

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**  
Memphis, Tennessee

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**Financial Statements  
and Reports of Independent Auditors**

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For the Year Ended June 30, 2024

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Memphis, Tennessee

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**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Roster of Board of Directors and Management  
For the Year Ended June 30, 2024

**BOARD MEMBERS**

McKinley Martin Jr., Chairman  
Kandace Stewart, Vice-Chairman  
Sam Cantor, Treasurer  
Ann W. Langston, Secretary  
Emily Greer, Member  
Deveney Perry, Member  
Amy Schaftlein, Member

**MANAGEMENT**

Andrew Murray, President  
Lobelia Cole-Smith, Chief Financial Officer

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The City of Memphis and Shelby County  
Community Redevelopment Agency  
Memphis, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund (general fund) of The City of Memphis and Shelby County Community Redevelopment Agency (the "CRA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of CRA, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Memphis and Shelby County Community Redevelopment Agency's basic financial statements. The schedule of changes in long-term debt by individual issue and schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in long-term debt by individual issue and schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025 on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Memphis, Tennessee  
March 31, 2025

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Management's Discussion and Analysis  
For the Year Ended June 30, 2024

**INTRODUCTION**

The Management's Discussion and Analysis of the The City of Memphis and Shelby County Community Redevelopment Agency (the "CRA") is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, identify changes in the financial position, and identify individual financial concerns.

This Management's Discussion and Analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board, Statement No. 34 (GASB 34).

**FINANCIAL HIGHLIGHTS**

There are five redevelopment projects currently approved by the CRA, City of Memphis, and Shelby County Government, as follows:

- Uptown Redevelopment Project (including the Uptown project area through TIF amendment two)
- Highland Row Project
- Binghampton Project
- Soulsville/South Memphis Project
- Klondike Redevelopment Project

It is important to note that all projects receive tax increment financing ("TIF") from their respective approved areas. Also important is that TIF money received from one redevelopment project cannot be used to pay for redevelopment outside of its respective boundaries. In other words, Uptown TIF money may only be spent within the Uptown area. Highland Row TIF revenue may only be spent within the Highland Row boundaries. However, up to 5% of the TIF money, from each project, may be used for operating expenses of the CRA. While the CRA's financial statements are presented as one fund, the money is tracked separately per redevelopment program and operating expenses.

FY2024 net expenses saw a decline in redevelopment activity by the CRA as a result of continued completion of infrastructure projects and decreased tree work. Net revenues saw an increase. Because of this, the total net position of the CRA increased by \$791,937 to \$7,123,360 at June 30, 2024, from the June 30, 2023, balance of \$6,331,423.



Below is a listing to give a better understanding of the net position by individual project.

<b>NET POSITION:</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Changes</b>
Uptown	\$ 8,309,447	\$ 8,045,408	\$ 264,039
Uptown Expansion 2	1,070,634	845,986	224,648
Uptown Expansion 3	<u>225,471</u>	<u>154,465</u>	<u>71,006</u>
Uptown TIF	9,605,552	9,045,859	559,693
Highland Row	(7,274,118)	(7,278,167)	4,049
Binghampton	3,330,969	3,326,222	4,747
Soulsville/S. Memphis	163,609	253,430	(89,821)
Klondike	79,476	30,398	49,078
Operating	1,190,156	924,782	265,374
ARPA/HCD Grant	98,755	35,369	63,386
EPA Brownfield Grant	(70,864)	(6,470)	(64,394)
DOT I40 Reconnecting Grant	<u>(175)</u>	<u>-</u>	<u>(175)</u>
<b>TOTAL</b>	<b><u>\$ 7,123,360</u></b>	<b><u>\$ 6,331,423</u></b>	<b><u>\$ 791,937</u></b>

As noted above, individual funds mainly increased during the year. The impact of deferred revenue changes along with minimal or no redevelopment activities in Uptown, Uptown 2 TIF, Uptown 3 TIF and Binghampton TIF resulted in an increase in the fund balance compared to the prior year.

The Highland Row redevelopment project, which began its major activity during FY2017, issued bonds for its cash flow. The \$12,500,000 in private placement bonds were used to pay for the redevelopment upfront, creating a negative net position at the start of the project. Tax increment revenue received from the Highland Row area is being used to pay for the principal and interest on the bonds. The project was substantially completed in FY2017, and the parking garage, owned by the CRA, was made operational in FY2019.

*See next page*

## Comparative Financial Statements

The following tables provide a comparative analysis of the CRA's financial position as of the fiscal years ended June 30, 2024 and 2023. These tables provide a snapshot of the economic resources (assets), and the claims on these resources (liabilities).

### STATEMENT OF NET POSITION

	June 30, 2024	June 30, 2023	Changes Increase (Decrease)
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 10,983,640	\$ 6,251,320	\$ 4,732,320
Escrow cash and cash equivalents	3,278	3,847	(569)
Tax increment financing receivable - City of Memphis, net	6,308,893	5,067,493	1,241,400
Tax increment financing receivable -Shelby County, net	7,519,956	8,252,606	(732,650)
Due from City of Memphis	433,961	-	433,961
Due from Shelby County	12,672	35,342	(22,670)
Investments	226,430	2,182,982	(1,956,552)
Capital assets being depreciated, net	4,248,386	4,316,753	(68,367)
Capital assets not being depreciated	<u>6,242,820</u>	<u>5,964,569</u>	<u>278,251</u>
<b>TOTAL ASSETS</b>	<u><u>35,980,036</u></u>	<u><u>32,074,912</u></u>	<u><u>3,905,124</u></u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	970,357	970,464	(107)
Due to City of Memphis	-	38,201	(38,201)
Accrued interest	192,470	198,740	(6,270)
Long-term liabilities:			
Due within one year	793,155	605,000	188,155
Due after one year - bonds	10,625,000	10,590,000	35,000
Due after one year - lines-of-credit	<u>3,014,827</u>	<u>1,339,114</u>	<u>1,675,713</u>
<b>TOTAL LIABILITIES</b>	<u>15,595,809</u>	<u>13,741,519</u>	<u>1,854,290</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>13,260,867</u>	<u>12,001,970</u>	<u>1,258,897</u>
<b>NET POSITION:</b>			
Restricted for debt service	3,278	3,847	(569)
Restricted for redevelopment	<u>7,120,082</u>	<u>6,327,576</u>	<u>792,506</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,123,360</u></u>	<u><u>\$ 6,331,423</u></u>	<u><u>\$ 791,937</u></u>

As redevelopment activity decreased compared to the prior year, total assets increased. In FY2024, investments decreased by \$(1,956,552). Such decrease was primarily in the Uptown redevelopment resulting in an increase in the residual cash surplus. At year-end, \$3,278 was being held in an escrow account for future Highland Row bond principal and interest payments.

In 2024, cash balances increased by \$4,732,320, in part, due to the timing of collection transfers from the City of Memphis. The amount due to the City decreased from a payable \$38,201 in the prior year to a receivable \$433,961 in the current year. The decrease was due to the timing of transfers from the City of Memphis. TIF funding and related receivables increased during the current year by \$1,241,400 for the City of Memphis and decreased by \$(732,650) for Shelby County.

The CRA keeps a portion of the tax incremental property taxes collected from Shelby County with the Shelby County Trustee's office. This revenue is jointly invested with other funds. Investments are primarily with the Tennessee Local Government Investment Pool and U.S. Government Agency Securities. Investments at June 30, 2024 totaled \$226,430, representing a \$(1,956,552) decrease from the June 30, 2023 total of \$2,182,982. As previously stated, the majority of this decrease is due to the timing of collection transfers from Shelby County.

The \$(68,367) decrease in capital assets being depreciated consists primarily of annual depreciation on the Highland Row parking garage. The \$6,242,820 in capital assets not being depreciated consists of the Highland Row parking garage land and properties being held for future redevelopment.

Accounts payable and accrued expenses decreased by \$(107) compared to FY2023 due to the decrease in redevelopment activity and the timing of vendor payments at year-end.

In March 2023, the CRA entered into two revolving line-of-credit agreements with a bank to support its redevelopment activities within the Uptown TIF area. One loan provides for borrowings of up to \$7,000,000, bears interest at 4.80%, and is payable in March 2026. The other loan provides for borrowings of up to \$3,000,000, bears interest at 6.07%, and is payable in April 2026.

As the \$12,500,000 Highland Row Bonds issued in FY2017 amortize, the most significant liability for the CRA continues to be the remaining principal balance and related accrued interest expense. Since the bonds are fixed rate, the change in accrued interest compared to FY2023 is nominal. The debt decreased by a \$196,845.00 principal payment made during the year.

Finally, we discussed the net position above, but also of note is the allocation of restricted balances:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Changes</b>
Uptown	\$ 8,309,447	\$ 8,045,408	\$ 264,039
Uptown Expansion 2	1,070,634	845,986	224,648
Uptown Expansion 3	<u>225,471</u>	<u>154,465</u>	<u>71,006</u>
Uptown TIF	9,605,552	9,045,859	559,693
Highland Row	(7,277,396)	(7,282,014)	4,618
Binghampton	3,330,969	3,326,222	4,747
Soulsville/S. Memphis	163,609	253,430	(89,821)
Klondike	79,476	30,398	49,078
Operating	1,190,156	924,782	265,374
ARPA/HCD Grant	98,755	35,369	63,386
EPA Brownfield Grant	(70,864)	(6,470)	(64,394)
DOT I40 Reconnecting Grant	<u>(175)</u>	<u>-</u>	<u>(175)</u>
Restricted for redevelopment	7,120,082	6,327,576	792,506
Restricted for debt service	<u>3,278</u>	<u>3,847</u>	<u>(569)</u>
<b>TOTAL</b>	<b>\$ <u>7,123,360</u></b>	<b>\$ <u>6,331,423</u></b>	<b>\$ <u>791,937</u></b>

For the Statement of Activities and Changes in Net Position, the major financial activity in FY2024 consisted of \$11,717,505 in TIF revenues, grant income and related interest income. While all TIF revenues were relatively stable based on normal activity, receipt of \$559,793 in ARPA/HCD grant funds contributed to an increase in grant revenue.

The \$313,353 change in operating expenses includes a \$318,472 increase in program expenses compared to FY2023 and decreases in administrative costs due to personnel payroll changes. Developer expenses decreased \$(3,083,524) in FY2024 compared to FY2023, because of decreased activity in the Uptown redevelopment.

*See next page*

## Statement of Activities and Changes in Net Position

	June 30, 2024	June 30, 2023	Changes Increase (Decrease)
<b>REVENUES:</b>			
Tax increment financing - Shelby County	\$ 6,822,692	\$ 6,752,988	\$ 69,704
Tax increment financing - City of Memphis	4,252,885	4,346,354	(93,469)
Grant income	559,793	250,000	309,793
Interest income	82,135	127,889	(45,754)
Other income	24,665	13,855	10,810
<b>TOTAL REVENUES</b>	<u>11,742,170</u>	<u>11,491,086</u>	<u>251,084</u>
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Operating expenses	7,259,864	6,946,511	313,353
Depreciation	197,611	183,420	14,191
Debt Service:			
Interest expense	920,818	818,322	102,496
Line-of-Credit interest payments	-	7,374	-
Capital Outlays:			
Development expenses	2,571,940	5,655,464	(3,083,524)
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>10,950,233</u>	<u>13,611,091</u>	<u>(2,660,858)</u>
<b>CHANGE IN NET POSITION</b>	791,937	(2,120,005)	-
<b>NET POSITION:</b>			
Beginning of year	<u>6,331,423</u>	<u>8,451,428</u>	<u>(2,120,005)</u>
End of year	<u>\$ 7,123,360</u>	<u>\$ 6,331,423</u>	<u>\$ 791,937</u>

## Contact Information

This financial report is designed to provide a general overview of the CRA's finances and to demonstrate the CRA's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President, The City of Memphis and The City of Memphis and Shelby County Community Redevelopment Agency (CRA), 850 N. Manassas Street, Memphis, Tennessee 38107.

**THE CITY OF MEMPHIS AND SHELBY COUNTY**  
**COMMUNITY REDEVELOPMENT AGENCY**  
Governmental Fund Balance Sheet/Statement of Net Position  
June 30, 2024

**ASSETS**

	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Position</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 10,983,640	\$ -	\$ 10,983,640
Escrow cash and cash equivalents	3,278	-	3,278
Tax increment financing receivable - City of Memphis, net	6,308,893	-	6,308,893
Tax increment financing receivable - Shelby County, net	7,519,956	-	7,519,956
Due from City of Memphis	433,961	-	433,961
Due from Shelby County	12,672	-	12,672
Investments	226,430	-	226,430
Capital assets being depreciated, net	-	4,248,386	4,248,386
Capital assets not being depreciated	-	6,242,820	6,242,820
<b>TOTAL ASSETS</b>	<b><u>\$ 25,488,830</u></b>	<b><u>\$ 10,491,206</u></b>	<b><u>\$ 35,980,036</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 970,357	\$ -	\$ 970,357
Accrued interest	-	192,470	192,470
Long-term liabilities			
Due after one year	-	793,155	793,155
Due after one year - bonds	-	10,625,000	10,625,000
Due after one year - lines-of-credit	-	3,014,827	3,014,827
<b>TOTAL LIABILITIES</b>	<b><u>970,357</u></b>	<b><u>14,625,452</u></b>	<b><u>15,595,809</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred tax increments financing revenues	13,770,758	(509,891)	13,260,867
<b>FUND BALANCE:</b>			
Restricted for redevelopment	<u>10,747,715</u>	<u>(10,747,715)</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 25,488,830</u></b>		
<b>NET POSITION:</b>			
Restricted for debt service		3,278	3,278
Restricted for redevelopment		<u>7,120,082</u>	<u>7,120,082</u>
<b>TOTAL NET POSITION</b>		<b><u>\$ 7,123,360</u></b>	<b><u>\$ 7,123,360</u></b>

*The accompanying notes are an integral part of these financial statements.*

**THE CITY OF MEMPHIS AND SHELBY COUNTY**  
**COMMUNITY REDEVELOPMENT AGENCY**  
Statement of Governmental Fund Revenues,  
Statement of Revenues, Expenditures, and Changes in Fund Balance/  
Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>			
Tax increment financing - Shelby County	\$ 7,084,782	\$ (262,090)	\$ 6,822,692
Tax increment financing - City of Memphis	4,332,896	(80,011)	4,252,885
Grant income	559,793	-	559,793
Interest income	82,135	-	82,135
Other income	<u>24,665</u>	<u>-</u>	<u>24,665</u>
<b>TOTAL REVENUES</b>	<u>12,084,271</u>	<u>(342,101)</u>	<u>11,742,170</u>
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Operating expenses	7,667,358	(407,494)	7,259,864
Depreciation	-	197,611	197,611
Debt Service:			
Principal payment	196,845	(196,845)	-
Interest expense	927,088	(6,270)	920,818
Capital Outlay:			
Development expenses	<u>2,571,940</u>	<u>-</u>	<u>2,571,940</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>11,363,231</u>	<u>(412,998)</u>	<u>10,950,233</u>
<b>EXCESS OF (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>721,040</u>	<u>70,897</u>	
<b>OTHER FINANCING SOURCES (USES)</b>			
Borrowings on line-of-credit	1,675,713	(1,675,713)	-
Issuance of debt	<u>420,000</u>	<u>(420,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,095,713</u>	<u>(2,095,713)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>			791,937
<b>FUND BALANCE/NET POSITION</b>			
<b>BEGINNING OF YEAR</b>	<u>7,930,962</u>	<u>(1,599,539)</u>	<u>6,331,423</u>
<b>END OF YEAR</b>	<u>\$ 10,747,715</u>	<u>\$ (3,624,355)</u>	<u>\$ 7,123,360</u>

*The accompanying notes are an integral part of these financial statements.*

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Memphis, Tennessee

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**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Notes to the Financial Statements  
For the Year Ended June 30, 2024

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

***Reporting Entity***

The City of Memphis and Shelby County Community Redevelopment Agency (the "CRA") was established through a joint ordinance between the Council of the City of Memphis and the Board of Commissioners of Shelby County in June 2001. The CRA is a jointly governed organization between the City of Memphis (the "City") and Shelby County (the "County"). The CRA is considered a special purpose government entity whose purpose is to ameliorate the slum and blight conditions within the City of Memphis and unincorporated areas of Shelby County.

The CRA was managed by the Memphis and Shelby County Division of Planning and Development through December 31, 2017. Effective January 1, 2018, management of the jointly governed agency was transferred to the CRA through memoranda of understanding between the Memphis and Shelby County Division of Planning and Development and the CRA, dated September 29, 2017 and March 14, 2018.

On November 4, 2013, the Shelby County Commission approved a resolution limiting any future tax increment financing "TIF" projects to 15 years after the fiscal year in which the financing is approved. Previously, this period had been 30 years as specified in the Community Redevelopment Act of 1998, Section 14(10). Also, any property which is tax exempt at any time within a two-year period prior to application for its inclusion in a tax increment financing project and will be developed or redeveloped by the tax increment financing project developer, shall not qualify for inclusion in the tax increment financing of the project. This resolution is for any future projects approved by the Shelby County Commission and does not affect the two projects in existence as of June 30, 2017. Furthermore, this is a Shelby County resolution only and does not apply to the City of Memphis tax increment financing.

As of June 30, 2024, the following redevelopment projects have been approved by the CRA, City of Memphis, and Shelby County Government:

- Uptown Redevelopment Project (including the Uptown Expansion project area through TIF amendment two)
- Highland Row Project
- Binghampton Project
- Soulsville/South Memphis Project
- Klondike Redevelopment Project

The Uptown Redevelopment Project was approved in 2001 as a collaborative effort between the CRA, the Memphis Housing Authority (MHA), and Housing and Community Development (HCD). These three entities worked with St. Jude and the Federal Hope VI program for a public/private reinvestment within a six square mile area. In 2004, a single purpose land bank entity was established to hold property for exclusive use by the CRA. The CRA paid for ongoing management and maintenance of lots held in the land bank (MLB-Uptown, LLC) for redevelopment. During fiscal 2020, all properties held by the land bank were transferred to the CRA for ongoing management and maintenance.

The Highland Row Project was approved in 2007 as a public/private reinvestment collaboration between the CRA and Highland Row, LLC developers. The project consists of redevelopment of land in the Highland Avenue area for mixed use (residential and retail) and the construction of a parking garage. During fiscal 2017, a CRA-Highland Row bond issue in the amount of \$12,500,000 was completed. The bond proceeds were used for site work and construction of the parking garage, which represents the CRA-funded portion of the redevelopment activity.

The Uptown Expansion 2 Redevelopment Project was approved in November 2017 and the Uptown Expansion 3 Redevelopment Project was approved in September 2019. Both projects were approved as amendments to the Community Redevelopment Plan for the Uptown area. Because of their relationship to the original Uptown Redevelopment Project, the remaining years on the original TIF are used for the projects' total life. Redevelopment in the expanded areas is community-based and directed by a strategic plan. There are no redevelopment agreements.

The Binghampton Community Redevelopment Plan was approved in November 2017. Redevelopment in the area is community-based and directed by a strategic plan. There is no redevelopment agreement.

The Soulsville/South Memphis and Klondike Redevelopment Plans were approved in June 2022. Redevelopment in the area is community-based and directed by a strategic plan. There is no development agreement.

### ***Financial Statement Presentation***

For special purpose governmental entities, such as the CRA, engaged in a single governmental program, the fund financial statements and the government-wide financial statements may be combined using a columnar format that reconciles individual line items of the fund financial data to government-wide data in a separate column on the face of the financial statements. The accompanying financial statements are presented in this format.

Fund financial statements are designed to present financial information of the CRA at a more detailed level (and to demonstrate legal compliance). The focus of fund financial statements is on major funds. CRA's only major individual government fund is the general fund and it is reported as a separate column in the accompanying financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information about the CRA as a whole. These statements include the financial activities of the CRA.

Revenues include tax increment financing derived from property taxes from the City and County and state grants, which are all restricted to meeting the operational requirements of the CRA's purpose. Expenses are those that are clearly identifiable with the CRA's specific purpose. Government-wide financial statements are presented as a separate column in the accompanying financial statements.

Measurement focus, basis of accounting, and financial statement presentation Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable, earned, and available. Tax increment financing revenues are considered earned in the year for which the related property taxes are levied. Government grants are considered earned when all applicable eligibility requirements are met. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Such amounts earned and collected within 60 days of the end of the current fiscal period have been recognized as revenues in the governmental fund financial statements. Expenditures generally are recorded when a liability is incurred.

The CRA reports the general fund as its only major governmental fund. The general fund is used to account for all financial resources.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax increment financial revenues are recognized as revenues in the year for which the related property taxes are levied.

### ***Cash***

The CRA's banking activity is accomplished through accounts with local financial institutions. The collective accounts represent the net activity of all cash receipts and cash disbursements related to the CRA. As discussed in Note 3, 5% of annual tax increment financing is set aside to pay for CRA's administrative costs. Cash balance of \$6,251,320 at June 30, 2024 exists for redevelopment and operating costs.

### ***Escrow Cash***

Escrow cash consists of \$3,847 restricted for payment of long-term liabilities related to the Highland Row redevelopment project (see Note 6).

### ***Investments***

A portion of the incremental property taxes collected on behalf of CRA from Shelby County are retained by the Shelby County Trustee and jointly invested with other funds. The County's investments include U.S. Government Agency Securities which are stated at fair value based upon quoted market prices, if available, estimated quoted prices for similar securities, or amounts provided by commercial pricing services. The County's investments also include investments in the Tennessee Local Government Investment Pool which is measured at the net asset value and commercial paper, certificates of deposit, and other cash equivalents which are measured at amortized cost. See the June 30, 2024 Annual Comprehensive Financial Report (ACFR) for Shelby County for more information on the County's investments. CRA's allocable share of the County's investments was \$226,430 as of June 30, 2024.

### ***Tax Increment Financing Receivables***

Tax increment financing receivables represent that portion of City and County property tax revenue due to the CRA. Property taxes are recorded as revenue in the fiscal year for which levied. Property taxes based upon property values during the current fiscal year but levied for the next fiscal year are recorded as receivables and deferred inflows of resources. See Note 3 for further discussion of tax increment financing.

### ***Deferred Inflows/Outflows of Resources***

Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position established categories titled deferred inflows of resources and deferred outflows of resources which are to be stated separately from assets and liabilities, respectively. Deferred inflows of resources represent an acquisition of net assets that are applicable to a future reporting period. Deferred outflows of resources represent a consumption of net assets that are applicable to a future reporting period.

### ***Capital Assets Being Depreciated***

Capital assets, which include property and equipment, are reported in the accompanying statement of net position. Such assets are recorded at historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Property and equipment are depreciated using the straight-line method over the estimated use lives of the assets. Estimated useful lives are thirty (30) years for buildings and five (5) years for equipment.

### ***Capital Assets not Being Depreciated***

As part of its redevelopment activities, the CRA acquires land for eventual disposition to developers of Board-approved housing or commercial projects. Donated capital assets are recorded at acquisition cost at the date of donation. These properties are held until sold and/or conveyed for redevelopment and, along with Highland Row garage land, are not depreciated by the CRA.

### ***Net Position and Fund Balance***

In the government-wide financial statements, net position is reported as restricted for debt service and redevelopment as assets are legally restricted for the specific purpose of redeveloping the previously identified project areas in Memphis, Tennessee. In the fund financial statements, fund balance is reported as restricted for redevelopment, as the use of such fund balance is imposed by law through enabling legislation.

### ***Grant Income***

In April 2023, the CRA was awarded a \$500,000 grant from the City of Memphis, through its Division of Housing and Community Development, to assist in providing home repair services and resolving health and safety issues for economically-disadvantaged citizens in the City of Memphis. An amendment for an additional amount of \$309,793 was approved in November 2023. The grant funding is to be used solely for costs incurred between March 3, 2022 and December 31, 2024 in conjunction with responding to the COVID-19 public health emergency and/or its negative economic impacts. The CRA received and recognized \$559,793 of grant income from the City of Memphis during the year ended June 30, 2024.

### *Use of Estimates*

Estimates used in the preparation of financial statements require management to make assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

### *Events Occurring After Reporting Date*

Management has evaluated events and transactions that have occurred between June 30, 2024 and March 31, 2025, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## **NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

As of June 30, 2024, amounts reported for governmental activities in the statement of net position (page 10) differ from the governmental fund balance. Such differences are reported in the "Adjustments" column of the accompanying governmental funds balance sheet/statement of net position. The following schedule provides more information regarding these adjustments.

Governmental fund balance	\$ 10,747,715
Receivables earned but not available to pay for current year expenditures	509,891
Capital assets acquired, net	10,491,206
Long-term liabilities not due and payable in the current period	(14,432,982)
Interest on long-term debt not payable from current financial resources	<u>(192,470)</u>
Net position of governmental activities	\$ <u><u>7,123,360</u></u>

Amounts reported for governmental activities in the statement of activities (page 11) differ from amounts reported for governmental fund revenues, expenditures, and changes in fund balance. Such differences are reported in the "Adjustments" column of the accompanying statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities and changes in net position. These differences affect revenues, expenses/expenditures, and other financing sources (uses). These differences are summarized as follows:

*Revenues:* Revenues in the statement of activities that do not provide current resources are not reported as revenues in the general fund. Such revenues for fiscal 2024 are as follows:

Revenues - 2024	\$ 509,891
Revenues - 2023	<u>(851,992)</u>
Net difference	<u>\$ (342,101)</u>

*Expenditures/expenses:* Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the general fund until such expenses require the use of current financial resources, including interest expense. Repayments of certain long-term liabilities consume current financial resources of the general fund and are reported as expenditures for debt service. Such expenses for fiscal 2024 are as follows:

Interest expense - 2024	\$ 192,470
Interest expense - 2023	<u>(198,740)</u>
Net Difference	<u>\$ (6,270)</u>
Principal payment on long-term liabilities	<u>\$ (196,845)</u>

*Other sources (uses):* Borrowings on lines-of-credit and issuance of long-term debt provide current financial resources to governmental funds, however, these transactions have no impact on net position. Amounts borrowed on lines-of-credit in 2024 totaled \$1,675,713. Amounts received via issuance of debt in 2024 totaled \$420,000.

Capital outlays are reported as expenditures in the general fund; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Such amounts are as follows:

Capital outlays	<u>\$ (407,494)</u>
Depreciation expense	<u>\$ 197,611</u>

### **NOTE 3 - TAX INCREMENT FINANCING:**

The CRA is funded through tax increment financing provided through City and County property taxes collected on properties contained in the geographic boundaries of the various community redevelopment areas as set aside through respective joint ordinances of the City and County. The tax increment financing is based upon an "increment" which is the difference between applying each taxing authority's current property tax rate to the current year assessed value and applying each taxing authority's base year property tax rate to the base year assessed value for a parcel.

The base year assessed values for each of the CRA's projects follow:

Uptown Redevelopment Project	May 2000
Highland Row Project	May 2007
Uptown Expansion 2 Redevelopment Project	May 2016
Binghampton Project	May 2016
Uptown Expansion 3 Redevelopment Project	May 2018
Soulsville/South Memphis Project	May 2021
Klondike Redevelopment Project	May 2021

Tax increment financing is computed by reducing the increment by the debt service portion of the tax rate and trustee fees, where applicable. In accordance with each TIF area's joint ordinance, 95% of the computed amount is to be funded to the CRA upon collection of property taxes. The Uniformity in Tax Increment Financing Act of 2012 provided taxing authorities the option to use the parcel method or the aggregate method for determining the TIF increment. TIF revenue from the City is based on the parcel method for all projects. TIF revenue from the County is based on the parcel method for the Uptown, Uptown Expansion 2 (retroactive to fiscal year 2018), Uptown Expansion 3, Binghampton (retroactive to fiscal year 2018), and Highland Row projects.

Please refer to the June 30, 2024 ACFRs for the City of Memphis and Shelby County for more information regarding property tax revenues.

### **NOTE 4 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2024 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Equipment	\$ 60,532	\$ 5,244	\$ -	\$ 65,776
Building	5,146,648	124,000	-	5,270,648
Less accumulated depreciation	<u>(890,427)</u>	<u>(197,611)</u>	<u>-</u>	<u>(1,088,038)</u>
	4,316,753	(68,367)	-	4,248,386
Capital assets not being depreciated:				
Land	<u>5,964,569</u>	<u>278,251</u>	<u>-</u>	<u>6,242,820</u>
<b>TOTAL</b>	<b><u>\$ 10,281,322</u></b>	<b><u>\$ 209,884</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,491,206</u></b>



**NOTE 5 - LINES-OF-CREDIT:**

In March 2023, the CRA entered into two revolving line-of-credit agreements with a bank to support its redevelopment activities within the Uptown TIF area. One loan provides for borrowings of up to \$7,000,000, bears interest at 4.80%, and is payable in March 2026. The other loan provides for borrowings of up to \$3,000,000, bears interest at 6.07%, and is payable in April 2026. Amounts outstanding under the lines-of-credit totaled \$3,014,827 as of June 30, 2024. The CRA was in violation of a financial reporting covenant for the year ended June 30, 2024, for which it obtained a waiver from the lender.

**NOTE 6 - LONG-TERM LIABILITIES:**

In August 2016, \$12,500,000 in private placement revenue bonds were issued for Highland Row redevelopment. The bonds have an interest rate of 7.25% and mature on April 1, 2038, with an option to call on April 1, 2025. TIF funds received from the Highland Row project are used to pay the principal and interest on the bonds. As stated in the Redevelopment Revenue Note Series 2016, the CRA shall not be obligated to pay principal and interest other than from pledged revenues held for that purpose.

Debt service requirements for the long-term liabilities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 793,155	\$ 767,775
2026	425,000	739,863
2027	470,000	709,050
2028	520,000	676,824
2029	570,000	637,275
2030-2034	3,775,000	2,482,685
2035-2039	<u>4,445,000</u>	<u>840,239</u>
<b>TOTAL</b>	<b>\$ <u>10,998,155</u></b>	<b>\$ <u>6,853,711</u></b>

**NOTE 7 - RELATED PARTY TRANSACTIONS:**

Amounts due from Shelby County as of June 30, 2024 totaled \$12,672. Such amounts include \$12,672 in tax increment financing revenues collected by the County Trustee but not remitted to the CRA.

Amounts due to the City of Memphis as of June 30, 2024 totaled \$433,961. Such amounts represent tax increment financing revenues remitted to the CRA by the City in excess of collections.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES:**

In November 2020, the CRA authorized up to \$6 million in TIF funding via a subordinate cash flow loan secured by a second mortgage for the development of an affordable housing project. As of June 30, 2024, the final redevelopment agreement had not been executed.

## **SUPPLEMENTARY INFORMATION**

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2024

<b>Federal Agency/ Pass Through Agency</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Receivable (Deferral) June 30, 2023</b>	<b>Grant Revenue Received</b>	<b>Expenditures</b>	<b>Adjustments</b>	<b>Receivable (Deferred) June 30, 2024</b>
<b>Federal Awards</b>							
U.S. Department of Treasury: Passed-through City of Memphis ARPA - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ -	\$ 559,793	\$ 559,793	\$ -	\$ -
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 559,793</u>	<u>\$ 559,793</u>	<u>\$ -</u>	<u>\$ -</u>

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
June 30, 2024

**NOTE 1 - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) summarizes the expenditures of the CRA under programs of the federal and state governments for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the CRA, it is not intended to and does not present the financial position or changes in net assets of the CRA.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the schedule are on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

The CRA elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

There were no federal awards passed through to subrecipients.

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

Schedule of Changes In Long-Term Debt by Individual Issue  
For the Year Ended June 30, 2024

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding at 6/30/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
<u>Bonds Payable</u>									
Redevelopment Revenue Bonds Note Series 2016	\$ 12,500,000	7.25%	8/4/2016	4/1/2025	\$ <u>11,195,000</u>	\$ <u>-</u>	\$ <u>(196,845)</u>	\$ <u>-</u>	\$ <u>10,998,155</u>
Total Bonds Payable					\$ <u>11,195,000</u>	\$ <u>-</u>	\$ <u>(196,845)</u>	\$ <u>-</u>	\$ <u>10,998,155</u>
<u>Other Loan Payable</u>									
Line-of-Credit	\$ 7,000,000	4.80%	3/31/2023	3/31/2026	\$ 1,339,114	\$ -	\$ 1,675,713	\$ -	\$ 3,014,827
Line-of-Credit	3,000,000	6.07%	3/31/2023	4/30/2026	-	-	-	-	-
Loan Payable	<u>420,000</u>	0.00%	7/24/2023	7/1/2027	<u>-</u>	<u>420,000</u>	<u>-</u>	<u>-</u>	<u>420,000</u>
Total Other Loan Payable					\$ <u>1,339,114</u>	\$ <u>420,000</u>	\$ <u>1,675,713</u>	\$ <u>-</u>	\$ <u>3,434,827</u>

## **REPORT ON INTERNAL CONTROL AND COMPLIANCE**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
The City of Memphis and Shelby County  
Community Redevelopment Agency  
Memphis, Tennessee

We have audited, 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, the financial statements, the governmental activities and the major fund (general fund) of The City of Memphis and Shelby County Community Redevelopment Agency (the "CRA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated March 31, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CRA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of CRA's internal control.

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

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







## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Memphis, Tennessee  
March 31, 2025

**THE CITY OF MEMPHIS AND SHELBY COUNTY  
COMMUNITY REDEVELOPMENT AGENCY**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2024**

There were no prior findings reported.