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

Single Audit Report
For the Year Ended June 30, 2004

SHELBY COUNTY, TENNESSEE

Contents

	Page
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	2-3
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	4-5
Schedule of Expenditures of Federal Awards	6-13
Schedule of Expenditures of State and Other Awards	14-15
Notes to the Schedules of Expenditures of Federal and State and Other Awards	16-17
Schedule of Findings and Questioned Costs	18-19
Summary Schedule of Prior Year Audit Findings	20

THOMPSON DUNAVANT PLC

Independent Auditors Report on Compliance with Requirements Applicable to Each Major Program and 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, 2004. 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 programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on 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, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program

Clark Tower, 5100 Poplar Avenue, Thirtieth Floor • Memphis, TN 38137 • Phone: (901) 685-5575 • Fax: (901) 685-5583
www.thompsondunavant.com

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedules of Expenditures of Federal and State and Other 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 Shelby County, Tennessee, as of and for the year ended June 30, 2004, and have issued our report thereon November 24, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of expenditures of federal and state and other awards are presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Thompson Dunavant PLC

Memphis, Tennessee
November 24, 2004

THOMPSON DUNAVANT PLC

Independent Auditors Report on Compliance and on Internal Control Over Financial Reporting 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, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 24, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements referred to above are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported herein under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Shelby County in a separate letter dated November 24, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying scheduled of findings and questioned costs as item 04-1.

Clark Tower, 5100 Poplar Avenue, Thirtieth Floor • Memphis, TN 38137 • Phone: (901) 685-5575 • Fax: (901) 685-5583
www.thompsondunavant.com

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements referred to above being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated November 24, 2004.

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

Thompson Dunavant PLC

Memphis, Tennessee
November 24, 2004

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
10.550	E-2186	USDA National School Lunch	USDA	$ 563,014	$ -	$ 563,014
10.553		School Breakfast	TN Department of Education	499,817	-	499,817
10.555		School Lunch	TN Department of Education	3,254,326	-	3,254,326
10.557	Z-01-099935-00	WIC Program	TN Department of Health	643,809	-	643,809
10.557	Z-01-099935-00	WIC Program	TN Department of Health	2,040,152	136,076	2,176,228
			Total WIC Program	2,683,961	136,076	2,820,037
10.558	03-47-64-531-00-0	HeadStart CACFP	TN Department of Human Services	625,240	-	625,240
10.565	Z-00-0954426-00	Supplemental Food	TN Department of Health	114,894	-	114,894
10.565	Z-00-0954426-00	Supplemental Food	TN Department of Health	329,381	-	329,381
			Total commodity supplemental food program	444,275	-	444,275
10.568	Z-00096485-00	Commodities Distribution	TN Department of Agriculture	106,129	-	106,129
10.568	Z-00096485-00	Commodities Distribution	TN Department of Agriculture	33,589	-	33,589
			Total food donation	139,718	-	139,718
12.300		Navy R.O.T.C. Reimbursement	U.S. Department of the Navy	49,541	-	49,541
14.218	B94-UC-47-0002	Community Development Block	HUD	94,614	-	94,614
14.218	B98-UC-47-0002	Community Development Block	HUD	480,239	71,015	551,254
14.218	B96-UC-47-0002	Community Development Block	HUD	274,363	-	274,363
14.218	B97-UC-47-0002	Community Development Block	HUD	777,034	-	777,034
14.218	H3-92-TN-0004-I-A	Hope 3	HUD	229	-	229
			Total community development block grant program	1,626,479	71,015	1,697,494
14.231	TN37D150799	Emergency Mental Health & Detox Program	HUD	261,485	10,000	271,485
14.239	M98-UC-47-0205	Home Entitlement	HUD	36,520	-	36,520
14.239	M96-UC-47-0205	Home Entitlement	HUD	26,769	-	26,769
14.239	M97-UC-47-0205	Home Entitlement	HUD	333,640	-	333,640
14.239		HUD City - Housing Lead Paint	HUD	50,597	-	50,597
			Total home program	447,526	-	447,526
14.900	TN-LAG002794	Lead Base Paint	HUD	175,719	-	175,719
14.900	GG-01-088-09-02	HUD Lead Base Paint City	TN Department of Health	52,465	-	52,465
			Total lead base paint program	228,184	-	228,184

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
16.007	Z-03-014476-00	USDOJ WMD	TN Emergency Management Agency	$ 350,000	$ -	$ 350,000
16.007	GG-0209210-00	Weapons of Mass Destruction	TN Emergency Management Agency	154,902	-	154,902
			Total program	504,902	-	504,902
16.202	GG-0310183-00	Serious and Violent Offenders	TN Department of DCS	90,072	-	90,072
16.523	GG-04-10637-00	Juvenile Accountability Incentive Block Grant	TN Commission on Children & Youth	447,328	-	447,328
16.523	GG-03-09985-00	Juvenile Accountability Incentive Block Grant	TN Commission on Children & Youth	418,964	-	418,964
			Total juvenile accountability incentive block grant program	866,292	-	866,292
16.579	Z99088264-00	Residential Substance Abuse	TN Office of Criminal Justice Programs	75,993	-	75,993
16.579	Z99088311-01	Exchange Club Byrne Grant	TN Office of Criminal Justice Programs	85,000	-	85,000
16.579	GG-02-09210-00	Mentally Ill Inmates	TN Department of Mental Health Services	76,945	-	76,945
16.579	Z99088249-00	Mentally Ill Inmates	TN Department of Mental Health Services	47,541	-	47,541
16.579	CA12445	Residential Substance Abuse	TN Office of Criminal Justice Programs	-	29,422	29,422
16.579	CA12445	Residential Substance Abuse	TN Office of Criminal Justice Programs	303,777	-	303,777
16.579	CA012133	Women in Construction	Edward Byrne Memorial	-	1,204	1,204
			Total Byrne formula grant program	589,256	30,626	619,882
16.580	Z99088338-00	W. TN Drug & Violent Crimes Task Force	TN Office of Criminal Justice Programs	511,832	-	511,832
16.582	Z00099344-01	Bilingual Victim Advocate	TN Office of Criminal Justice Programs	38,044	-	38,044
16.582	Z00099343-01	Homicide Response Team	TN Office of Criminal Justice Programs	136,240	-	136,240
16.582	2002-VF-GX-K015	Linking Neighborhoods	U.S. Department of Justice Office for Victims of Crime	10,550	-	10,550
16.582	2002-VF-GX-K015	Linking Neighborhoods	U.S. Department of Justice Office for Victims of Crime	65,545	-	65,545
16.582	Z-00001401-01	First Step to Safety/Violence Against Women	Department of Finance & Administration	64,242	-	64,242
			Total crime victim assistance/ discretionary grant	314,621	-	314,621
16.592	2003LB-BX-2210	Local Law Enforcement Block Grant	U.S. D.O.J. Bureau of Justice Assistance	380,868	-	380,868
16.592	2001LB-BX-3647	Local Law Enforcement Block Grant	U.S. D.O.J. Bureau of Justice Assistance	226,329	-	226,329
16.592	2002LB-BX-2232	Local Law Enforcement Block Grant	U.S. D.O.J. Bureau of Justice Assistance	816,516	-	816,516
			Total local law enforcement block grant program	1,423,713	-	1,423,713

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
16.609	2003-GP-CX-0515	PSN Programs Attorney General	U.S. D.O.J. Bureau of Justice Assistance	$ 103,475	$ -	$ 103,475
16.609	2001GPCX0013	OJP Gun Violence	U.S. Department of Justice	97,655	-	97,655
			Total	201,130	-	201,130
16.710	95CCWX0301	Community Oriented Policing Services	Department of Justice	49,567	-	49,567
17.250	99-14-999-231-77-10	Job Training Partnership	Department of Labor	1,415,483	170,643	1,586,126
17.250	GG-03-09688-00	TennCare Dental Prevention	Department of Health	10,132	-	10,132
			Total	1,425,615	170,643	1,596,258
20.205		Transportation Planning-Traffic Model	TN Department of Transportation	148,613	-	148,613
20.205	Z98-084156-00	Transportation Planning	TN Department of Transportation	221,186	14,582	235,768
20.205	M-STP-9409(43)	Transportation Planning	TN Department of Transportation	602,502	91,862	694,364
20.205		Metropolitan Planning-FTA	TN Department of Transportation	12,710	2,420	15,130
20.205		Metropolitan Planning-FTA	TN Department of Transportation	3,434	695	4,129
20.205	CM-STP9409(66)	CMAQ Rideshare	TN Department of Transportation	375,870	43,593	419,463
20.205	STPM9409(53)	CMAQ Rideshare	TN Department of Transportation	43,575	9,898	53,473
20.205	76008-0700410	Transportation Planning	TN Department of Transportation	34,765	6,795	41,560
20.205	GG-00-08-08495	CTAP	State of Tennessee	23,381	-	23,381
20.205		MDOT Section 8	Mississippi Dept. of Transportation	57,810	-	57,810
20.205		CMAQ MSTO	Department of Transportation	121,019	-	121,019
20.205	CM-NHE-7900-28	CMAQ Intersection Improvements	TN Department of Transportation	481,110	-	481,110
			Total metropolitan planning program	2,125,975	169,845	2,295,820
20.600	PT-04-05	Highway Safe 64	TN Department of Transportation	33,897	-	33,897
20.600		State and Community Highway Safety	TN Department of Transportation	53,017	-	53,017
			Total state and community highway safety	86,914	-	86,914
47.076		Gender Equity	National Science Fund	197,332	-	197,332
66.001	A00408204-1	Air Pollution	Environmental Protection Agency	947,822	196,746	1,144,568
66.001	A00482-00-1	Air Pollution	Environmental Protection Agency	311,332	64,723	376,055
			Total air pollution control program	1,259,154	261,469	1,520,623

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
66.034	PM-97475903	Special Air Pollution Section 103	Environmental Protection Agency	$ 49,745	$ -	$ 49,745
66.034	PM-97475903	Special Air Pollution Section 103	Environmental Protection Agency	128,736	-	128,736
			Total special air pollution program	178,481	-	178,481
66.951		Sweep	Environmental Protection Agency	39,746	-	39,746
81.042	Z-04-016068	Weatherization	Department of Human Services	1,041,687	-	1,041,687
83.524	N14502/CA013024	Biological Response	TN Department of Health & Human Services	15,839	-	15,839
83.564	Z-03-015515-00	Community Emergency Response Team	TN Emergency Management Agency	16,139	-	16,139
84.010		EDUC Deprived Children	TN Department of Education	1,779,558	-	1,779,558
84.027		EDUC of Handicapped Children	TN Department of Education	5,964,670	-	5,964,670
84.041	52-TN-95-E-0001	Public Law 874	U.S. Department of Education	113,859	-	113,859
84.048		Carl Perkins Vocational	TN Department of Education	499,200	-	499,200
84.168		Eisenhower Professional Development	TN Department of Education	1,174,979	-	1,174,979
84.173A		Preschool	TN Department of Education	130,570	-	130,570
84.184E		LINKSS	TN Department of Education	96,828	-	96,828
84.186A		Drug Free Schools	TN Department of Education	105,096	-	105,096
84.195B		On Track	TN Department of Education	88,204	-	88,204
84.213C		Even Start	TN Department of Education	98,900	-	98,900
84.255A	CA992356	Women in Community Service	U.S. Department of Education	168,917	-	168,917
84.255A	CA012556	Women in Community Service II	U.S. Department of Education	120,893	-	120,893
			Total women in community service program	289,810	-	289,810

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
84.287C		21st Century Community Learning Centers	TN Department of Education	$ 129,850	$ -	$ 129,850
84.293B		Project USA	TN Department of Education	40,448	-	40,448
84.298		Innovative Education Program Strategies	TN Department of Education	417,659	-	417,659
93.041	GG607170600	Aging Program -Elder Abuse Prevention	TN Commission on Aging	1,470	7,000	8,470
93.042	GG607170600	Aging Program - Ombudsman Services	TN Commission on Aging	44,166	-	44,166
93.042	C6-02-09316-00	Aging Program-Preventive Health	TN Commission on Aging	350,711	-	350,711
			Total	394,877	-	394,877
93.044	GG607170600	Aging Program - Supportive Services	TN Commission on Aging	1,920,119	33,968	1,954,087
93.044	C6-02-09316-00	Aging Program - Supportive Services	TN Commission on Aging	5,000	-	5,000
			Total program	1,925,119	33,968	1,959,087
93.045	GG607170600	Aging Program - Nutrition Services	TN Commission on Aging	1,206,329	-	1,206,329
93.052	C6-02-09316-00	Aging Program-Family Caregiver	TN Commission on Aging	150,943	-	150,943
93.053	C6-02-09316-00	Aging Program-NSIP	TN Commission on Aging	351,518	-	351,518
93.053	C6-02-09316-00	Aging Program-Preventive Health	TN Commission on Aging	56,888	-	56,888
			Total program	408,406	-	408,406
93.116	GG-04-10467-00	TB Outreach	Department of Health	890,034	326,535	1,216,569
93.116	GG-00-08447-00	TB Outreach	Department of Health	80,384	-	80,384
			Total tuberculosis outreach program	970,418	326,535	1,296,953
93.197	GG-04-10467-00	CDC Lead Grant - Childhood Poisioning	Department of Health & Human Services	260,535	19,062	279,597
93.243	CD984508-98-0	Wetlands Grant-Regional Services	Environmental Protection Agency	222,571	-	222,571
93.252	GG920A00016-02	Community Access Program	Department of Health	353,537	-	353,537

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
93.268	GG-01-08809-00	WIC Immunization	Department of Health	$ 949	-	$ 949
93.268	GG-01-08809-00	Immunization	Department of Health	7,170	-	7,170
93.268	GG-04-10467-00	Immunization	Department of Health	416,222	-	416,222
93.268	GG-04-10467-00	WIC Immunization	Department of Health	122,470	-	122,470
			Total immunization program	546,811	-	546,811
93.283	GG-04-10467-00	Tobacco Risk	Department of Health	89,588	3,116	92,704
93.283	GG-02-09229-04	Homeland Security Bioterrorism	Department of Health	10,202	-	10,202
93.283	GG-04-10467-00	Homeland Security Bioterrorism	Department of Health	494,419	38,258	532,677
93.283	GG-01-08913-00	Central Lab/Bio Terrorism	TN Department of Health	24,942	-	24,942
93.283	GG-04-10468-01	CDC Antiterrorism Grant Central Lab/Bioterrorism	TN Department of Health	29,398	81,900	111,298
93.283	GG-04-10623-00	CDC State Mosquito Research	TN Department of Health	45,000	-	45,000
			Total CDC-investigations and technical assistance program	693,549	123,274	816,823
93.558		Early Childhood	TN Department of Education	64,584	-	64,584
93.563	GG04-10389-00	Child Support IV-D	Department of Human Services	7,767,727	1,301,482	9,069,209
93.568	Z-04-016047	LIHEAP	Department of Human Services	4,290,335	-	4,290,335
93.568	Z-04-016068	LIHEAP Weatherization	Department of Human Services	462,146	-	462,146
			Total LIHEAP program	4,752,481	-	4,752,481
93.569	Z04-015776-0	Community Services Block Grant	Department of Human Services	2,635,336	-	2,635,336
93.600	O4CH3447	HeadStart	Dept. of Health & Human Services	10,534,423	-	10,534,423
93.600	O4CH3447	HeadStart	Dept. of Health & Human Services	9,326,111	-	9,326,111
			Total HeadStart program	19,860,534	-	19,860,534
93.779		Health Loop Information Project	Department of Health	425,855	-	425,855
93.879		HIV/STD Best Prevention Practice	Department of Health & Human Services	10,736	-	10,736
93.879	IG08LM07383-01	NIH Medical Library	Department of Health & Human Services	8,160	-	8,160
			Total HIV/STD Prevention Program	18,896	-	18,896

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
93.917	GG-04-11155-0	HIV Case Management	Department of Health	$ 39,002	$ 9,959	$ 48,961
93.917	GG-01-09020-00	HIV Case Management	Department of Health	144,502	41,525	186,027
			Total HIV case formula grant program	183,504	51,484	234,988
93.918		Early Intervention	Department of Health	400,000	-	400,000
93.926E	6H49MC00036-04	Healthy Start Initiative	U.S. Department of Health & Human Services	462,523	1,165	463,688
93.926E	6H49MC00036-04	Healthy Start Initiative	U.S. Department of Health & Human Services	32,891	119	33,010
			Total healthy start initiative program	495,414	1,284	496,698
93.940/ 93.943	Z-04-019750-00	HIV	TN Department of Health	300,030	78,076	378,106
93.940/ 93.944	Z-00-002606-00	HIV	Department of Health	372,333	139,952	512,285
93.945	GG-04-10901-00	Heart Disease/Stroke Media Campaign	TN Department of Health	17,000	-	17,000
93.959	GG-01-08809-00	Alcohol & Drug Program	Department of Health	10,950	-	10,950
93.959/ 93.991	GG-04-10902-00	Community Prevention Initiative for Children	TN Department of Health	152,356	781	153,137
93.959/ 93.991	03-04-GPI-10	Community Prevention Initiative for Children	Memphis & Shelby County Children's Community Services	25,330	1,421	26,751
			Total Comm. Prev. Initiative	177,686	2,202	179,888
93.977	GG-01-08809-01	State VD	Department of Health	1,128	-	1,128
93.977	GG-04-10462-00	State VD	Department of Health	1,073,941	422,129	1,496,070
			Total state VD program	1,075,069	422,129	1,497,198
93.991	GG-00-08447-00	Health Risk Reduction	TN Department of Health	5,894	-	5,894
93.991	GG-03-09688-00	Health Risk Reduction	TN Department of Health	112,071	2,138	114,209
			Total health risk reduction	117,965	2,138	120,103

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2004

CFDA	Contract Number	Program Name	Grantor or Pass-Through Agency	Federal Expenditures Incurred	Non-Federal Expenditures Incurred	Total Grant Expenditures Incurred
93.994	GG-04-10467-00	Childrens Special Services	Department of Health & Human Services	$ 370,861	$ 58,668	$ 429,529
97.006	Z-04-019759-00	CBRNE Drills	Department of Homeland Security	4,031	-	4,031
97.042	Z-03-017800	CBRNE Search and Rescue	Department of Homeland Security	127,109	-	127,109
97.051	Z-03-015213-00	Basic Emergency Operations Plan	TN Department of Military	15,062	-	15,062
			Total federal awards	$ 79,018,456	$ 3,416,928	$ 82,435,384

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of State and Other Awards
For the Year Ended June 30, 2004

Contract Number	Program Name	Grantor Agency	Grant Cost Incurred
	Chores	Memphis Health Center, Inc.	$ 31,879
	City Police Drug Court	Memphis Police Dept.	150,000
	City Courts Child Safety Seats	City of Memphis City Courts	185,654
CA011899	United Way HIV Nutrition	United Way of Midsouth	117,182
01-082	Truancy Initiative	Assisi Foundation	11,463
	Chickasaw Basin Authority Operations	TN Department of Health	69,521
CHB1221	Roadside Litter Grant	TN Department of Transportation	329,136
GG-03-09688-00	Children's Special Services	TN Department of Health	2,234
GG-03-9688-00	Adolescent Pregnancy Prevention	TN Department of Health	771
GG-04-10467-00	Care Coordination Services	TN Department of Health	415,079
Agreement	County School Nurses	City Board of Education	882,078
	Integrated Delivery System	Health Loop-The Regional Medical Center	3,508,870
Agreement	Landfill Recycling	TN Department of Environment & Conservation	60,210
CA054032	HOPWA Program	City of Memphis	16,250
	MEDSTAR Project	Durham Foundation	37,000
	Detox	City of Memphis Police Department	59,855
	TennCare EPSDT	Department of Health	1,699,215
99021	Elder Financial Abuse	Durham Foundation	5,528
GG-10731-00	Osmose, Inc. TIIP Grant	TN Department of Economic & Community Development	456,728
GG-04-10467-00	Home Visiting Services	TN Department of Health	144,740
Z-03-011369-00	Tire Recycling	TN Department of Environment & Conservation	669,205
	Lanfill Recycling	TN Department of Environment & Conservation	31,510
GG-04-10467-00	Breast and Cervical Cancer	TN Department of Health	58,092
Agreement	Landfill Recycling	TN Department of Environment & Conservation	917,800

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

SHELBY COUNTY, TENNESSEE

Schedule of Expenditures of State and Other Awards (Continued)
For the Year Ended June 30, 2004

Contract Number	Program Name	Grantor Agency	Grant Cost Incurred
	Durham Foundation Sr. Needs Assessment	H.W. Durham Foundation	$ 5,000
	Robert Wood Johnson Health	Robert Wood Johnson Foundation	7,290
	Robert Wood Johnson Health	Robert Wood Johnson Foundation	58,130
GG-04-10467-00	Health Planning	TN Department of Health	841,544
GG-04-10467-00	Family Planning STD	TN Department of Health	238,650
C6-02-09316-00	Aging Program-State Public Guardianship	TN Commission on Aging	179,381
C6-02-09316-00	Aging Program-State HCBS	TN Commission on Aging	967,058
C6-02-09316-00	Aging Program-State Seniors Center	TN Commission on Aging	111,883
C6-02-09316-00	Aging Program-State Waiver	TN Commission on Aging	101,734
C6-02-09316-00	Aging Program-State Public Guardianship	TN Commission on Aging	55,500
C6-02-09316-00	Aging Program-State Public Guardianship	TN Commission on Aging	101,700
6-01-08809-01	Newborn Outreach	TN Department of Health	40,100
CHB841	Roadside Litter Grant	Department of Transportation	7,029
	METH-LEB Youthcare HIV	Methodist-LeBonheur Healthcare Foundation	15,863
	METH-LEB Youthcare HIV	Methodist-LeBonheur Healthcare Foundation	37,654
	CSA-Special Funding	TN Department of Human Services	1,268
	Industrial Development Board	Industrial Development Board	455,807
	Memphis City School of Nursing	Memphis City Schools Board of Education	166,996
	Memphis City School of Nursing	Memphis City Schools Board of Education	166,871
	Aging Program	Aging Commission of the Mid South	36,612
98-14-999-114-99-85	Dental Clinic	TN Department of Health	16,860
		Total state and other awards	$ 13,472,930

The accompanying notes are an integral part of the schedules of expenditures of federal and state and other awards.

Note 1 - Basis of presentation

The schedules of expenditures of federal and state and other awards include the transactions related to the receipt of federal awards by Shelby County, Tennessee (the "County") and its component units receiving federal awards that do not issue separate financial statements under OMB Circular A-133. Accordingly, the Shelby County Board of Education and the Shelby County Healthcare Corporation, both component units of the County, are included in the schedule for the year ended June 30, 2004. The schedule also includes transactions of the County related to the receipt of state awards and designated contributions from individuals, corporations, foundations, and other groups. Such state awards and designated contributions received by the County's component units are not included in the schedule of expenditures of federal awards.

The schedules of expenditures of federal and state and other awards are prepared 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 schedules of expenditures of federal and state and other awards to the financial statements

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

Totals per Grant Activity Schedule:	
Federal expenditures	$ 79,018,456
Non-federal expenditures	3,416,928
State and other grants	13,472,930
Total Board of Education grants	(15,361,198)
Total Shelby County Healthcare Corporation	(1,179,392)
Transfers to other funds	(5,141,176)
Total to agree to general ledger	$ 74,226,548

Note 3 - Non-cash assistance

Non-cash assistance is included in the schedules of expenditures of federal and state and other awards. The amount received and expended in the current year is $608,028 and $702,732, respectively.

Note 4 - Program types

The threshold for distinguishing types A and B programs was $2,370,554.

A. Summary of Audit Results

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

2. One reportable condition disclosed during the audit of the financial statements is reported in the Report on Compliance on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in accordance with Government Auditing Standards. This was not reported as material weaknesses.

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

4. No reportable conditions or material weaknesses were noted during the audit of the major federal award programs.

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 OMB Circular A-133 are reported in this schedule. 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:

14.231	Emergency Mental Health Detox
16.592	Local Law Enforcement Block Grant
93.283	Homeland Security
93.600	HeadStart
93.041	Aging Program - Elder Abuse
93.042	Aging Program - Ombudsman
93.044	Aging Program - Supportive Services
93.045	Aging Program - Nutrition Services
93.052	Aging Program - Family Caregiver
93.053	Aging Program - Preventative Health

8. The threshold for distinguishing Types A and B programs was $2,370,554.

9. Shelby County, Tennessee was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

Reportable Conditions

04-1 Prior period adjustment - Shelby County Board of Education

Condition: Beginning balances of buildings included a data entry error related to Germantown Middle School.

Criteria: Accurate data entry and timely review thereof are imperative to ensure that fixed asset records are meaningful and reliable.

Effect: The cost of buildings and related depreciation expense at the beginning of the year were overstated due to the inclusion of this data entry error.

Recommendation: We recommend that the Shelby County Board of Education utilize a separate module of their fixed asset depreciation software to record and track building costs in lieu of the presently used excel spreadsheet. This module can generate monthly building cost and depreciation reports that should be reviewed timely to identify potential data entry errors that could occur.

Response: We concur with the above comments and the recommendations are being implemented.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

NONE

SHELBY COUNTY, TENNESSEE

Summary Schedule of Prior Year Audit Findings
June 30, 2004

There were no prior year audit findings.