA	4,795,461
93.914	6 H89HA07940-02-01	HIV Emergency Relief Project Grant	HRSA	189,474
93.914	1 H3MHA08475-01-00	MINORITY AIDS INITIATIVE	DHHS-HRSA	49,448
			Total HIV emergency relief projects	5,034,383
93.917	GG-07-21937-00	HIV/AIDS CASE MANAGEMENT	THD	155,482
93.917	GG-08-24788-00	HIV/AIDS CASE MANAGEMENT	THD	56,928
			Total HIV care formula	212,410

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, 2008

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred
93.926	6 H49MC00036-07-02	HEALTHY START INITIATIVE	DHS MATERNAL & CHILD BUREAU	629,464
93.926	5H49MC00036-08-00	HEALTHY START INITIATIVE	DHS MATERNAL & CHILD BUREAU	45,947
			Total healthy start initiative	675,411
93.940	Z-07-038101-00	HIV Prevention	TDH	298,146
93.940	GG-08-23832-00	HIV Prevention	TDH	273,358
93.940	GG-08-24030-00	EXPANDED RAPID HIV TESTING	TDH	55,672
			Total HIV prevention activities	627,176
93.944	Z-07-038101-00	HIV SURVEILLANCE	TDH	65,149
93.944	GG-08-23832-00	HIV SURVEILLANCE	TDH	44,874
			Total human immunodeficiency virus	110,023
93.958	GG-08-21455-00	STATE DEPT OF MENTAL HEALTH & DEV DISAB.	TN DEPARTMENT OF MENTAL HEALTH	78,220
93.977	Z-07-038101-00	CSPS	TDH	200,273
93.977	Z-07-038101-00	SYPHILLIS ELIMINATION	TDH	299,590
93.977	Z-07-038101-00	INFERTILITY	TDH	61,442
93.977	Z-07-038101-00	STATE VD	TDH	108,808
93.977	GG-08-23832-00	STATE STD	TDH	93,364
93.977	GG-08-23832-00	SYPHILLIS ELIMINATION	TDH	146,481
93.977	GG-08-23832-00	CSPS	TDH	184,692
93.977	GG-08-23832-00	INFERTILITY	TDH	70,852
			Total preventive health services	1,165,502
93.991	GG-08-23003-00	PREVENTION INITIATIVE SERVICES	TDH	599,061
93.991	GG-08-20845-00	HEALTH PLANNING	TDH BHS	214,912
93.991	GG-07-12359-00	Health Risk Reduction	TN DEPARTMENT OF HEALTH	5,424
93.991	GG-08-20845-00	Health Risk Reduction	TN DEPARTMENT OF HEALTH	109,469
			Total preventive health and health services	928,866
93.994	GG-08-22227-00	CHILDHOOD LEAD POISONING	HEALTH & HUMAN SERVICES	181,420
93.994	GG-08-21856-00	HUGS - Help Us Grow Successfully	TDH	572,799
93.994	GG-08-20993-00	FAMILY PLANNING	DEPARTMENT OF HEALTH	4,999
93.994	GG-08-20983-00	TOLL FREE BABIES HOTLINE	DEPARTMENT OF HEALTH	20,100
93.994	GG-07-12601-00	CHILDREN'S SPECIAL SERVICES	DEPARTMENT OF HEALTH	814
93.994	GG-08-21316-00	CHILDREN'S SPECIAL SERVICES	DEPARTMENT OF HEALTH	506,095
93.994	GG-08-21316-00	CHILDREN'S SPECIAL SERVICES	DEPARTMENT OF HEALTH	383,710
			Total maternal and child health services	1,669,937
94.002	07SRSTN007	Retired and Senior Volunteer Program	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	60,504
97.004	Z-04-022523-00	DOMESTIC PREPAREDNESS	TEMA	175,020
97.004	GG-07-20953-08	Respondr Preparedness	State of Tennessee/TEMA	145,901
97.004	GG-04-12970-01	FY2004 Office of Domestic Preparedness	TEMA	9,151
			Total state domestic preparedness	330,072
97.006	Z-04-019759-00	CBRNE DRILLS	TEMA	224
97.008	GG-05-11505-02	FY2003 UASI TRAINING	TEMA	2,300
97.008	GG-06-12933-01	2004 UASI	TEMA	2,507,421
			Total urban areas security initiative	2,509,721
97.067	Z-05-025208-03	DOMESTIC PREPAREDNESS	U. S. Department of Homeland Security	1,267,336
97.067	GG-06-11505-01	URBAN AREA SECURITY INITIATIVE	TEMA	134,810
			Total homeland security grant program	1,402,146
97.071	CA070488	MMRS	CITY OF MEMPHIS	109,903
			Total Federal Awards	87,655,071

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, 2008

Contract Number	Program Name	Grantor Agency	State Expenditures Incurred
CA081078	Court Appointed Special Advocates	Tennessee Commission on Children and Youth	\$ 9,000
GU-07-3456	JUVENILE OFF. RESIDENTIAL CARE & TREATMENT	TN DEPARTMENT OF CHILDREN'S SERVICES	6,379,167
TN37B601018	SUPPORTIVE HOUSING PROGRAM		291,442
2002-VF-GX-K015/DG-07-02010-00			44,972
GG-07-12767-00	TENDERCARE OUTREACH	TDH	18,289
GG-08-21197-00	TENDERCARE OUTREACH	TDH	1,090,461
GG-07-12979-00	Juvenile Court GPS Grant	STATE OF TENNESSEE	49,546
TN37B601001	SUPPORTIVE HOUSING PROGRAM	US DEPT OF HUD	21,700
N/A	GIRLS JUMPING IN MEMPHIS	GENERAL MILLS FOUNDATION	(421)
N/A	City Courts Child Safety Seats	CITY OF MEMPHIS CITY COURTS	193,305
22807	Workforce Investment Network	City of Memphis	5,651
23358	Workforce Investment Network	City of Memphis	188,259
CA076047	PRISONER RE-ENTRY INITIATIVE	WIN/VECA CDC	92,376
N/A		TDH	1,156,097
GG-07-12537-00	TENNCARE DENTAL PROGRAM	TENNESSEE DEPARTMENT OF HEALTH	1,408
GG-08-20849-00	TENNCARE DENTAL PROGRAM	TENNESSEE DEPARTMENT OF HEALTH	1,657,121
Z00099343-01/DG-07-02010-00			156,556
N/A	COURTROOM AUDIO-VISUAL ENHANCEMENT	SUPREME COURT OF TN	8,882
2006-EW-AX-K010	COMPASS Training Grant	COMPASS Coordination Inc.	5,500
Z-05-025540-00	Drug Court Support Treatment	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	93,421
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	964,841
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	140,772
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	435,943
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	173,365
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	92,100
GG-07-20996-01/GR-08-22690-01	Aging Program	TENNESSEE COMMISSION ON AGING	51,000
CA084701	Shelby County Drug Court	CITY OF MEMPHIS POLICE DEPARTMENT	224,999
SWC #411	AUTOMATED EXTERNAL DEFIBRILLATOR PLACEMENTS	ASSISI FOUNDATION	49,254
CA-086409	Crash Recovery System	Wal-Mart	1,025
CA086415	Community Enhancement Grant	TN SECRETARY OF STATE	653
Z-08-21044-00	TDOT Roadside Litter Grant	TN Highway Beautification Office	206,816
MAYAHMSCHD2007-1010/CA053261	Methodist Youth Care HIV Program	Meth-LeBonheur Healthcare Foundation	30,636
MAYAHMSCHD2007-1010	Methodist Youthcare	Methodist LeBonheur Healthcare Foundation	18,564
N/A	CSA Special Funding WORLD OVERCOMERS	WORLD OVERCOMERS	242,590
Z-08-020268-00	Tire Recycling	TN DEPARTMENT OF ENVIRONMENT & CONSERVATION	593,584
GG-07-12743-00/22646	Household Hazardous Waste Facility	City of Memphis	549,388
GG-08-20994-00	GRANT-IN AID	TN DOH	917,800
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	1,067,055
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	232,808
GG-08-23541-00	TOBACCO ENDOWMENT	TDH	13,982
N/A	COURTROOM SECURITY & AUDIO-VISUAL GRANT	SUPREME COURT OF TN	73,463
CA076143	City Schools Nursing	CITY BOARD OF EDUCATION	223,186
N/A	Aging Program		22,608
N/A	County Schools Nursing	COUNTY BOARD OF EDUCATION	1,295,605
N/A	COMMUNITY ENHANCEMENT	TN DEPT OF STATE	99,988
N/A	FRIENDS OF SCOUTING/HEALTHFAIR	TN DEPT OF STATE	52,067
Z05025510-00	Shelby County Residential Drug Court Project	TN OCJP	480,837
06-051	Domestic Violence Salon Initiative	The Assisi Foundation of Memphis, Inc.	399
N/A	Chickasaw Basin Authority Operations	STATE OF TENNESSEE	69,876
N/A	DUI Offenders		105,825
N/A	SHELBY FARMS TRAILS GATEWAY IMPROVEMENTS	TDOT	363,380
N/A	At-Risk Youth	Memphis City Schools	1,216,371
N/A	Industrial Development Board	INDUSTRIAL DEVELOPMENT BOARD	658,451
N/A	Industrial Development Board	INDUSTRIAL DEVELOPMENT BOARD	482,232
N/A	ECONOMIC DEVELOPMENT FUND		1,500,000
N/A	Integrated Delivery System	Health Loop - The Regional Medical Center	2,833,008
GR-0823855-00	Endowment Grant - Regional Medical Center Primary & Indigent Care	The Regional Medical Center	5,000,000
		Total state awards	31,937,303
		Total federal and state awards	\$ 119,592,374

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

SHELBY COUNTY, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2008

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	\$ 119,592,374
Add: Expenditures not shown on this schedule	275,552
Less: Expenditures shown in the general fund	(5,000,000)
Less: Expenditures shown in capital projects fund	(213,878)
Less: Transfers out	(6,819,180)
Total grant fund expenditures	<u>\$ 107,834,868</u>

SHELBY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

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 2008-1.
3. No instances of noncompliance material to the financial statements of Shelby County, Tennessee were disclosed during the audit.
4. No significant deficiencies relating to the audit of the 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. The audit did not disclose any audit findings related to major programs that are required to be reported under OMB Circular A-133.
7. The programs tested as major programs included:
 - 66.001 – EPA Air Pollution
 - 93.569 – Community Services Block Grant
 - 93.600 – Head Start
 - 93.914 – HIV Emergency Relief Projects
 - 93.994 – Maternal and Child Health Services
8. The threshold for distinguishing Types A and B programs was \$2,629,652.
9. Shelby County, Tennessee was determined to be a low risk auditee.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2008-1

Condition: Shelby County, Tennessee made a prior period adjustment. In prior years, the County over-funded their actuarial required contribution for their retirement plan which resulted in a net pension asset. However, the asset was not reflected in the proprietary funds or the government-wide financial statements.

Criteria: Accounting principles generally accepted in the United States of America require that net pension assets be reflected as an asset in the proprietary funds and the government-wide financial statements.

Effect: Assets were understated in the prior years on the proprietary fund and the government-wide financial statements.

Recommendation: Net pension assets at year-end should be reviewed to ensure they are accounted for correctly in all funds.

Response: A prior year adjustment was made to reflect the net pension asset at June 30, 2007 and the current year financial statements reflect the adjustments necessary to arrive at the new net pension asset at June 30, 2008.

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

None reported

SHELBY COUNTY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2008

No prior year audit findings were reported.