

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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 16, 2012. 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., 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

Management of the County is responsible for establishing and maintaining effective 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.

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

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

Compliance and Other Matters

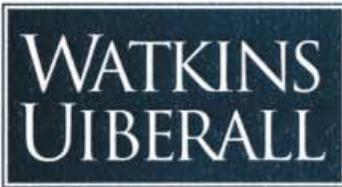
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 November 16, 2012.

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 Uihornall, PLLC
Banks, Jolly, White & Co.

Memphis, Tennessee
November 16, 2012



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

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

Compliance

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, 2012. 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.

The County's basic financial statements include the operations of the Shelby County Board of Education, which received \$40,829,206 in federal awards which is not included in the schedule during the year ended June 30, 2012. 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 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, 2012.

Internal Control Over Compliance

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 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.

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

This report is intended solely for the information and use of the 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 Winans, PWC
Banks, Jolly, White Co.*

Memphis Tennessee
November 16, 2012

SHELBY COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2012

CFDA #	CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
10.557	GG-10310750	WIC PROGRAM	TN DEPT OF HUMAN SERVICES	3,545,718
10.557	GG-1133744	WIC PROGRAM	TN DEPT OF HUMAN SERVICES	<u>1,237,096</u>
				4,782,814
10.565	34353-02710	CSFP	TN DEPT OF HUMAN SERVICES	331,958
10.565	34353-02710	CSFP	TN DEPT OF HUMAN SERVICES	<u>117,053</u>
				449,011
10.568	DG-11-34278	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	54,531
10.568	DG-12-36607	COMMODITIES DISTRIBUTION	DEPT OF AGRICULTURE	<u>99,786</u>
				154,317
14.218	B-04-UC-47-002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	128,401
14.218	B-05-UC-47-0002	CDBG	DEPT OF HOUSING AND URBAN DEVELOPMENT	467,319
14.218	B-U6-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	608,313
14.218	B-02-UC-47-0002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	1,752
14.218	B-03-UC-47-002	COMMUNITY DEVELOPMENT BLOCK	DEPT OF HOUSING AND URBAN DEVELOPMENT	241,832
14.218	B-10-UF-47-0001	May 2010 DISASTER DECLARATION	US DEPT OF HOUSING AND URBAN DEVELOPMENT	231,593
14.218	B-08-UN-47-0001	AFFORDABLE HOUSING	DEPT OF HOUSING AND URBAN DEVELOPMENT	<u>302,346</u>
				1,981,556
14.235	TN0126B4J010900	2009 SUPPORTIVE HOUSING PROGRAM	US DEPT OF HOUSING AND URBAN DEVELOPMENT	166,833
14.235	TN0112B4J011002	SUPPORTIVE HOUSING PROGRAM	DEPT OF HOUSING AND URBAN DEVELOPMENT	149,260
14.235	TN0112B4J011103	SUPPORTIVE HOUSING PROGRAM	DEPT OF HOUSING AND URBAN DEVELOPMENT	<u>80,301</u>
				396,394
14.239	M-09-UC470205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	53,621
14.239	M10UC47002	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	127,701
14.239	MO6UC470205	HOME ENTITLEMENT	DEPT OF HOUSING AND URBAN DEVELOPMENT	<u>242,329</u>
				423,651
14.240	H3-92-TN-0004-I-A	HOPE 3	DEPT OF HOUSING AND URBAN DEVELOPMENT	95,841
14.703	TNRIP0089-11	SUSTAINABLE COMMUNITIES REGIONAL PLANNING GRANT	HUD	5,262
14.900	TNLHB0442-09	LEAD HAZARD CONTROL	DEPT OF HOUSING AND URBAN DEVELOPMENT	1,324,118
14.900	23372/CA071794	CITY OF MEMPHIS - HOUSING & COMMUNITY DEVELOPMENT	CITY OF MEMPHIS - HOUSING & COMMUN DEVELOPMENT	57,714
14.900	CD90050/CA071794	CITY OF MEMPHIS - HOUSING & COMMUNITY DEVELOPMENT	CITY OF MEMPHIS - HOUSING & COMMUN DEVELOPMENT	105,854
14.900	28887	CITY OF MEMPHIS - HOUSING & COMMUNITY DEVELOPMENT	CITY OF MEMPHIS - HOUSING & COMMUN DEVELOPMENT	66,863
14.900	TNLHB0342-06	LEAD BASE PAINT REDUCTION	DEPT OF HOUSING AND URBAN DEVELOPMENT	<u>36,841</u>
				1,591,390
16.000	TN0790000	FEDERAL EQUITABLE SHARING AGREEMENT	DEPT OF JUSTICE/US TREASURY	484,194
16.523	GG-09-26155-00	CHILD & FAMILY INTERVENTION	TN DEPT OF CHILDREN'S SERVICES	67,625
16.523	GG1133945	Juvenile Justice System	TN COMMISSION ON CHILDREN & YOUTH	90,721
16.523	31601-01712 / 29026	JUVENILE ACCOUNTABILITY BLOCK GRANT	TN COMMISSION ON CHILDREN & YOUTH	<u>105,692</u>
				264,038
16.540	DG-09-24074-00	JUVENILE JUSTICE FEDERAL FORMULA	TCCY	2,853

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, 2012

CFDA #	CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
16.556	2008-DD-BX-0282	OPERATION SAFE COMMUNITY	US DOJ OJP	2,927
16.575	2009-SB-B9-2466	JAG - ARRA	US DOJ - OJP	763,662
16.580	2010-DD-BX-0574	OPERATION SAFE COMMUNITY	UNIVERSITY OF MEMPHIS	296,139
16.585	2011-DC-BX-0030	Adjult Drug Court Enhancement	USDOJ OJP BJA	1,839
16.590	2011-WE-AX-K002.	BIUEPRINT DEMONSTRATION PROJECT	DEPT OF JUSTICE	75,841
16.590	2008-WE-AX-0037	ARREST POLICIES	USDOJ-OVAW	670,132
				<u>745,773</u>
16.609	2008-GP-CX-0056	PROJECT SAFE NEIGHBORHOOD	UNITED STATE DEPT OF JUSTICE	72,073
16.609	2009-GP-BX-0069	GUN-CRIME REDUCTION	U OF M VIA US DOJ BJA	16,988
				<u>89,061</u>
16.730	2010-MU-MU-K005	AG CHILDREN EXPOSED TO VIOLENCE	US OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	49,957
16.738	2011-DJ-BX-3445	EDWARD BYRNE JUSTICE ASSISTANCE GRANT	USDOJ BUREAU OF JUSTICE ASSISTANCE	804,529
16.738	2009-DJ-BX-0421	EDWARD BYRNE JUSTICE ASSISTANCE GRANT	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	394,449
16.738	4034	EDWARD BRYNE MEMORIAL JUSTICE ASST. GRANT	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	478,072
				<u>1,677,050</u>
16.801	704 / 79000 / 952-85	SENIOR VICTIM ADVOCATE	OFFICE OF CRIMINAL JUSTICE PROGRAM	45,781
16.801	704 / 79000 / 952-85	DOMESTI C VIOLENCE COURT ADVOCATE	OFFICE OF CRIMINAL JUSTICE PROGRAM	40,437
				<u>86,218</u>
16.803	GG1028271 / GR1028045	CRIMINAL JUSTICE/MENTAL HEALTH LIAISON	TN DMHDD	106,065
16.803	2010-DJ-BX-1563	EDWARD BYRNE JUSTICE ASSISTANCE GRANT	US DEPT OF JUSTICE OFFICE OF JUSTICE PROGRAMS	872,599
16.803	PENDING	RE-ENTRY PROGRAMMING FOR FEMALE DEFENDANTS	TN OFFICE OF CRIMINAL JUSTICE PROGRAMS	137,398
				<u>1,116,062</u>
16.812	2009-CZ-BX-0044	SECOND CHANGE GRANT	US DEPT OF JUSTICE THRU CITY OF MEMPHIS	97,420
17.274	09-A200-LBDU-4123-5YB00-000	YOUTHBUILD	US DEPT OF LABOR/EMPLOYMENT AND TRAINING ADMINISTRATION	1,830
20.205	Z-07-036299-00	TRANSPORTATION PLANNING	DEPARTMENT OF TRANSPORTATION	207,787
20.205	GG1237135	TRANSPORTATION PLANNING	DEPARTMENT OF TRANSPORTATION	768,017
20.205	76008-0700410	MDOT PL GRANT	MDOT	159,322
20.205	17233	MDOT PL GRANT	MDOT	43,887
20.205	080030/CA092843	RIDESHARE PROGRAM	TN DEPT OF TRANSPORTATION	663,980
20.205	CM-NHE-7900-28 / 110106	CMAQ INTERSECTION IMPVTS GRANT	TN DEPT OF TRANSPORTATION	456,334
20.205	080064 / 110689.00	SAFE ROUTES TO SCHOOL	DEPARTMENT OF TRANSPORTATION	3,987
20.205	GG-07-26824-00	TRANSIT PLANNING	TN DEPT OF TRANSPORTATION	20,231
				<u>2,323,525</u>
20.800	PT-11-23	GHSO NETWORK COORDINATOR	TN DEPT OF TRANSPORTATION GOVERNOR'S HIGHWAY SAFETY OFFICE	7,486
20.800	Z11GHS293	TRAFFIC DIVISION EQUIPMENT	TN DEPT OF TRANSPORTATION GOVERNOR'S HIGHWAY SAFETY OFFICE	45,812
				<u>53,298</u>
20.703	GG-11-03-09	HAZARDOUS EMENRGENCY MATERTIAL PROGRAM (HEMP)	LEPC	4,912

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, 2012

CFDA #	CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
66.001	A-00408210-0	AIR POLLUTION	DEPT OF HEALTH & HUMAN SERVICES	426,449
66.001	A-00408210-0	AIR POLLUTION	DEPT OF HEALTH & HUMAN SERVICES	<u>248,598</u>
				675,047
66.034	PM-96497508-4	SPECIAL AIR POLLUTION	ENVIRONMENTAL PROTECTION AGENCY	57,839
66.818	BF-95463110-0	WOLF RIVER BROWNFILEDS ASSESSMENT PROJECT	EPA	110,635
81.042	Z-10-000413	WEATHERIZATION	DEPARTMENT OF HUMAN SERVICES	815,006
81.128	DE-SC0002241	ENERGY EFFICIENCY CONSERVATION BLOCK GRANT	OFFICE OF SUSTAINABILITY	239,214
90.201	TN-3052	BRUNSWICK SEVER PROJECT	DELTA REGIONAL AUTHORITY	738,546
93.008	MRC-080150	MEDICAL RESERVE CORPS	NACCHO	4,017
93.041	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	55,029
93.042	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	67,797
93.043	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	2,337,763
93.043	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	<u>125,945</u>
				2,463,708
93.044	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	374,729
93.045	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	1,627,376
93.045	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	446,738
93.045	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	<u>21,613</u>
				2,095,727
93.053	GG-08-22690-00	AGING PROGRAM	TENNESSEE COMMISSION ON AGING	291,267
93.086	90FR0095/03	PROJECT REACHIH	PROMOTING RESPONSIBLE FATHERHOOD	182,768
93.086	90FR0067-03	PROJECT REACHIH	PROMOTING RESPONSIBLE FATHERHOOD	134,092
93.086	90FK0037-01-00	MOST	DEPARTMENT OF HEALTH	<u>229,182</u>
				546,042
93.104	GG1238239/CA1214097	JUST CARE FAMILY NETWORK	TN DEPARTMENT OF MENTAL HEALTH	95,348
93.116	GG-12-36329	T.B OUTREACH	TN DEPARTMENT OF HEALTH	1,390,398
93.136	GG-08-16-10 / GG-10-27376.01	MSARC - RAPE PREVENTION EDUCATION	TN DEPT OF HUMAN SERVICES	10,889
93.243	1H79TI021892-01	EAIT PROGRAM	SAMSHA	236,882
93.243	1H79TI021892-01	EAIT PROGRAM	SAMSHA	<u>55,802</u>
				292,684
93.268	GG11-35004	WIC IMMUNIZATIONS	TN DEPT OF HEALTH	25,644
93.268	GG1032454	IMMUNIZATIONS	TN DEPT OF HUMAN SERVICES	257,214
93.268	2H49MC00036-10-00	HEALTHY START INITIATIVE	DHHS SUBSTANCE ABUSE & MENTAL HEALTH SERVICES	<u>669,877</u>
				952,735

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, 2012

CFDA #	CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
93.283	GG-08-21988-00	CENTRAL LAB/BIO TERRORISM	TN DEPT OF HUMAN SERVICES	97,908
93.283	GG-09-26536-00	TOBACCO RISK	TN DEPT OF HUMAN SERVICES	47,189
93.283	343.60-316-10	ENVIRONMENTAL HLTH SVCS	DEPARTMENT OF HEALTH	932,578
93.283	GG-1134553	CITY READINESS INITIATIVE	TN DEPT OF HEALTH	122,248
93.283	GG-09-25432-00	BREAST & CERVICAL CANCER	DEPARTMENT OF HEALTH	1,780
				<u>1,201,703</u>
93.563	GG-09-22206-00/RFS # 34530-20811/GG TITLE IV-CHILD SUPPORT		DEPT OF HUMAN SERVICES	417,018
93.568	GG-12-36994	LIHEAP	DEPARTMENT OF HUMAN SERVICES	10,530,668
93.569	Z-10-000115	COMMUNITY SCVCS BLOCK GRANT	TN DEPT OF HUMAN SERVICES	1,455
93.569	Z 12-115	COMMUNITY SCVCS BLOCK GRANT	DEPARTMENT OF HUMAN SERVICES	2,316,183
93.569	34549-21412	COMMUNITY SCVCS BLOCK GRANT	DEPARTMENT OF HUMAN SERVICES	342
				<u>2,317,980</u>
93.600	04CH3447/43	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	400
93.600	04CH3447/44	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	11,475,753
93.600	04CH3447-40	HEADSTART	DEPT OF HEALTH & HUMAN SERVICES	11,708,884
				<u>23,185,037</u>
93.667	Z-06-031284	OPERATION WARM HOUSES	TN DEPARTMENT OF HUMAN SERVICES	128,503
93.667	CA075023	CSA-SPECIAL FUNDING	TN DEPARTMENT OF HUMAN SERVICES	25,000
				<u>153,503</u>
93.709	04SA3447/01	EARLY HEAD START PROGRAM	HHS/ACF	2,891
93.709	04SA3447/01	EARLY HEAD START PROGRAM	HHS/ACF	515,767
				<u>518,658</u>
93.778	GG-11-32226	INFANT MORTALITY COORDINATOR - HHS Title XIX	BUREAU of TENNCARE	501,191
93.914	6 H89HA11464-02-05	MINORITY AIDS INITIATIVE PART A	HRSA	511,114
93.914	2H89HA11464-04-00	MINORITY AIDS INITIATIVE PART A	HRSA	205,435
93.914	6 H89HA07940-01-01	HIV EMERGENCY RELIEF PROJECT GRANT	HRSA	2,007,888
93.914	6 H89HA11464-03-04	MINORITY AIDS INITIATIVE	DHHS-HRSA	4,508,878
93.914	6 H89HA11464-02-05	RYAN WHITE	HRSA	43,993
93.914	CA1214355	RYAN WHITE	HRSA	28,505
93.914	6 H89HA07940-01-01	HIV EMERGENCY RELIEF PROJECT GRANT	HRSA	89,646
93.914	6 H89HA07940-02-01	HIV EMERGENCY RELIEF PROJECT GRANT	HRSA	238,694
				<u>7,633,953</u>
93.926	5H49MC00036-12-00	HEALTHY START INITIATIVE	US DHHS SUBSTANCE ABUSE & MENTAL HEALTH SERVICES	41,582
93.940	GG-6-10-9	HIV RAPID TESTING	TN DEPT OF HUMAN SERVICES	258,825
93.946	1H75DP002728-01	SCG INFANT MORTALITY REDUCTION INITIATIVE	CENTERS FOR DISEASE CONTROL & PREVENTION	57,287
93.994	GG1030127	CHILDHOOD LEAD POISONING	HEALTH & HUMAN SERVICES	203,128
93.994	GG-09-25430-00	TOLL FREE BABIES HOTLINE	TN DEPARTMENT OF HEALTH	20,100
				<u>223,228</u>
95.001	G10GC0005A	HIGH INTENSIVE DRUG TRAFFICKING AREAS	OFFICE OF NATIONAL DRUG CONTROL POLICY	62,333
95.001	G10GC0005A	HIGH INTENSITY DRUG TRAFFICKING AREAS	OFFICE OF NATIONAL DRUG CONTROL POLICY	56,323
95.001	G11GC0005A	HIDTA	GHSO	41,162
				<u>159,818</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, 2012

CFDA #	CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
97.001	09-IP-T9-0052	INTEROPERABLE EMERGENCY COMMUNICATIONS	US DEPT OF HOMELAND SECURITY	27,710
97.036	FEMA-1979-DR-TN	MAY 2011 FLOODS	TEMA/FEMA	323,683
97.047	LPDM-04-TN-2010-001	SEISMIC HAZARD MITIGATION PLANNING STUDIES	TEMA	314,714
97.055	2010-IP-T0-0021	INTEROPERABLE EMERGENCY COMMUNICATIONS		38,941
97.056	2007GB	PORT SECURITY TACTICAL BOAT	FEMA	156,747
97.067	2010-SS-T0-0027	URBAN AREA SECURITY INITIATIVE	US DEPT OF HOMELAND SECURITY	403,206
97.067	2010-SS-T0-0027	CITIZEN CORPS PROGRAM	US DEPT OF HOMELAND SECURITY	6,149
97.067	341-01-06310	2009 URBAN AREA STRATEGIC INITIATIVE	TEMA	2,962,306
97.067	2008-GE-T8-0048	URBAN AREA SECURITY INITIATIVE	TEMA	45,253
97.067	11076-GG0929298	URBAN AREA SECURITY INITIATIVE	TEMA	4,214
97.067	341-01-06310	CITIZEN CORPS PROGRAM	TEMA	12,959
97.067	341-01-06310	STATE HOMELAND SECURITY GRANT	TEMA	318,842
				<u>3,752,929</u>
97.078	34101-41111	BUFFER ZONE PROTECTION PLAN	TEMA	81,120
			Total Federal Awards	<u><u>81,113,946</u></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, 2012

CONTRACT NUMBER	PROGRAM NAME	GRANTOR AGENCY	Total Expenditures Incurred
CA-101078	STATE SUPPLEMENTAL GRANT	TN COMMISSION ON CHILDREN AND YOUTH	9,000
GG1030380 / 18322	TENDERCARE OUTREACH	TN DEPT OF HUMAN SERVICES	1,097,324
GG-09-27482-00/343.47-326-09	FETAL INFANT MORTALITY REVIEW	TN DEPT OF HEALTH HAS	297,874
GG-10-29343-00	HOME VISIT	TN DEPT OF HUMAN SERVICES	539,113
N/A	CITY COURTS CHILD SAFETY SEATS	CITY OF MEMPHIS CITY COURTS	60,825
N/A	SCSO EMERGENCY CALL CENTER	SHELBY COUNTY 911 DISTRICT	266,384
PENDING	EPSDT	TN DEPT OF HUMAN SERVICES	1,286,875
34360-30511	HIV/AIDS MEDICAL CARE MANAGEMENT SVCS	TN DEPT OF HEALTH	52,285
GG-13-32870-00	HIV/AIDS MEDICAL CARE MANAGEMENT SVCS	TN DEPT OF HEALTH	20,718
GG-10-281130-00	TN CARE DENTAL PREVENTION	TN DEPT OF TRANSPORTATION	1,596,181
GG-10-31137-00	HIV SURVEILLANCE	TENNESSEE DEPARTMENT OF HEALTH	867,139
GG-1135007-00	HIV SURVEILLANCE	TENNESSEE DEPARTMENT OF HEALTH	1,027,189
G11-35004	IMMUNIZATIONS	TENNESSEE DEPARTMENT OF HEALTH	275,540
3920	HOMICIDE RESPONSE PROGRAM	OFFICE OF CRIMINAL JUSTICE PROGRAMS	167,977
10395	FIRST STEP TO SAFETY	OFFICE OF CRIMINAL JUSTICE PROGRAMS	62,630
2006-EW-AX-K010	COMPASS TRAINING GRANT	COMPASS COORDINATION INC	3,914
4032	LAW ENFORCEMENT DETECTIVES	TN OCJP	79,959
GG113451600	RAPID HIV	TN DEPT OF HEALTH	141,899
Z-09-217916 / RFS# 345.49-432-10	WAP-ARRA	STATE OF TN DEPT OF HUMAN SVC	321,209
Z0000485502	VICTIMS OF CRIME ACT	TN DEPT OF HUMAN SERVICES	241,045
Z0000143201	STOP VIOLENCE AGAINST WOMEN	TN DEPT OF HUMAN SERVICES	28,110
K3-11-02 / Z11GHSO71	W. TENN CHILD PASSENGER SAFETY	TDOT / TN GHSO	33,436
N/A	W. TENN CHILD PASSENGER SAFETY	TDOT / TN GHSO	83,317
Z-05-025540-00	MOTHER'S GRANT PROGRAM	TN OCJP	99,799
GG-10-29022	CHILD SUPPORT- IVD	TN DEPT OF HUMAN SERVICES	1,496,413
GG-10-29025	CHILD SUPPORT ADVOCACY TO NON-CUSTODIAL	TN DEPT OF HUMAN SERVICES	232,746
GU1030126	FAMILY PLANNING	TN DEPT OF HEALTH	1,354,054
GG-10-29520-00	HEALTH RISK REDUCTION	TN DEPT OF HUMAN SERVICES	81,473
GG-10-29077-00	HOME & COMMUNITY-BASED SERVICES	TENNESSEE COMMISSION ON AGING	2,561,448
GG-09-28604-00 / 34360-46613	TOBACCO USE PREVENTION	TN DEPT OF HUMAN SERVICES	8,910
GG-09-28604-00	TABACCO USE PREVENTION	TN DEPT OF HUMAN SERVICES	36,756
Z0912356100	MPD TREATMENT FUND	CITY OF MEMPHIS POLICE DEPARTMENT	223,827
CA108808	SIDS EDUCATION/CRADLE OF LOVE	TN CHAPTER MARCH OF DIMES	1,954
2010-GP-BX-0049	GUN-CRIME REDUCTION	CITY OF MEMPHIS	24,972
79-500-4077-04 / TX00079681	LITTER GRANT PROGRAM	TDOT	203,171
GG-08-22581	METH LEBONHEUR RYAN/NAYAH	METH LEBONHEUR COMMUNITY OUTREACH	10,617
N/A	CHILD SUPPORT MEDIATION	TN ADMIN OFFICE OF THE COURTS	10,786
N/A	RE-ENTRY INITIATIVE	TN BOARD OF PROBATION AND PAROLES	228,424
GG-09-25635-01	CHILDREN SPECIAL SVCS	TN DEPT OF HUMAN SERVICES	771,870
Z-08-020268-00 / Z-08-212966	TIRE RECYCLING	TN DEPARTMENT OF ENVIRONMENT & CONSERVATION	576,965
GG-07-12743-00	HOUSEHOLD HAZARD WASTE FACILITY	CITY OF MEMPHIS	111,590
GG-10-28913-10	BREAST & CERVICAL CANCER	TN DEPT OF HUMAN SERVICES	121,000
GG-07-12619-00	STATE GRANT-N-AID	TN DEPT OF HUMAN SERVICES	917,800
Ck # 1005	UTILITIES ASSISTANCE	IBEW-JONNIE DAWSON CHAIRITABLE FOUNDATION	10,000
2007-F5286-TN-AP	STATE CRIMINAL ALIENT ASSISTANCE	US DEPT OF JUSTICE	42,973
DTNH22-10-H-00328	COMET DEMONSTRATION PROJECT	TN DEPT OF TRANSPORTATION	10,000
154AL-12-104	COMET DEMONSTRATION PROJECT	TN DEPT OF TRANSPORTATION	10,558
PT-12-31	COMET DEMONSTRATION PROJECT	TN DEPT OF TRANSPORTATION	123,596
2009-PU-RI-0285	PORT SECURITY GRANT PROGRAM	CITY OF MEMPHIS via DHS/FEMA	1,338
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	1,211,159
03-47-64531-00-0	CHILD & ADULT CARE FOOD PROGRAM	TN DHS	305,218
140 / Proj 79095-8407-04	ASPHALT PAVING/RESURFACING	TDOT	1,476,356
GG1136105	TEEN PREGNANCY & PARENTING SUCCESS	SUCCESS	927,679
GG-11-32837	AGING	TCAD	33,392
2009-D1-BX-0178	OPERATION SAFE COMMUNITY	U OF M VIA US DOJ OJP	105,273
CA106211	COUNTY SCHOOLS NURSING	COUNTY BOARD OF EDUCATION	1,452,427
Z05025510-00	SHELBY COUNTY RESIDENTAL DRUG COURT PROJECT	TN OCJP	430,684
N/A	CHICHAWAW BASIN AUTHORITY OPERATIONS	STATE OF TENNESSEE	57,589
N/A	AT-RISK YOUTH	MEMPHIS CITY SCHOOLS	1,792,960
N/A	INDUSTRIAL DEVELOPMENT BOARD	INDUSTRIAL DEVELOPMENT BOARD	343,202
N/A	INDUSTRIAL DEVELOPMENT BOARD	INDUSTRIAL DEVELOPMENT BOARD	394,747
Total State Awards			26,363,669
Total Federal and State Awards			107,477,615

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, 2012

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	\$ 107,477,615
Add: Expenditures not shown on this schedule	593,268
Add: Insurance recoveries	55,824
Add: County matching	2,238,999
Less: Expenditures not shown in the general fund	(484,194)
Less: Transfers out	(3,024,073)
Total grant fund expenditures	<u>\$ 106,857,439</u>

SHELBY COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Shelby County, Tennessee.
2. No significant deficiencies related to the financial statements Shelby County, Tennessee were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Shelby County, Tennessee were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported.
5. The auditors' report on compliance for the major federal award programs for Shelby County, Tennessee expresses an unqualified opinion on all major federal programs.
6. 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:
 - 20.205 – Highway Planning and Construction
 - 93.600 and 93.709 – Head Start Cluster
 - 97.067 – Homeland Security Grant Program
8. The threshold for distinguishing between Type A and B programs was \$2,433,418.
9. Shelby County, Tennessee does qualify as a low risk auditee.

SHELBY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2012

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None reported

SHELBY COUNTY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2012

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2011-1 Chancery Court Embezzlement

Condition: During the year ended June 30, 2011, the County discovered that a clerk had stolen funds primarily related to old property tax sales.

Criteria: Internal controls should be in place that requires segregation of duties and a review process that would help prevent, mitigate or detect fraud.

Cause: There is a lack of segregation of duties and lack of management oversight.

Effect: The Chancery Court sustained a loss of \$982,548 due to the theft of funds. The County submitted a claim to its insurance provider and received approximately \$900,000 subsequent to year end resulting in a net loss of \$82,548.

Recommendation: We recommend that management establish general internal control criteria and document what constitutes accomplishment of policy objectives.

Current Status: New personnel have been put in place and internal controls are being continually updated to mitigate the risk of loss due to theft.