

# **Memphis and Shelby County Sports Authority, Inc.**



## **Request for Proposals For Professional Auditing Services**

**Issued: December 14, 2018**

**Due: Friday, January 18, 2019 at 3:00 PM CT**

## TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	MINIMUM PROPOSER REQUIRMENT .....	3
III.	CORRESPONDENCE.....	4
IV.	PROPOSAL SUBMISSION & DEADLINE.....	4
V.	PROPOSAL TIMELINE .....	4
VI.	PROPOSAL CONDITIONS .....	4
VII.	GENERAL REQUIREMENTS AND INFORMATION.....	5
VIII.	AWARD OF CONTRACT .....	6
IX.	PURPOSE / SCOPE OF WORK .....	6
X.	CONTRACT REQUIREMENTS .....	9
XI.	PROPOSAL SUBMISSION .....	15
XII.	PROPOSAL EVALUATION AND SELECTION.....	17
	Appendix A .....	19

## **I. INTRODUCTION**

The Board of the Memphis and Shelby County Sports Authority, Inc. (the “MSCSA” or the “Board”) is seeking proposals from interested and qualified firms or professionals to conduct an audit of the accounts of the MSCSA. This Request for Proposal (“RFP”) is being released to invite interested and qualified firms to prepare and submit proposals in accordance with instructions provided where one successful candidate will be selected and invited to enter into a contractual relationship with the MSCSA to perform the services outlined in the RFP. In this RFP, the terms “Proposer” refers to any firm or individual submitting a response to this RFP and “Auditor” refers to the successful or selected Proposer.

For reference, we have included with this RFP a copy of the MSCSA Financial Audit as of December 31, 2017 as Appendix A.

## **II. MINIMUM PROPOSER REQUIREMENT**

All Proposers must:

1. Meet auditor qualifications as defined by Government Audit Standards using the GASB 34 Model.
2. Have a minimum of five (5) years experience performing the work described in this RFP.
3. Have sufficient, competent and skilled staff to be assigned to conduct the audit and should collectively possess adequate professional proficiency for the task required.
4. In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, be free from personal and external impairments to independence, be organizationally independent, and maintain an independent attitude and appearance.
5. Have the ability to ensure that due professional care will be used in conducting the audit and in preparing related reports.
6. Have an appropriate internal quality control system in place and undergo an external quality control review.
7. Have all appropriate licenses and certifications required in the State of Tennessee to perform the scope of services and procure all permits, pay all charges, taxes and fees.



### III. CORRESPONDENCE

All correspondence, proposals and questions concerning the RFP are to be submitted by email to:

**Forrest B. Artz**  
[fbartz@flymemphis.com](mailto:fbartz@flymemphis.com)

with a cc to

**Lisa L. Daniel**  
[daniell@pfm.com](mailto:daniell@pfm.com)

**Ricardo H. Callender**  
[callenderr@pfm.com](mailto:callenderr@pfm.com)

Questions should reference the section of the RFP to which the question pertains and all contact information for the person submitting the questions. **The deadline for submitting questions will be Friday, December 21, 2018 by 12:00 p.m. (CST).**

*Note: All written questions submitted by the deadline indicated above will be answered and submitted to the respondent via email.*

**Please be aware that contact with any member of the MSCSA Board of Directors or other personnel (other than the persons clearly identified in this document) regarding this RFP may disqualify your company from further consideration.**

### IV. PROPOSAL SUBMISSION & DEADLINE

All proposals must be received at the email addresses listed above no later than **Friday, January 18, 2019 at 3:00 p.m. (CST)**. Late or incomplete proposals may not be opened and considered.

### V. PROPOSAL TIMELINE

MSCSA reserves the right to modify this timeline at any time. If the due date for proposals is changed, all prospective Proposers shall be notified.

<b>Request for Proposals Released</b>	<b>Friday, December 14, 2018</b>
<b>Question Deadline</b>	<b>Friday, December 21, 2018 at 12:00 PM CST</b>
<b>Proposal Due Date</b>	<b>Friday, January 18, 2019 at 3:00 PM CST</b>
<b>Notification of Initial Award</b>	<b>Expected to occur by Friday, February 15, 2019</b>
<b>Services to Commence</b>	<b>April 1, 2019 or immediately upon execution of the contract</b>

### VI. PROPOSAL CONDITIONS

#### a) Contingencies

This RFP does not commit the MSCSA to award a contract. The MSCSA reserves the right to accept or reject any or all proposals if the MSCSA determines it is in the best interest of the MSCSA to do so, or to waive any irregularities in a proposal. The MSCSA will notify all Proposers, in writing, if the MSCSA rejects all proposals.



**b) Modifications**

The MSCSA reserves the right to issue addenda or amendments to this RFP.

**c) Proposal Submission**

To be considered, all proposals must be submitted in the manner set forth in this RFP. It is the Proposer's responsibility to ensure that its proposal arrives on or before the specified date and time.

**d) Incurred Costs**

This RFP does not commit the MSCSA to pay any costs incurred in the preparation of a proposal in response to this RFP and Proposers agree that all costs incurred in developing this RFP are the Proposer's responsibility.

**e) Final Authority**

The final authority to award a contract rests solely with the Board of the MSCSA.

**f) Proposal Validity**

Proposals submitted hereunder will be firm for at least ninety (90) calendar days from the due date unless otherwise qualified.

**g) Disclosure of Proposal Contents**

Provider understands and acknowledges that the MSCSA is a governmental entity subject to the laws of the State of Tennessee and that any reports, data or other information supplied to the MSCSA is subject to being disclosed as a public record in accordance with the laws of the State of Tennessee. All proposals and other materials submitted become the property of the MSCSA.

**h) LOSB and Minority Owned Firms**

The MSCSA encourages the participation of locally-owned and minority-owned small businesses.

**VII. GENERAL REQUIREMENTS AND INFORMATION**

**a) Background**

The purpose of the audit is to secure an auditor's opinion on whether the financial statements present fairly the financial position and results of the operations and, where applicable, changes in cash flows in conformity with generally accepted accounting principles.

**b) Scope of Contract**

The MSCSA wishes to engage in a contractual relationship with the best-qualified Auditor selected through a competitive process to complete the Audit of Financial Statements for the fiscal years ending December 31 in the year 2018 - 2022 in a manner that is cost-effective and practical of which price is but one of the selection criteria.



**c) Project Time Frame**

The MSCSA is looking to negotiate a contract that will cover the term of up to five (5) years. The initial term of the contract will be for three (3) years with the option to renew for up to two (2) additional one (1) year periods. The contract will commence April 2019 or immediately upon the execution of the contract. The successful Proposer must be prepared to begin immediately upon receipt of a Notice to Proceed and be prepared to begin in time to submit the Report on Audit of Financial Statements to the State Comptroller's office by June 30. Note that while the MSCSA intends to enter into a relationship for up to five years, the State of Tennessee will require separate annual audit contracts.

**d) Reservation of Rights**

The MSCSA reserves the right, for any reason to accept or reject any one or more proposals, to negotiate the term and specifications for the services provided, to modify any part of the RFP, or to issue a new RFP.

The MSCSA may at any reasonable time, at its expense, make an audit of the Auditor's books relative to the Accounts.

**e) Additional Information and References**

Any additional information that would be helpful to the MSCSA in evaluating a proposal, including a list of current and former clients with a similar profile to the MSCSA, should be submitted.

**f) Selection Criteria**

Each response will be evaluated on the criteria outlined in Sections II and XII of this document. Each bidder should set out in its response to this RFP to clearly identify the qualifications of its company and each individual who will work on this project.

**VIII. AWARD OF CONTRACT**

Proposers are advised that the lowest cost proposal will not necessarily be awarded the contract, as the selection will be based upon qualification criteria as deemed by the MSCSA. The successful Provider will be chosen based on the qualifications and selection criteria discussed in Sections II and XII of this proposal.

The award will be made to the Proposer whose proposal is determined to be best in terms of professional and technical completeness. The selection process may, however, include a request for additional information or an oral presentation to support the written proposal.

The Proposers whose proposals do not meet the mandatory requirements will be considered noncompliant. After evaluation of the proposals and selection of the successful Proposer, all Proposers will be notified in writing of the selected firm.

**The final authority to award the contract will come from the full action of the Board.**

**IX. PURPOSE / SCOPE OF WORK**

The purpose of this RFP process is to select the best-qualified company and award a contract for professional services to perform the scope of services as hereinafter described



The scope of work will include all work necessary to render an opinion on the financial statements of MSCSA and to issue the opinion and reports required.

**a) General Services & Accounts**

The audit will include the following funds and accounts:

General Operating Account

US Bank Accounts:

6072001949	2004 Custody Agreement
6076005045	Senior Revenue
6076005054	SF Bond Fund
6076005072	Senior DSRF
6076005081	Senior Capital Improvement Reserve Fund
6076005090	Senior CSR
6076005107	Senior Surplus Fund
6076005125	Subordinate Revenue Fund
6076005134	Subordinate P&I
6076005143	Subordinate Redemption Junior
6076005161	Subordinate DSRF
6076005170	Subordinate Surplus
6076005287	Senior/Subordinate Revenue Fund
6076009185	Subordinate Redemption Fund

**b) Technical Standards**

The examination will be conducted and reports issued in accordance with all applicable technical standards and requirements, including:

- Generally Accepted Government Auditing Standards (GAGAS)
- General Accepted Auditing Standards (GAAS)
- Government Auditing Standards (“Yellow Book”)
- Governmental Accounting and Financial Reporting Standards Act
- Single Audit Act
- U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations
- Accounting Manual for Recipients of Grant Funds in Tennessee

The GFOA publishes Governmental Accounting, Auditing and Financial Reporting (GAAFR or “Blue Book”) which is non-authoritative, but useful in conducting audits of governmental units. The MSCSA follows standards set forth by the Governmental Accounting Standards Board (GASB).

The Auditor is subject to all requirements of the Tennessee Division of County Audits as stated in Section 4-3-304 of the Tennessee Code Annotated.

**c) Reports**

The following reports will be issued upon completion of the examination of the financial statements:

- Report on Audit of Financial Statements



- 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

Although this contract covers up to five (5) fiscal years, the requirements of the examination and reports to be issued apply to each fiscal year ending December 31, included in the contracted period.

#### **d) Auditor Qualifications**

##### **As defined by Government Audit Standards (“Yellow Book”):**

1. The staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required.
2. In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance.
3. Due professional care should be used in conducting the audit and in preparing related reports.
4. Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place and undergo an external quality control review.

##### **Continuing Education Requirements**

(3.6): “To meet this standard the audit organization should have a program to ensure that its’ staff maintain professional proficiency through continuing education and training.” Thus, each auditor responsible for planning, directing, conducting, or reporting on audits under these standards should complete, every 2 years, at least 80 hours of continuing education and training which contributes to the auditor’s professional efficiency. At least 20 hours should be completed in any 1-year of the 2-year period. Individuals responsible for planning or directing an audit under these standards should complete at least 24 of the 80 hours of continuing education and training in subjects directly related to the government environment and to government auditing.

##### **Quality Control Standards**

(3.33): “Organizations conducting audits in accordance with these standards should have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed. The external quality control review should determine whether the organization’s internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed.”

(3.36): “Audit organizations seeking to enter into contract to perform an audit in accordance with these standards should provide their most recent external quality control review report to the part contracting for the audit. Information in the external quality control review report often would be relevant to decisions on procuring audit services. Audit organizations also should make their external



quality control review reports available to auditors using their work and to appropriate oversight bodies. It is recommended that the report be made available to the public.”

**The auditor must disclose the terms of any contract issued based on this RFP and comply with any now or revised requirements of any authoritative standard setting body. Accordingly, proposals to audit must include the audit firms’ most recent external quality review report.**

**e) Scheduling**

The general timeline for completion and approval of the Audit each year will be as follows:

Provide auditor with an accounting of the year-end financials through 12/31 Accruals through appropriate period to follow	by Feb 15, or as soon as practical after award of contract for year 1
Draft of audit provided to MSCSA Audit Committee	by May 1
MSCSA Audit Committee meets to review and approve audit	by May 31
Full MSCSA Board meets to review and approve audit	by June 1
Audit filed with the State	no later than June 15

**f) Accounting Assistance**

A book-keeping consultant hired on behalf of the MSCSA prepares various account analysis and reconciliation both for internal use and for audit purposes. The PBC (prepared by client) schedule will be provided to the Auditor by mid-February, with the understanding that additional schedules may be requested as the need arises.

**g) Fee Structure**

The contract will include both the maximum fee for each year’s annual and hourly rates. Special projects or audits requested by the MSCSA will be paid at the same hourly rates. If hourly rates differ for each year of the five-year contract, the proposal should so state. Auditors will provide monthly billing information by classification, containing monthly and cumulative hours of service.

**X. CONTRACT REQUIREMENTS**

The successful Proposer/Auditor will be expected to enter into a contract incorporating the following terms and conditions, and such additional terms and conditions standard to services of this type.

**a) General Requirements**

1. Control. All services by the Auditor will be performed in a manner satisfactory to the MSCSA, and in accordance with the generally accepted business practices and procedures of the MSCSA.
2. Auditor’s Personnel. The Auditor certifies that it presently has adequate qualified personnel to perform all services required under this Contract. All work under this Contract will be supervised by the Auditor. The Auditor further certifies that all of its employees assigned to serve the MSCSA have



such knowledge and experience as required to perform the duties assigned to them. Any employee of the Auditor who, in the opinion of the MSCSA, is incompetent, or whose conduct becomes detrimental to the work, shall immediately be removed from association with services under this Contract.

3. Independent Status. (a) Nothing in this Contract shall be deemed to represent that the Auditor, or any of the Auditor's employees or agents, are the agents, representatives, or employees of the City of Memphis, Shelby County or the MSCSA. The Auditor will be independent over the details and means for performing its obligations under this Contract. Anything in this Contract which may appear to give MSCSA the right to direct the Auditor as to the details of the performance of its obligations under this Contract or to exercise a measure of control over the Auditor is solely for purposes of compliance with local, state and federal regulations and means that the Auditor will follow the desires of the MSCSA only as to the intended results of the scope of this Contract.

(b) It is further expressly agreed and understood by Auditor that neither it nor its employees or agents are entitled to any benefits which normally accrue to employees of the City of Memphis, Shelby County or the MSCSA; that the Auditor has been retained by the MSCSA to perform the services specified herein (not hired) and that the remuneration specified herein is considered fees for services performed (not wages) and that invoices submitted to the MSCSA by the Auditor for services performed shall be on the Auditor's letterhead.

4. Termination Or Abandonment. (a) It shall be cause for the immediate termination of this Contract if, after its execution, the MSCSA determines that either:

- (i) The Auditor or any of its principals, partners or corporate officers, if a corporation, including the corporation itself, has plead nolo contendere, or has plead or been found guilty of a criminal violation, whether state or federal, involving, but not limited to, governmental sales or purchases, including but not limited to the rigging of bids, price fixing, or any other collusive and illegal activity pertaining to bidding and governmental contracting.
- (ii) The Auditor has subcontracted, assigned, delegated, or transferred its rights, obligations or interests under this Contract without the MSCSA's consent or approval.
- (iii) The Auditor has filed bankruptcy, become insolvent or made an assignment for the benefit of creditors, or a receiver, or similar officer is appointed to take charge of all or part of Auditor's assets.

(b) The MSCSA may terminate the Contract upon five (5) days written notice by the MSCSA or its authorized agent to the Auditor for Auditor's failure to provide the services specified under this Contract.

(c) This Contract may be terminated by either party by giving thirty (30) days written notice to the other, before the effective date of termination. In the event of such termination, the Auditor shall be entitled to receive just and equitable compensation for any satisfactory work performed as of the termination date; however, the Auditor shall not be reimbursed for any anticipatory profits that have not been earned as of the date of termination.



(d) All work accomplished by Auditor prior to the date of such termination shall be recorded and tangible work documents shall be transferred to and become the sole property of the MSCSA prior to payment for services rendered.

(e) Notwithstanding the above, the Auditor shall not be relieved of liability to the MSCSA for damages sustained by the MSCSA by virtue of any breach of the MSCSA by the Auditor and the MSCSA may withhold any payments to Auditor for the purpose of setoff until such time as the exact amount of damages due the MSCSA from the Auditor is determined.

5. Subcontracting, Assignment Or Transfer. Any subcontracting, assignment, delegation or transfer of all or part of the rights, responsibilities, or interest of either party to this Contract is prohibited unless by written consent of the other party. No subcontracting, assignment, delegation or transfer shall relieve the Auditor from performance of its duties under this contract. The MSCSA shall not be responsible for the fulfillment of the Auditor's obligations to its transferors or sub-contractors. Upon the request of the other party, the subcontracting, assigning, delegating or transferring party shall provide all documents evidencing the assignment.

6. Conflict Of Interest. The Auditor covenants that it has no public or private interest, and will not acquire directly or indirectly any interest which would conflict in any manner with the performance of its services. The Auditor warrants that no part of the total contract amount provided herein shall be paid directly or indirectly to any officer or employee of the City of Memphis, Shelby County or the MSCSA as wages, compensation, or gifts in exchange for acting as officer, agent, employee, sub-contractor to the Auditor in connection with any work contemplated or performed relative to this Contract.

7. Covenant Against Contingent Fees. The Auditor warrants that it has not employed or retained any company or person other than a bona fide employee working solely for the Auditor, to solicit or secure this Contract, and that it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the Auditor any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent upon or resulting from the award or making of this Contract. For breach or violation of this warranty, the MSCSA will have the right to recover the full amount of such fee, commission, percentage, brokerage fee, gift, or other consideration.

8. Employment Of Workers. The Auditor will not engage on a full or part-time or other basis during the period of the Contract, any professional or technical personnel who are in the current employment of the City of Memphis, Shelby County or the MSCSA.

9. Arbitration. Any dispute concerning a question of fact in connection with the work not disposed of by agreement between the Auditor and the MSCSA will be referred to the City of Memphis and Shelby County officials or their duly authorized representatives, whose decision regarding same will be final.

10. General Compliance With Laws. (a) If required, the Auditor shall certify that it is qualified and duly licensed to do business in the State of Tennessee and that it will take such action as, from time to time, may be necessary to remain so qualified and it shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.



(b) The Auditor is assumed to be familiar with and agrees that at all times it will observe and comply with all federal, state, and local laws, ordinances, and regulations in any manner affecting the conduct of the work. The preceding shall include, but is not limited to, compliance with all Equal Employment Opportunity laws, the Fair Labor Standards Act, Occupational Safety and Health Administration (OSHA) requirements, the Americans with Disabilities Act (ADA), and all state and local laws, rules and regulations pertaining to electrical requirements of residential construction and renovation.

(c) This Contract will be interpreted in accordance with the laws of the State of Tennessee. By execution of this contract the Auditor agrees that all actions, whether sounding in contract or in tort, relating to the validity, construction, interpretation and enforcement of this contract will be instituted and litigated in the courts of the State of Tennessee, located in Shelby County, Tennessee, and in no other. In accordance herewith, the parties to this contract submit to the jurisdiction of the courts of the State of Tennessee located in Shelby County, Tennessee.

11. Nondiscrimination. The Auditor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Auditor on the grounds of handicap and/or disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Auditor shall upon request show proof of such nondiscrimination, and shall post in conspicuous places available to all employees and applicants notices of nondiscrimination.

12. Entire Agreement. This Contract contains the entire Contract of the parties and there are no other promises or conditions in any other Contract whether oral or written. This Contract supersedes any prior written or oral Contracts between the parties.

13. Amendment. This Contract may be modified or amended, only if the amendment is made in writing and is signed by both parties.

14. Severability. If any provision of this Contract is held to be unlawful, invalid or unenforceable under any present or future laws, such provision shall be fully severable; and this Contract shall then be construed and enforced as if such unlawful, invalid or unenforceable provision had not been a part hereof. The remaining provisions of this Contract shall remain in full force and effect and shall not be affected by such unlawful, invalid or unenforceable provision or by its severance here from. Furthermore, in lieu of such unlawful, invalid, or unenforceable provision, there shall be added automatically as a part of this Contract a provision as similar in terms to such unlawful, invalid or unenforceable provision as may be possible, and be legal, valid and enforceable.

15. No Waiver Of Contractual Right. No waiver of any term, condition, default, or breach of this Contract, or of any document executed pursuant hereto, shall be effective unless in writing and executed by the party making such waiver; and no such waiver shall operate as a waiver of either (a) such term, condition, default, or breach on any other occasion or (b) any other term, condition, default, or breach of this Contract or of such document. No delay or failure to enforce any provision in this Contract or in any document executed pursuant hereto shall operate as a waiver of such provision or any other provision herein or in any document related hereto. The enforcement by any party of any right or remedy it may have under this Contract or applicable law shall not be deemed an election of



remedies or otherwise prevent such party from enforcement of one or more other remedies at any time.

16. Matters To Be Disregarded. The titles of the several sections, subsections, and paragraphs set forth in this contract are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions of this contract.

17. Subject To Funding. This Contract is subject to annual appropriations of funds by the MSCSA. In the event sufficient funds for this Contract are not available for any of its fiscal period during the term hereof, then this Contract will be terminated. In the event of such termination, the Auditor shall be entitled to receive just and equitable compensation for any satisfactory work performed as of the termination date.

18. Waiver Of Proprietary Interest. Notwithstanding anything to the contrary contained herein or within any other document supplied to MSCSA by the Auditor, Auditor understands and acknowledges that MSCSA is a governmental entity subject to the laws of the State of Tennessee and that any reports, data or other information supplied to MSCSA by Auditor due to services performed pursuant to this Contract is subject to being disclosed as a public record in accordance with the laws of the State of Tennessee.

19. Organization Status And Authority. (a) Auditor represents and warrants that it is a corporation, limited liability company, partnership, or other entity duly organized, validly existing and in good standing under the laws of the state of Tennessee; it has the power and authority to own its properties and assets and is duly qualified to carry on its business in every jurisdiction wherein such qualification is necessary.

(b) The execution, delivery and performance of this Contract by the Auditor has been duly authorized by all requisite action and will not violate any provision of law, any order of any court or other agency of government, the organizational documents of the Auditor, any provision of any indenture, agreement or other instrument to which the Auditor is a party, or by which the Auditor's respective properties or assets are bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets.

24. Warranty. The Auditor warrants to the MSCSA that all services shall be in strict compliance with the terms of this Contract, and all applicable governmental laws, rules and regulations.

25. Rights in Data. The MSCSA shall become the owner, and the Auditor shall be required to grant to the MSCSA, or its successors, a perpetual, non-exclusive, non-transferable, royalty-free right, in the MSCSA's name, to use any deliverables provided by the Auditor under this Contract, regardless of whether they are proprietary to the Auditor or to any third parties.



**b) Indemnification and Insurance Requirements**

1. Responsibilities For Claims And Liabilities. (a) Auditor shall indemnify, defend, save and hold harmless the MSCSA, and its officers, employees, agents, assigns, and instrumentalities from and against any and all claims, liability, losses or damages—including but not limited to Title VII and 42 USC 1983 prohibited acts—arising out of or resulting from any conduct; whether actions or omissions; whether intentional, unintentional, or negligent; whether legal or illegal; or otherwise that occur in connection with or in breach of this Contract or in the performance of the duties hereunder, whether performed by the Auditor its sub-contractors, agents, employees or assigns. This indemnification shall survive the termination or conclusion of this Contract.

(b) The Auditor expressly understands and agrees that any insurance protection required by this Contract or otherwise provided by the Auditor shall in no way limit the responsibility to indemnify, defend, save and hold harmless the MSCSA, its officers, employees, agents, assigns, and instrumentalities as herein provided.

(c) The MSCSA has no obligation to provide legal counsel or defense to the Auditor or its sub-contractors in the event that a suit, claim or action of any character is brought by any person not party to this Contract against the Auditor as a result of or relating to obligations under this Contract.

(d) Except as expressly provided herein, the MSCSA has no obligation for the payment of any judgment or the settlement of any claims against the Auditor as a result of or relating to obligations under this Contract.

(e) The Auditor shall immediately notify the MSCSA of any claim or suit made or filed against the Auditor or its sub-contractors regarding any matter resulting from or relating to Auditor's obligations under this Contract and will cooperate, assist and consult with the MSCSA in the defense or investigation thereof.

**NOTE:** The MSCSA, by state law, cannot indemnify another party for its or any other party's actions. The MSCSA will hold the Provider harmless from damages resulting from intrusions or a breach of the security system by a third party. A Proposer should not respond to this RFP if it is unable to contract without a contractual indemnity from the MSCSA.

**c) Right to Monitor and Audit**

Access To Records. During all phases of the work and services to be provided hereunder the Auditor agrees to permit duly authorized agents and employees of the MSCSA, to enter the Auditor's offices for the purpose of inspections, reviews and audits during normal working hours. Reviews may also be accomplished at meetings that are arranged at mutually agreeable times and places. The Auditor will maintain all books, documents, papers, accounting records, and other evidence pertaining to the fee paid under this Contract and make such materials available at their offices at all reasonable times during the period of this Contract and for three (3) years from the date of payment under this Contract for inspection by the MSCSA or by any other governmental entity or agency participating in the funding of this Contract, or any authorized agents thereof; copies of said records to be furnished if requested.



## **XI. PROPOSAL SUBMISSION**

### **a) General**

1. All interested and qualified Proposers are invited to submit a proposal for consideration. Submission of a proposal indicates that the Proposer has read and understands this entire RFP, including all attachments, exhibits, schedules, and addenda (as applicable) and all concerns regarding this RFP have been satisfied.
2. Proposals must be submitted in the format described below. Proposals are to be prepared in such a way as to provide a straightforward, concise description of capabilities to satisfy the requirements of this RFP. Expensive bindings, colored displays, promotional materials, etc. are neither necessary nor desired. Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to the RFP requirements, and on completeness and clarity of content.
3. Proposals must be complete in all respects as required in this section. A proposal may not be considered if it is conditional or incomplete.
4. **Emailed proposals must be received by no later than 3:00 pm (CST) on Friday, January 18, 2019, at the addresses noted in Section III above.**
5. Proposer agrees to provide the MSCSA with any additional information it deems necessary to accurately determine ability to perform the services proposed. Furthermore, submission of this proposal constitutes permission by this organization for the MSCSA to verify all information contained in the proposal. Failure to comply with any request for additional information may disqualify this organization from further consideration. Such additional information may include evidence of financial ability to perform.

### **b) Proposal Presentation**

1. One (1) electronic copy is required to each of the recipients noted in Section III.
2. Proposals must be verified before submission as they cannot be withdrawn or corrected after being opened on the due date and time. The MSCSA will not be responsible for errors or omissions on the part of the proposers in preparing their proposals. A responsible officer or employee must sign (scanned signature is acceptable) proposals. Tennessee sales tax shall not be included in the Proposer's proposal.

### **c) Proposal Requirements & Format**

Responses to this RFP must contain the following information and be submitted in the form of a proposal package in the following format:

1. **Cover Page** – Submit on letterhead stationary, signed by a duly authorized officer, employee, or agent of the organization/firm.
2. **Comprehensive Response** (Minimum Requirements and Scope of Work)



- a. Address all services and information listed in the scope of work (outlined in Sections IX).
- b. Outline of how respondent can meet or exceed the minimum requirements.
- c. Detail of how the respondent is qualified to provide the services required.
- d. Detail the techniques, approaches and methods that will be utilized to complete the project including a detailed plan on proposed strategy.

3. **Firm Information and Experience**

- a. A brief history of the firm, including the length of time Proposer has been in business, a description of Proposer’s organizational structure, a description of Proposer’s local presence, and a description of Proposer’s customer make-up
- b. A general description of the Proposer’s experience and background in providing services similar to the services requested herein;
- c. Any other relevant information about the experience and knowledge base of the Proposer which is deemed to be material.
- d. Identify the primary or designated contact for this engagement
- e. Provide a brief bio or resume of proposed audit staff including:
  - § Prior government auditing experience
  - § Qualifications
  - § Compliance with continuing education requirements

4. **Additional Information**

- a. A description of any other resources available to the Proposer that will be useful in providing the services;
- b. A description of the methods used by the Proposer to measure the satisfaction of its client.
- c. Any other relevant information about the capabilities of the Proposer deemed to be material.

5. **Cost and Fees**

- a. Provide the proposed annual fees to perform the services stipulated in this RFP, along with estimate of hours to conduct the annual examination.
- b. Schedule of hourly rates for each classification of your staff for each year of contract.



- c. Explain any assumptions or constraints in a price proposal to perform the services.
- d. Explain any additional charges or fees in the proposal.

6. **References**

References of the Proposer, including at least three (3) other clients for whom the Proposer has provided services similar to the services described (with preference given to clients comparable to MSCSA) and, for each such reference, the business name, the identification of a contact person, the title of the contact person and a telephone number.

7. **Quality Review Report**

- a. Provide a copy of the firm's most recent quality review report
- b. Provide date of review and indicate whether or not any governmental audits were included in the review

**XII. PROPOSAL EVALUATION AND SELECTION**

**a) Evaluation Process**

- 1. Initial Review – All proposals will be initially evaluated to determine if they meet the following minimum requirements:
  - a. The proposal must be complete, in the required format, and be in compliance with all the requirements of the RFP.
  - b. Proposers must meet the Minimum Proposer Requirements outlined in Section II of this RFP.
- 2. Technical Review- Proposals meeting the above requirements will be evaluated on the basis of the following criteria:
  - a. Organizational capacity and quality.
    - i. Organizational structure and number of professional personnel (if more than one office, in total and in local office).
    - ii. Experience with engagements of comparable size.
    - iii. Results of most recent quality review.
  - b. Experience
    - i. Governmental and/or non-profit experience with similar fund structure.
    - ii. Involvement with Single Audits.
    - iii. Involvement with reports receiving GFOA certificate.
  - c. Key Personnel
    - i. Qualifications



- ii. Government experience
- iii. Compliance with continuing education requirements
  
- d. Quality of audit approach
  - i. Understanding of the audit objectives, MSCSA's needs and final products to be delivered.
  
- e. Cost Proposal

Please organize your proposal to specifically address each of the above areas to facilitate our evaluation of your proposal. A comparative analysis and recommendation will be submitted to the Audit Committee for consideration. The Audit Committee will then make their final selection. By resolution, the commission awards the contract and appropriate funding. The contract is prepared and submitted to the State of Tennessee for approval. The contract will be on the State "Contract to Audit Accounts".

**b) Contract Award**

Contract(s) will be awarded based on a competitive selection of proposals received. **Proposers are advised that the lowest cost proposal will not necessarily be awarded the Contract, as the selection will be based upon qualification criteria and as determined by the selection committee.** The proposals submitted will be evaluated by the Audit Committee and all decisions are made at the discretion of the same.

The contents of the proposal of the successful Proposer will become contractual obligations and failure to accept these obligations in a contractual agreement may result in cancellation of the award.

The MSCSA reserves the right to negotiate any portions of the successful Proposer's fees and scope of work or utilize their own resources for such work.



**Memphis and Shelby County Sports Authority, Inc.**

**Request for Proposals  
For Professional Auditing Services**

**Appendix A**

MSCSA Audited Financial Statements For Fiscal Year Ended December 31, 2017

DRAFT



**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**FINANCIAL STATEMENTS**

December 31, 2017 and 2016



## TABLE OF CONTENTS

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	Page
<b>INTRODUCTORY SECTION</b>	
Board Members and Counsel	1
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statements of Net Position	4
Statement of Activities – 2017	5
Statement of Activities – 2016	6
Fund Financial Statements	
Balance Sheets – Governmental Funds	7
Reconciliations of the Balance Sheets of Governmental Funds to the Statements of Net Position	8
Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	9
Reconciliations of the Statements of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statements of Activities	10
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	11
<b>SUPPLEMENTARY INFORMATION</b>	
Senior Bonds Coverage Table (Unaudited)	22
<b>GOVERNMENT AUDITING STANDARDS</b>	
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 <i>Government Auditing Standards</i>	23

# **Memphis and Shelby County Sports Authority, Inc.**

Board Members and Counsel

December 31, 2017

## **Board Members**

Forrest B. Artz, Chairman\*  
Jim Dugger, Vice Chairman  
Nisha Powers, Secretary/Treasurer  
Dr. James "Bo" Adams  
Frank Childress, Jr.  
Valerie Morris  
Mark Rosenberg  
Will Thompson, III  
Lauren Stimac  
Mike Lenz

## **Counsel**

Bruce Brooke  
Memphis, TN 38103

## **INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Watkins Uiberall, PLLC  
Memphis, TN

\*Individual with financial oversight responsibility

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Memphis and Shelby County Sports Authority, Inc.  
Memphis, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Memphis and Shelby County Sports Authority, Inc. (the Authority), a jointly governed organization of Shelby County and the City of Memphis, Tennessee, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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 the Authority, as of December 31, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the Authority'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 the Authority's 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 Authority's internal control over financial reporting and compliance.



Memphis, Tennessee  
June 22, 2018

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**STATEMENTS OF NET POSITION**

December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Restricted assets:		
Cash and cash equivalents	\$ 19,290,110	\$ 44,045,395
Accounts receivable	6,065	-
Due from other governments	1,934,009	4,711,620
Interest receivable	63,776	11,737
Investments	37,871,193	18,333,867
Total assets	59,165,153	67,102,619
<b>LIABILITIES</b>		
Accounts payable	14,999	1,699
Accrued interest	1,450,079	1,661,887
Long-term liabilities:		
Due within one year	10,730,000	10,285,000
Due in excess of one year (net of unamortized discounts and premium on debt)	155,546,671	179,162,142
Total liabilities	167,741,749	191,110,728
<b>NET POSITION</b>		
Restricted for:		
Debt service	51,746,081	62,974,055
Arena construction	7,404,073	4,126,865
Unrestricted	(167,726,750)	(191,109,029)
Total net position	\$ (108,576,596)	\$ (124,008,109)

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues	Charges for Service	Net (Expenses) Revenues and Changes in Net Position  Total
<b>Primary government</b>				
Governmental activities:				
Professional fees and licenses	\$ 50,171	\$ -		\$ (50,171)
Payment from capital improvement reserve fund	2,456,447	-		(2,456,447)
Bank and trust fees	16,079	-		(16,079)
Interest expense on debt	9,863,300	-		(9,863,300)
Amortization of bond premiums, discounts, and accretion	1,849,935	-		(1,849,935)
	<u>\$ 14,235,932</u>	<u>\$ -</u>		<u>(14,235,932)</u>
General revenues:				
Miscellaneous				20,975
Net investment income				1,225,941
Car rental tax				2,252,184
Sales tax				6,202,129
Hotel/Motel tax				12,592,009
Seat rental fees				1,170,807
Capital improvement				3,703,400
Payments in lieu of tax				2,500,000
Total revenues				<u>29,667,445</u>
				<b>Change in net position</b>
				15,431,513
				<b>Net position - beginning</b>
				(124,008,109)
				<b>Net position - ending</b>
				\$ (108,576,596)

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues	Charges for Service	Net (Expenses) Revenues and Changes in Net Position
				Total
<b>Primary government</b>				
Governmental activities:				
Professional fees and licenses	\$ 89,783	\$ -		\$ (89,783)
Payment from capital improvement reserve fund	2,747,547	-		(2,747,547)
Bank and trust fees	17,645	-		(17,645)
Interest expense on debt	10,275,012	-		(10,275,012)
Amortization of bond and swap costs	671,060	-		(671,060)
	<u>\$ 13,801,047</u>	<u>\$ -</u>		<u>(13,801,047)</u>
General revenues:				
Miscellaneous				18,733
Net investment income				1,116,733
Car rental tax				2,256,546
Sales tax				4,990,039
Hotel/Motel tax				12,690,918
Seat rental fees				1,211,313
Payments in lieu of tax				2,500,000
Total revenues				<u>24,784,282</u>
				10,983,235
				<b>Change in net position</b>
				10,983,235
				<b>Net position - beginning</b> (134,991,344)
				<b>Net position - ending</b> \$ (124,008,109)

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**BALANCE SHEETS – GOVERNMENTAL FUNDS**

December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Restricted assets:		
Cash and cash equivalents	\$ 19,290,110	\$ 44,045,395
Accounts receivable	6,065	
Due from other governments	1,934,009	4,711,620
Interest receivable	63,776	11,737
Investments	37,871,193	18,333,867
Total assets	\$ 59,165,153	\$ 67,102,619
<b>LIABILITIES</b>		
Accounts payable	\$ 14,999	\$ 1,699
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - rental car and hotel/motel taxes	172,906	2,733,287
<b>FUND BALANCE</b>		
Restricted	58,977,248	64,367,633
Total liabilities, deferred inflows of resources, and fund balance	\$ 59,165,153	\$ 67,102,619

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**RECONCILIATIONS OF THE BALANCE SHEETS OF  
GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION**

December 31, 2017 and 2016

	2017	2016
Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance	\$ 58,977,248	\$ 64,367,633
Receivables not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	172,906	2,733,287
Long-term liabilities, including bonds payable, are not due and payable the current period and, therefore, are not reported in the funds.	(171,168,482)	(196,738,483)
Payables, such as accrued and accreted interest, are not due and payable in the current period, and therefore are not reported in the funds.	(7,216,136)	(6,878,348)
Unamortized bond discount and premium is expensed in the fund statements and recorded as a liability in the statement of net position.	10,657,868	12,507,802
Net position of governmental activities	\$ (108,576,596)	\$ (124,008,109)

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS**

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>REVENUES</b>		
General revenues:		
Taxes and seat rentals	\$ 30,980,910	\$ 21,077,103
Net investment income	1,225,941	1,116,733
Other revenue	20,975	18,733
	32,227,826	22,212,569
<b>EXPENDITURES</b>		
Current:		
Professional fees	50,171	89,783
Payment from capital improvement reserve fund	2,456,447	2,747,547
Bank and trust fees	16,079	17,645
Debt service:		
Principal	25,570,000	5,555,000
Interest	9,525,514	10,231,676
Total expenditures	37,618,211	18,641,651
Net change in fund balance	(5,390,385)	3,570,918
Fund balance - beginning of the year	64,367,633	60,796,715
Fund balance - end of the year	\$ 58,977,248	\$ 64,367,633

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2017 and 2016

	2017	2016
Amounts reported for the governmental activities in the statement of net position are different because:		
Net change in fund balance - total governmental funds	\$ (5,390,385)	\$ 3,570,918
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,560,381)	2,571,713
The repayment of long-term debt uses current financial resources of governmental funds. These transactions do not have any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	23,720,065	4,883,940
Interest is reported as an expenditure when due in the governmental funds, but it is accrued on outstanding debt on the statement of activities.	(337,786)	(43,336)
Change in net position of governmental activities	\$ 15,431,513	\$ 10,983,235

The accompanying notes are an integral part of the financial statements

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2017 and 2016

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Memphis and Shelby County Sports Authority, Inc. (the Authority) is a jointly governed organization of Shelby County and the City of Memphis, Tennessee. The Authority was chartered in 1997 under Tennessee Code Annotated 7-67-101 the “Sports Authority Act of 1993”. The Authority was established to promote community development through sporting events. The Authority is deemed a government entity for financial reporting purposes.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.

The fund financial statements of the Authority are presented as a general fund, which is in the governmental fund category.

The accompanying 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 both measurable and available. 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. The Authority has determined a period of availability of sixty days after the end of the current fiscal period. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The most significant source of income is restricted for debt service payments. The County, City, and State have pledged various sources of revenue for repayment of the Bonds (described in Note 3C). The proceeds are deposited directly with the bond trustee and are reflected as restricted revenue on the Authority’s books.

The Authority does not adopt a budget.

**C. Assets, liabilities, deferred inflows of resources and net position/fund balance**

***Deposits and investments***

State statutes imply that the Authority must invest in the same type of investments allowed by the County and City, such as, certificates of deposits, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. governments or its agencies, repurchase agreements, as approved by the state director of local finance, and the state’s local government investment pool. The invested funds must comply with Tennessee Code Annotated 5-8-301. The statute requires invested funds to be collateralized in accordance with state law.

### ***Restricted cash and investments***

Cash and investments representing the proceeds of the Authority's Senior Bonds (as defined herein) and any debt service collections have been classified as restricted in the financial statements. These funds represent monies legally restricted for the construction of the project (described in Note 3C) and debt service of the Bonds.

### ***Capital assets***

The Authority has not adopted a capitalization policy for the recording of capital assets. The Authority does not hold title to any real estate and at present does not have ownership of any other capital assets.

### ***Deferred inflows of resources***

In addition to liabilities, the statement of net position and the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time.

### ***Net position and fund balance***

The Authority reports fund balance in its governmental funds in the classifications prescribed by GASB Statement 54. By doing so, the Authority reflects the amount to which they are "bound to honor constraints on the specific purposes for which amounts in the fund can be spent." Of the five categories allowed by GASB Statement 54, the Authority reports only one of these components in the 2017 and 2016 fiscal years, which is Restricted. Government-wide financial statements report net position in two categories 1) Unrestricted and 2) Restricted for arena construction and debt service.

### ***Application of restricted funds***

The Authority has elected to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### ***Comparability and consistency***

The Authority has chosen to present comparative statements for the fiscal years ended December 31, 2017 and 2016.

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

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between fund balance – governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "unamortized bond discount and premium is expensed in the fund statements and recorded as a liability in the statement of net position." The details of the \$10,657,868 and \$12,507,802 for the fiscal years ending December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount on bonds issued	\$ 11,344,264	\$ 13,568,597
Premium on bonds issued	<u>(686,396)</u>	<u>(1,060,795)</u>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 10,657,868</u>	<u>\$ 12,507,802</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government – wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net change in fund balance – total governmental funds and change in net position of governmental activities as reported in the government –wide statement of activities. One element of that reconciliation explains that “the repayment of long-term debt uses current financial resources of governmental funds. These transactions do not have any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The detail of the \$23,720,065 and \$4,883,940 difference for the fiscal years ending December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Amortization of bond premiums, discounts, and accretion	\$ (1,849,935)	\$ (671,060)
Principal repayments of revenue bonds	<u>25,570,000</u>	<u>5,555,000</u>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 23,720,065</u>	<u>\$ 4,883,940</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.” The details of the (\$2,560,381) and \$2,571,713 difference for the fiscal years ending December 31, 2017 and 2016 are as follows:

	<u>2017</u>
Car rental tax received in March 2018	\$ 172,906
Car rental tax received in March 2017	(189,176)
Hotel/motel tax received in April 2017	<u>(2,544,111)</u>
Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities	<u>\$ (2,560,381)</u>

	<u>2016</u>
Car rental tax received in March 2017	\$ 189,176
Car rental tax received in March 2016	(161,574)
Hotel/motel tax received in April 2017	<u>2,544,111</u>
Net adjustment to increase net change in fund balances total governmental funds to arrive at change in net position of governmental activities	<u>\$ 2,571,713</u>

### NOTE 3 – DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2017 and 2016, the Authority had \$502,025 and \$500,791, respectively, held in an interest bearing money market account. As of December 31, 2017 and 2016, the Authority had \$18,788,085 and \$43,544,604, respectively, held in interest bearing short-term investment accounts, consisting of pooled treasury securities. The Authority had no cash deposits as of December 31, 2017 and 2016.

The Authority has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" for financial reporting of deposit and investment risks.

The Authority entered into a forward delivery agreement with Wachovia Bank dated June 11, 2002 concerning the investment of amounts in the Debt Service Reserve fund. This agreement, which matures November 1, 2029, provides for the delivery of securities valued at an amount of \$18,579,989 and a guaranteed investment rate of 6.022%.

At December 31, 2017 and 2016, investments of the Authority consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Commercial Paper	0.1	\$ 20,862,416	0.25	\$ 18,333,867
Federal Home Loan Bank (FHLB)	1.5	4,151,997		-
U.S Treasury Notes	2.2	12,856,780		-
Total investments		<u>\$ 37,871,193</u>		<u>\$ 18,333,867</u>

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the Authority has the ability to access.

- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

*Commercial paper:* valued based on the investments relationship to benchmark quoted prices.

*U.S. Treasury Notes and Federal Home Loan Bank:* valued using pricing of identical securities that are traded on active markets on a daily basis.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

The Authority's investments in U.S. Treasury notes and Federal Home Loan Bank are classified as Level 1. The Authority's investment in commercial paper is classified as Level 2.

### ***Interest rate risk***

In accordance with its permitted investments, the Authority manages its exposure to declines in fair values by limiting the maturity of individual investments to no more than 5 years from the date of purchase unless the security is matched to a specific obligation or debt of the Authority.

### ***Custodial credit risk***

The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1 – State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of December 31, 2017 and 2016, all bank deposits were fully collateralized or insured.

### **Credit risk**

The Authority's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At December 31, 2017 and 2016, the Authority's investments in commercial paper are rated P-1 by Moody's and A-1 by Standard and Poor's. At December 31, 2017, the Authority's investments in U.S. Treasury notes are rated Aaa by Moody's and investments in Federal Home Loan Bank are rated AA+ by Standard and Poor's.

### **Investment activity**

Investment activity is reported as a net amount in the financial statements, but is made up of the following components:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 232,485	\$ 96,813
Investment income	1,029,513	1,046,389
Investment related expenses	(36,057)	(26,469)
Total investment income	<u>\$ 1,225,941</u>	<u>\$ 1,116,733</u>

### **B. Capital assets**

The capital assets purchased by Memphis and Shelby County Sports Authority, Inc. are recorded as expenditures at the time of purchase; consequently, no fixed assets are included in their fund financial statements. The ownership and title to the arena was conveyed to the Memphis and Shelby County Public Building Authority, therefore, the asset is reflected in the books and records of the Public Building Authority.

### **C. Long-term Debt**

#### **2002 Bond Issue**

The Authority issued revenue bonds on May 29, 2002. The bonds were issued as the Memphis and Shelby County Sports Authority, Inc. Revenue Bonds, 2002 Series A (Memphis Arena Project) in the aggregate principal amount of \$113,325,000 and The Memphis and Shelby County Sports Authority, Inc., Revenue Bonds, 2002 Series B (Memphis Arena Project) in the aggregate principal amount of \$88,965,000, collectively referred to the "2002 Senior Bonds". The 2002 Senior Bonds were issued to provide funds to: a) pay a portion of the costs of the constructing, acquiring, erecting, extending, improving, equipping, renovating and repairing an arena facility, b) pay the costs of acquiring a site or sites necessary and convenient for the Arena and demolishing the structures on the Arena site, c) pay any architectural, engineering, legal and consulting costs incident thereto, including start-up and other capitalized costs, d) initially fund a Debt Service Reserve Fund and other reserve funds and, e) pay related costs of issuance, collectively, the uses referred to as ("the Project").

The 2002 Senior Bonds were issued under the Sports Authority Act of 1993, Tennessee Code Annotated, Section 7-67-101 et seq., and applicable provisions of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), and were issued pursuant to a Trust Indenture dated as of May 1, 2002 (the "Indenture") between the Authority and Wachovia Bank, National Association, as trustee (now, U.S. Bank) (the "Trustee").

In conjunction with the 2002 Senior Bonds, subordinated bonds were issued as part of the financing package. Those bonds are referred to as: 2002 Series C Subordinate Lien Revenue Bonds, with an original principal amount of \$18,535,000, 2002 Series D Junior Subordinate Lien Revenue Bonds, with an original principal amount of \$2,699,414 and, 2002 Series E Junior Subordinate Lien Revenue Bonds, with an original principal amount of \$1,300,891, collectively referred to as the "Subordinate Bonds". The Subordinate Bonds are supported by a lien on the Seat Use Fees, Sales Tax Rebate and Car Rental Taxes subject and subordinate to the first and prior lien of the 2002 Senior Bonds on such Revenues. On December 15, 2003, the Authority redeemed a portion of the 2002 Series E Junior Subordinate Lien Revenue Bonds. The Bonds that were redeemed reduced the original principal amount to \$1,109,068 and interest on the redeemed Bonds ceased to accrue interest.

In April 2017, the Authority defeased the Series 2002 C Subordinate Bonds with a par amount of \$15,285,000 and accrued interest of \$318,437.

### ***Advance Refunding (2007)***

On April 3, 2007, the Authority issued Refunding Revenue Bonds. The bonds issued are referred to as the Memphis and Shelby County Sports Authority, Inc. Variable Rate Demand Revenue Refunding Bonds, 2007 Series A (Memphis Arena Project) in the aggregate principal amount of \$69,150,000; The Memphis and Shelby County Sports Authority, Inc. Variable Rate Demand Revenue Refunding Bonds, 2007 Series B (Memphis Arena Project) in the aggregate principal amount of \$60,725,000, collectively referred to as the "2007 Variable Rate Bonds"; The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2007 Series C (Memphis Arena Project) in the aggregate principal amount of \$28,935,000 and The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2007 Series D (Memphis Arena Project) in the aggregate principal amount of \$28,525,000, collectively referred as the "2007 Fixed Rate Bonds". The 2007 Fixed Rate Bonds have interest rates ranging from 4.00% to 5.00%. The 2007 Variable Rate Bonds and the 2007 Fixed Rate Bonds collectively are referred as the "2007 Refunding Bonds". The Refunding Bonds were issued to advance refund a portion of the certain series of the Authority's 2002 Senior Bonds. The 2007 Refunding Bonds were issued on a parity and secured by an equal charge and lien on the Trust Estate along with all non-refunded 2002 Senior Bonds.

The Authority used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002 Senior Bonds. As a result, that portion of the 2002 Senior Bonds has been considered defeased, and the Authority has removed the liability from its accounts.

The 2007 Variable Rate Bonds were refunded on July 9, 2009.

### ***Advance Refunding (2009)***

On July 9, 2009, the Authority issued Refunding Revenue Bonds. The bonds issued are referred to as the Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2009 Series A (Memphis Arena Project) in the aggregate principal amount of \$69,150,000; The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2009 Series B (Memphis Arena Project) in the original aggregate principal amount of \$75,700,000 collectively referred as the "Series 2009 Senior Refunding Bonds". The Series 2009 Senior Refunding Bonds have interest rates ranging from 4.875% to 5.50%. The Series 2009 Senior Refunding Bonds were issued to refund all of the outstanding principal balance of the Authority's 2007 Variable Rate Bonds, to pay all or a portion of termination payments in connection with the termination of certain interest rate swaps related to the 2007 Variable Rate Bonds, to fund a deposit to the Debt Service Reserve Fund, and to pay related costs of issuance.

The 2002 Senior Bonds, the 2007 Fixed Rate Bonds and the 2009 Senior Refunding Revenue Bonds are referred to as “the Senior Bonds”.

Pursuant to the Interlocal Agreement, the City and the County have agreed to replenish the Debt Service Reserve Fund in the event that a draw is required to make a debt service payment on the Senior Bonds.

The Senior Bonds will be repaid by the following revenue sources:

Seat Rental Fees

Seat rental fees for all paid events are to be paid to the City and the County at a rate of \$1.15 per seat sold. The City and County have in turn pledged that revenue to the payment of the Senior Bonds until paid in full.

Sales Tax Rebate

The state is obligated by law to remit state and local sales taxes (except that portion designated for education (.5%) paid on sale of admissions, sale of concessions, and sale of NBA franchise goods and products. This obligation was effective for 30 years beginning October 1, 2001.

Car Rental Taxes

The County has pledged certain Car Rental Taxes to the repayment of the Senior Bonds until they are paid in full.

City-wide Hotel/Motel Tax

The City has pledged the 1.75% Room Occupancy Tax to pay debt service on the Senior Bonds.

County-wide Hotel/Motel Tax

The County agrees to pay over to the Authority, for the benefit of the holders of the Bonds, an amount to be paid from County Hotel/Motel Tax Revenues as detailed in the indenture.

Memphis Light, Gas, & Water Division Payment in Lieu of Tax

The City has pledged in lieu of tax payments received from the City’s Water Division of MLGW of \$2,500,000 annually until the end of 2028.

In 2016, a non-recurring excess accumulated hotel motel taxes, which may only be used for debt service, in the amount of \$4,300,000 was received from the County.

In 2017, revenues for the capital reserve fund were received from the County and City totaling \$2,000,000 and \$1,703,400, respectively. These revenues are for the capital improvements related to the FedEx Forum maintenance.

Revenue bond debt service requirements to maturity are as follows:

	<u>2017</u>	<u>2016</u>
<u>Bonds Payable:</u>		
The Authority issued \$18,535,000 of 2002 Series C Revenue Bonds in May of 2002.	\$ -	\$ 15,285,000
The Authority issued \$2,699,415 of 2002 Series D Revenue Bonds in May of 2002. The bonds mature in 2031 with interest paid at maturity at 6.00%	2,699,414	2,699,414
The Authority issued \$1,300,891 of 2002 Series E Revenue Bonds in May of 2002. The bonds mature in 2034 with interest paid at maturity at 6.00%	1,109,068	1,109,068
The Authority issued \$69,150,000 of 2009 Series A Revenue Bonds in July of 2009. The bonds mature serially with interest from 4.875% to 5.3755%	69,150,000	69,150,000
The Authority issued \$75,700,000 of 2009 Series B Revenue Bonds in July of 2009. The bonds mature serially with interest from 5.000% to 5.620%	75,700,000	75,700,000
The Authority issued \$28,935,000 of 2007 Series C Revenue Bonds in April of 2007. The bonds mature serially with interest at 5%	10,635,000	15,340,000
The Authority issued \$28,525,000 of 2007 Series D Revenue Bonds in April of 2007. The bonds mature serially with interest from 4% to 5%	11,875,000	17,455,000
	<u>\$ 171,168,482</u>	<u>\$ 196,738,482</u>

Year ending December 31,	Principal	Interest
2018	\$ 10,730,000	\$ 8,700,475
2019	11,780,000	8,163,975
2020	12,775,000	7,574,975
2021	13,290,000	6,909,569
2022	13,640,000	6,210,719
2023-2027	67,035,000	21,179,775
2028-2032	40,809,414	15,806,073
2033-2034	1,109,068	6,175,932
	<u>\$ 171,168,482</u>	<u>\$ 80,721,493</u>

Changes in long-term liabilities are as follows:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 196,738,482	\$ -	\$ (25,570,000)	\$ 171,168,482	\$ 10,730,000
Accreted interest	5,216,464	549,593	-	5,766,057	-
Net discount, premium and accretion of bonds issued	(12,507,804)	-	1,849,936	(10,657,868)	-
Total	<u>\$ 189,447,142</u>	<u>\$ 549,593</u>	<u>\$ (23,720,064)</u>	<u>\$ 166,276,671</u>	<u>\$ 10,730,000</u>

  

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 202,485,305	\$ -	\$ (5,746,823)	\$ 196,738,482	\$ 10,285,000
Accreted interest	4,937,913	278,551	-	5,216,464	-
Net discount, premium and accretion of bonds issued	(13,178,864)	-	671,060	(12,507,804)	-
Total	<u>\$ 194,244,354</u>	<u>\$ 278,551</u>	<u>\$ (5,075,763)</u>	<u>\$ 189,447,142</u>	<u>\$ 10,285,000</u>

#### NOTE 4 – OTHER INFORMATION

##### A. Risk Management

The Authority is exposed to various risks related to general liability. Management deems those risks to be relatively insignificant. During the fiscal year ended December 31, 2017 and 2016, the Authority did not have any insurance to cover those risks, but it is covered by the general liability policy of Shelby County.

##### B. Risks and Uncertainties

As discussed more fully in footnote 3C Long-Term Debt, numerous revenue sources are used to finance the revenue bonds. These sources are sensitive to cyclical economic changes. The cyclical economic changes can impact the amount of revenue collected and remitted to the Authority by the City and County.

**SUPPLEMENTARY INFORMATION**

**MEMPHIS AND SHELBY COUNTY  
SPORTS AUTHORITY, INC.**

**SENIOR BONDS COVERAGE TABLE (UNAUDITED)**

December 31, 2017



**Memphis and Shelby County Sports Authority, TN**

- 1 The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2009 Series A (Memphis Arena Project), \$69,150,000 Dated: July 9, 2009
- 2 The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2009 Series B (Memphis Arena Project), \$75,700,000 Dated: July 9, 2009
- 3 The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2007 Series C (Memphis Arena Project), \$28,935,000 Dated: April 3, 2007
- 4 The Memphis and Shelby County Sports Authority, Inc. Revenue Refunding Bonds, 2007 Series D (Memphis Arena Project), \$28,525,000 Dated: April 3, 2007
- 5 The Memphis and Shelby County Sports Authority, Inc. Junior Subordinate Lien Revenue Bonds, 2002 Series D (Memphis Arena Project), \$2,699,414.55 and 2002 Series E (Memphis Arena Project), \$1,300,890.80. Dated: May 29, 2002 **NAR**
- 6 The Memphis and Shelby County Sports Authority, Inc. Subordinate Lien Revenue Bonds, 2002 Series C (Memphis Arena Project), \$18,535,000 Dated: May 29, 2002 **NAR**
- 7 The Memphis and Shelby County Sports Authority, Inc., \$129,875,000 (consisting of) Variable Rate Demand Revenue Refunding Bonds, 2007 Series A (Memphis Arena Project), \$69,150,000; Variable Rate Demand Revenue Refunding Bonds, 2007 Series B (Memphis Arena Project), \$60,725,000 Dated: April 3, 2007 **NAR**
- 8 The Memphis and Shelby County Sports Authority, Inc., \$202,290,000 (consisting of) Revenue Bonds, 2002 Series A (Memphis Arena Project), \$113,325,000; Revenue Bonds, 2002 Series B (Memphis Arena Project), \$88,965,000 Dated: May 29, 2002 (Called 11/1/2012)

Series 2009A,B, 2007C,D

**Memphis Shelby County Sports Authority Senior Bonds Coverage**

Year Ending	Total SR Revenues	Senior Debt Service	Excess	Coverage
11/1/2013	29,098,730.59	15,517,325.00	13,581,405.59	1.875
11/1/2014	28,760,120.27	15,691,675.00	13,068,445.27	1.833
11/1/2015	30,509,941.84	15,265,425.00	15,244,516.84	1.999
11/1/2016	33,099,369.98	15,022,425.04	18,076,944.94	2.203
11/1/2017	40,391,201.69	19,492,075.00	20,899,126.69	2.072

Series 2009A,B, 2007C,D

**Senior (Only) Revenue Detail**

Year Ending	Received From Sales Tax Rebate and Car Rental <sup>(1)</sup>	Seat Rental Fees	MLGW Pilot	County Hotel/Motel Tax Receipts	City Hotel/Motel Tax Receipts <sup>(2)</sup>	Interest Plus Accumulated Excess	Total Revenue Available for SR Bonds
11/1/2013	5,112,430.30	1,115,429.50	2,500,000.00	4,574,906.00		15,795,964.79	29,098,730.59
11/1/2014	4,973,025.50	1,211,331.95	2,500,000.00	5,541,220.00		14,534,542.82	28,760,120.27
11/1/2015	5,028,038.09	1,222,595.20	2,500,000.00	6,155,563.00		15,603,745.55	30,509,941.84
11/1/2016	5,588,131.63	1,148,077.95	2,500,000.00	5,846,807.00	1,272,055.61	16,744,297.79	33,099,369.98
11/1/2017	5,873,542.66	1,224,580.94	2,500,000.00	5,057,435.00	5,565,875.40	20,169,767.69	40,391,201.69

(1) Only includes the portion of revenues received for the benefit of the Senior Bonds as restated.

(2) Amount represents pro-rata portion of lump sum payment received in March 2017 as restated.

**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**

To the Board of Directors  
Memphis and Shelby County Sports Authority, Inc.

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 of the governmental activities and the major fund of the Memphis and Shelby County Sports Authority, Inc. (the Authority), a jointly governed organization of Shelby County and the City of Memphis, Tennessee, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 22, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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 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 and other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*Watkins Wilkerson, PLLC*

Memphis, Tennessee  
June 22, 2018