

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**  
**FINANCIAL STATEMENTS**  
June 30, 2015 and 2014



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

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# AGRICENTER INTERNATIONAL, INC.

## MANAGEMENT AND GOVERNANCE OFFICIALS

June 30, 2015

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### **Agricenter Management Staff**

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John Charles Wilson, President  
Jason Morgan, Controller / CFO  
Sue Sigler, Director of Sales and Marketing  
Michelle Stubbs, Director of Development  
Bruce Kirksey, Director of Research  
Jamie White, Showplace Arena Manager  
Mark Moore, Operations Manager

### **Agricenter Board of Directors**

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Agnes Pokrandt, Madam Chair	Andrew Jordan
Steve Shields, Vice-Chairman	Bill Mayfield
Jim Boyd, Treasurer	Fletcher Maynard
Penny Estes, Secretary	Dian Berryman McGuire
Joe McKinnon, Past Chair	Wayne Morris
John Charles Wilson, President	Margaret Oldham
Charles Askew, At Large Member	Tim Price
Joe Callaway, At Large Member	Patrick Shepard
Scott Barry	Gary Taylor
Ron Carlsson	Jai Templeton
Mike Dennison	Ann Terry
Lewis Fort	Lee Todd
Willie German	Marjory Walker
Earl Grochau	Brad Williams
David Hawkins	

### **Agricenter Commission**

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Marsh Campbell	Richard Hollis, Jr
Dorothy Cleaves	Tom Needham
William Gillon	David Reaves
Chris Triplett	



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Independent Member of BKR International

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Agricenter International, Inc.  
Memphis, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the Agricenter International, Inc. (a component unit of Shelby County, Tennessee), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Organization'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 from 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 Agricenter International, Inc. (a component unit of Shelby County, Tennessee), as of June 30, 2015 and 2014, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–9 be presented to supplement the basic financial statements. Such 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. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agricenter International, Inc.'s basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule 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. Such 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 basic 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 budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of the Agricenter International, Inc.'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 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 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 Agricenter International, Inc.'s internal control over financial reporting and compliance.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
October 26, 2015

**Agricenter International, Inc.**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Management's Discussion and Analysis**

Agricenter International, Inc. (Agricenter) is a not-for-profit organization that provides economic development and improved quality of life by facilitating agricultural research, educational programs, environmental conservation, natural area preservation and recreation. The Agricenter leases approximately 1,000 acres (which includes the main building, farmers market, farm shop and recycling plant located at Shelby Farms) from the Shelby County Agricenter Commission. The Commission, created by the State of Tennessee and approved by vote of the Board of Commissioners of Shelby County in 1981, supervised the construction and oversees the operations of the Agricenter, which the state recognizes as a regional resource and technological center for all aspects of agriculture. The Agricenter is situated on the site of the former Shelby County Penal Farm, and is an integral, but separately governed part of the 4,500-acre Shelby Farms. The Agricenter's financial statements are included as a component unit of Shelby County, TN.

The Agricenter emphasizes its leadership role in mid-America's agriculture, where producers from across the nation and the world can see latest technology in agricultural science exhibited and demonstrated under productive farm conditions.

The management of Agricenter International, Inc. presents this narrative overview and analysis of the financial position and results of operations of Agricenter International, Inc. for the year ended June 30, 2015. This discussion has been prepared by management as required supplemental information to the financial statements and footnotes that follow this section, and should be read in conjunction with them. Comparative information for the years ended June 30, 2014 and June 30, 2013 have been provided in certain instances to provide insight into changes in financial position and results of operations from one fiscal period to another.

Accounting principles generally accepted in the United States of America for governmental entities are established by the Governmental Accounting Standards Board (GASB). This annual financial report uses the standards established by the GASB's Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Agricenter International, Inc. prepares its financial statements in accordance with Governmental Accounting Standards and Generally Accepted Accounting Principles. Agricenter International, Inc. is a component unit of Shelby County Tennessee. Shelby County issues its own financial statements which include Agricenter International, Inc.

**2015 Financial Highlights**

- The financial position of Agricenter International reflected continued positive growth in 2014-2015. At the close of the fiscal year ended June 30, 2015, Agricenter had total assets of \$3,123,864, liabilities of \$1,274,058 and net position of \$1,849,806.
- Agricenter's operating income for the year ended June 30, 2015 was \$217,190 and includes \$242,110 in depreciation expense.

- Operating income reflects a loss of \$151,380 from Show Place Arena operations in the tenth full year of the management agreement with Shelby County Government. Cumulative losses for this operation total \$1,082,190 as of June 30, 2015.
- Total gross revenue increased by 11% over the prior year. Total expenses increased by 9% over the prior year.
- Long term notes payable increased from \$296,673 to \$377,957. Current notes payable increased from \$134,829 to \$152,926.
- Agricenter International has a \$250,000 line of credit. This line of credit is primarily used for operating capital between the spring planting season and the fall harvest. As of June 30, 2015, Agricenter had no borrowings outstanding on this line.

### Statements of Net Position

The Statements of Net Position represent the financial position of Agricenter at the end of the fiscal year and includes all assets and liabilities. Condensed Statements of Net Position are presented below:

	<b>June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	\$ 1,100,406	\$ 787,915	\$ 863,004
Capital assets	2,023,458	1,813,166	1,553,643
Total assets	<u>\$ 3,123,864</u>	<u>\$ 2,601,081</u>	<u>\$ 2,416,647</u>
Debt outstanding	\$ 530,883	\$ 431,502	\$ 194,836
Other liabilities	743,175	536,963	716,421
Total liabilities	<u>\$ 1,274,058</u>	<u>\$ 968,465</u>	<u>\$ 911,257</u>
Invested in capital assets, net of related debt	\$ 1,492,575	\$ 1,381,664	\$ 1,358,807
Unrestricted	357,231	250,952	146,583
Total net position	<u>\$ 1,849,806</u>	<u>\$ 1,632,616</u>	<u>\$ 1,505,390</u>

Total current assets increased by 40% over the previous year. This includes an increase in cash and cash equivalents of 35% and an increase in accounts receivable of 50% compared to the prior year. Accounts receivable include ongoing amounts due for expositions, shows, agricultural research, and tenants.

Capital assets increased 12% over 2014, which reflects capitalized leasehold improvements and equipment purchases totaling \$491,947 and depreciation expense of \$242,110. Asset disposals in 2014-15 totaled \$157,760.

Notes payable increased 23% over 2014 due primarily to the financing of building and tenant improvements. This debt consists of loans from local banks and financing companies for specific farm equipment and other asset purchases.

The growth in Unrestricted Net Position over the past two years reflects positive results of operations consistent with budget planning.

### Statements of Revenues, Expenses and Changes in Net Position

Agricenter International, Inc. has a diverse revenue stream, which helps to mitigate the impact of economic downturns or fluctuations in crop prices or production yields. Condensed Statements of Revenues, Expenses and Changes in Net Position are presented as follows:

	<b>For the Years Ended June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Rental and Program Revenue	\$ 2,984,090	\$ 2,579,633	\$ 2,458,197
Farm and Research Revenue	741,471	758,554	728,539
Other Revenue	117,340	112,471	92,465
Interest	4,351	2,453	4,539
<b>Total revenues</b>	<b>3,847,252</b>	<b>3,453,111</b>	<b>3,283,740</b>
Operating Expenses	3,174,954	2,883,086	2,760,940
Farm Expenses	191,566	213,496	264,371
Depreciation Expense	242,110	208,235	175,545
<b>Total Expenses</b>	<b>3,608,630</b>	<b>3,304,817</b>	<b>3,200,856</b>
Operating Income	238,622	148,294	82,884
Change in Restricted Net Assets			
Other Income (Expense)	(21,432)	(21,068)	(11,900)
<b>Change in Net Position</b>	<b>217,190</b>	<b>127,226</b>	<b>70,984</b>
Beginning Net Position	1,632,616	1,505,390	1,434,406
<b>Ending Net Position</b>	<b>\$ 1,849,806</b>	<b>\$ 1,632,616</b>	<b>\$ 1,505,390</b>

Support and revenue for the year ended June 30, 2015 was \$394,141 or 11% more than the prior year due to increases in tenant revenues, RV Park Revenues, as well as revenues generated from fundraising activities. Rental and program revenues increased by 15.68% over the previous year.

Operating expenses increased by 10% over the previous year. Farm and research expenses decreased 10% from the previous year due primarily to a reduction in farm acreage available for crop production.

Agricenter hosts events and expositions as well as indoor and outdoor shows in its "Agricenter corridor" space to bring the public to a place where it showcases agriculture and related activities as the number one industry in the nation. Agricenter hosted 318 events and expositions in 2014-15 as compared to 303 events and expositions in 2013-14. Events and expositions include the Delta Fair, Mid-South Maze, Flea Markets, livestock exhibitions, and 4-H activities. Agricenter also rents office space and land to organizations with agriculture and/or educational related missions. In 2014-2015, Agricenter leased 24,766 square feet of office space to 10 tenants and 188 acres of land within its 1,000 acre complex.

Agricenter provides agricultural field crop research plots to agribusinesses, University systems, and government and non-government organizations. Agricenter conducts applied field research and development in a unique location in the heart of Shelby County, Tennessee, which many consider the epicenter of southern row-crop agriculture. In calendar crop year 2014, Agricenter provided research test plots that covered 288.81 acres to 30 organizations seeking trials for products and processes.

To maintain its competency as a working farm, and to take advantage of demonstration and educational opportunities to showcase row crop production, Agricenter produces corn, soybeans and cotton on the land that is not utilized in crop research. In calendar crop year 2014, Agricenter produced these crops on 432.38 acres of its complex 288.81 acres were dedicated in research. The 2014 crop season saw a continuing decrease in commodity prices. Total production crop revenue decreased by \$111,302 over 2013 due to lower commodity prices as well as a decrease in acreage used for production crop purposes. Total farm research revenue increased by \$103,223 over the previous year due to the addition of several new trials and the conversion of production ground to research ground.

Net revenues generated from the Agricenter RV Park increased by \$62,957 over the previous year. Net revenues for all event venues on Agricenter property increased by \$27,388 over the previous year.

In 2014-15, Agricenter launched new efforts in developing fund-raising activities to seek philanthropic support. Agricenter hired a Director of Development; adopted branding to become more focused on Agricultural-education; and began building a foundation of donor-centered engagement to seek opportunities for long-term financial sustainability. In the first few months, Agricenter saw some 400 new partners in its mission.

The table below highlights cost centers within Agricenter for the fiscal years ended June 30, 2015, 2014 and 2013.

	<b>For the Years Ended June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Cost Center:</b>			
Farm Research	\$ 2,367	\$ (40,866)	\$ (3,228)
Education	(16,745)	(60,402)	(110,448)
Farm	(32,240)	60,226	(60,452)
Land Leases	313,231	285,438	316,919
Agricenter Corridor / Expo Center	16,504	(20,576)	45,577
Show Place Arena	(151,380)	(141,688)	(157,665)
Farmers Market	(54,303)	(31,705)	(32,337)
RV Park	139,756	76,799	72,618
Change in net position	<u>\$ 217,190</u>	<u>\$ 127,226</u>	<u>\$ 70,984</u>

## Capital Assets

Agricenter’s investment in leasehold improvements, buildings, farm equipment, landscaping equipment, office equipment and vehicles as of June 30, 2015, was \$2 million, net of accumulated depreciation.

Leasehold improvements increased by 14%. Farm equipment increased by 4% and office equipment increased by 13%. In 2014-15, Agricenter invested \$398,717 in leasehold improvements. The majority of these improvements were Agricenter depreciates assets over the useful lives of the asset using straight-line depreciation.

The following table reflects the above noted changes:

	<b>June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Buildings	\$ 952,649	\$ 925,282	\$ 857,895
Leasehold Improvements	3,337,336	2,938,619	2,719,349
Farm Equipment	511,274	493,700	493,673
Landscaping and Other Equipment	374,618	522,903	363,020
Donated Equipment	164,511	164,511	164,511
Office Equipment	246,548	218,468	197,227
Vehicles	74,156	63,422	63,421
Subtotal	5,661,092	5,326,905	4,859,096
Depreciation	(3,637,634)	(3,513,739)	(3,305,453)
Net Fixed Assets	\$ 2,023,458	\$ 1,813,166	\$ 1,553,643

## Budgetary Highlights

Agricenter International budgets conservatively. Revenues and expenses are budgeted based on historic trends. The Agricenter Board of Directors receives bi-monthly financial statements for review. Part of the review process includes a budget vs. actual comparison. Any significant year to date variances are discussed during board meetings as well as Finance Committee meetings.

### Contacting Agricenter International, Inc. Management

This financial report is designed to provide citizens, taxpayers, exhibitors, contributors and creditors with a general overview of the Agricenter’s finances and to show the organization’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the management of Agricenter International, Inc. at 7777 Walnut Grove Road, Memphis, TN 38120.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**STATEMENTS OF NET POSITION**

June 30, 2015 and 2014

	<u>Assets</u>	
	2015	2014
<b>Current Assets</b>		
Cash and cash equivalents	\$ 606,165	\$ 448,392
Accounts receivable - net	432,101	288,311
Prepaid expenses	12,136	18,528
Agricultural inventory	50,004	32,684
Total current assets	1,100,406	787,915
<b>Capital Assets</b>		
Capital assets, being depreciated, net	2,023,458	1,813,166
	\$ 3,123,864	\$ 2,601,081
	<u>Liabilities and Net Position</u>	
<b>Current Liabilities</b>		
Accounts payable	\$ 193,649	\$ 106,148
Accrued expenses	95,387	35,657
Unearned revenue	415,509	355,741
Security deposits	38,630	38,455
Line of credit	-	962
Current maturities of notes payable	152,926	134,829
Total current liabilities	896,101	671,792
<b>Long-Term Liabilities</b>		
Notes payable, net of current maturities	377,957	296,673
Total liabilities	1,274,058	968,465
<b>Net Position</b>		
Net investment in capital assets	1,492,575	1,381,664
Unrestricted	357,231	250,952
Total net position	1,849,806	1,632,616
	\$ 3,123,864	\$ 2,601,081

The accompanying notes are an integral part of the financial statements.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Net Position		
Operating Support and Revenues		
Rental and lease revenue	\$ 1,541,845	\$ 1,263,045
Program and special events, net of bad debt	1,393,597	1,316,588
Agricultural research and farm revenue	741,471	758,554
In-kind contributions	32,087	27,013
Other revenue	85,253	85,458
Total operating support and revenues	3,794,253	3,450,658
Operating Expenses		
Salaries and wages	1,306,388	1,221,412
Employee benefits and taxes	294,906	310,631
Advertising, marketing and promotion	18,790	15,411
Contract labor	3,607	1,854
Depreciation	242,110	208,235
Education	100,953	87,853
Equipment rental	56,670	56,808
Farm supplies	191,566	213,496
Insurance	186,793	213,169
Janitorial	38,458	33,963
Landscaping, repairs, maintenance and supplies	307,610	267,871
Legal and professional	79,673	23,089
Miscellaneous	44,582	6,216
Office and computer supplies	29,743	28,163
Program and special events	16,484	12,360
Security	5,656	4,651
Seminars and meeting	1,585	1,850
Taxes and licenses	2,015	1,574
Telephone	29,788	35,508
Travel	29,592	30,382
Utilities and waste disposal	573,013	530,321
Total operating expenses	3,559,982	3,304,817
Operating income	234,271	145,841

The accompanying notes are an integral part of the financial statements.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

For the Years Ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Non-Operating Revenue (Expense)		
Interest income	4,351	2,453
Interest expense	<u>(21,432)</u>	<u>(21,068)</u>
Total non-operating revenue (expense)	<u>(17,081)</u>	<u>(18,615)</u>
 Change in net position	 217,190	 127,226
 Net position - beginning of year	 <u>1,632,616</u>	 <u>1,505,390</u>
 Net position - end of year	 <u><u>\$ 1,849,806</u></u>	 <u><u>\$ 1,632,616</u></u>

The accompanying notes are an integral part of the financial statements.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows Provided By (Used For) Operating Activities		
Receipts from customers	\$ 3,746,345	\$ 3,570,761
Payments to suppliers	(1,515,555)	(1,668,321)
Payments to employees	(1,666,014)	(1,686,715)
Net cash provided by operating activities	564,776	215,725
Cash Flows From (Used For) Capital and Related Financing Activities		
Purchases of capital assets	(265,050)	(138,158)
Proceeds from sale of capital assets	3,605	-
Net draws (payments) on line of credit	(962)	962
Principal payments on notes payable	(127,515)	(92,934)
Interest paid	(21,432)	(21,068)
Net cash used for capital and related financing activities	(411,354)	(251,198)
Cash Flows From Investing Activities		
Investment income received	4,351	2,453
Net increase (decrease) in cash and cash equivalents	157,773	(33,020)
Cash and cash equivalents at beginning of the year	448,392	481,412
Cash and cash equivalents at end of the year	\$ 606,165	\$ 448,392

The accompanying notes are an integral part of the financial statements.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

For the Years Ended June 30, 2015 and 2014

Reconciliation of Operating Income to Net Cash  
 Provided By (Used For) Operating Activities:

	2015	2014
Cash Flows Provided By (Used For) Operating Activities		
Operating income	\$ 234,271	\$ 145,841
Adjustments to Reconcile Net Position to Net Cash Used for Operating Activities:		
Depreciation	242,110	208,235
Gain on sale of fixed assets	35,939	-
Bad debts	48,648	2,243
Changes in Assets and Liabilities:		
Accounts receivable	(192,438)	31,553
Prepaid expenses	6,392	2,385
Inventory	(17,320)	5,888
Accounts payable	87,501	(146,835)
Accrued expenses	59,730	(119,892)
Unearned revenue	59,768	88,607
Security deposits	175	(2,300)
Total adjustments	330,505	69,884
Net cash provided by operating activities	\$ 564,776	\$ 215,725
Noncash Investing and Financing Activities:		
Capital assets financed through the issuance of notes payable	\$ 226,896	\$ 329,600

The accompanying notes are an integral part of the financial statements.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015 and 2014

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

Organization and Nature of Operations

Agricenter International, Inc. (the "Agricenter") is a not-for-profit organization that provides economic development and improved quality of life by facilitating agricultural research, educational programs, environmental conservation, natural area preservation, and recreational opportunities. The activities of the Agricenter are overseen by the Shelby County Agricenter Commission, a commission created by the State of Tennessee and approved by vote of the Board of Commissioners of Shelby County. Shelby County provides Agricenter's land, buildings, and structural insurance for buildings on the grounds. The Agricenter insures and pays all other types of insurance and maintenance of the buildings and grounds. The Agricenter's financial statements are reported as a component unit of Shelby County, Tennessee.

Measurement Focus, Basis, and Method of Accounting

Agricenter is accounted for as an enterprise fund and reported as a component unit of Shelby County, Tennessee.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the Agricenter. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Agricenter. All other expenses are reported as non-operating expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Concentration of Credit Risk

The Agricenter maintains its cash in bank deposit accounts which at times may exceed the federally insured limit of \$250,000. The Agricenter has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk for cash and cash equivalents.

### Unearned Revenue

Unearned revenues primarily include amounts received in advance for rent of facilities and land.

### In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of capital assets are recorded as unrestricted contributions at the date of donation unless the donor has restricted the donated asset to a specific purpose.

### Advertising Costs

All advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$18,790 and \$15,411, respectively.

### Cash and Cash Equivalents

For statements of net position and cash flow purposes, Agricenter considers all cash accounts, which are not subject to significant withdrawal restrictions or penalties, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2015 and 2014, cash and cash equivalents included certificates of deposit of \$244,222 and \$123,893, respectively.

### Accounts Receivable

Agricenter records accounts receivable at estimated net realizable value. Management records an allowance for doubtful accounts based upon estimates of uncollectible accounts, determined by analysis of specific accounts and general reserve based upon aging of outstanding balances. Past due balances of delinquent receivables are charged against the allowance when they are determined to be uncollectable by management. The allowance for doubtful accounts was \$13,209 and \$9,202 at June 30, 2015 and 2014, respectively.

### Vendor Credit Receivable

The Agricenter receives utility credits for electricity produced by the solar panels. These credits are payable to the leaseholder that owns and manages the solar panels. The Agricenter records these credits as an asset and related liability.

### Inventory

Inventory consists of agricultural chemicals and seed for farm production. Inventory is valued at the lower of cost or market as determined by the first-in, first-out method.

### Income Tax Exemption

The Agricenter is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Donations to Agricenter are deductible by the donor as charitable contributions for federal income tax purposes. The Agricenter files an exempt return in the U.S. federal jurisdiction. The federal returns for the tax years 2011 and beyond remain subject to examination by the taxing jurisdiction. Management is not aware of any course of action or series of events that have occurred that might adversely affect this tax-exempt status.

### Capital Assets

Capital assets are stated at acquisition cost, if purchased, and estimated fair value at the date of the contribution, if contributed. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is determined using various methods over the estimated useful lives of the assets, which range from 3 to 39 years.

### Net Position

Net position is displayed in three components:

- a. Invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any notes payable that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.
- c. Unrestricted net position – any other net position that does not meet the definition of “restricted” or “invested in capital assets.”

### Compensated Absences

Agricenter employees are granted sick and annual leave in varying amounts in accordance with administrative policies. Accumulated vacation days in excess of five days are required to be used annually. Upon termination of employment, unused accumulated vacation up to fifteen days will be paid.

### Date of Management's Review

Management has evaluated subsequent events through October 26, 2015, the date the financial statements were available to be issued and is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

Management proposes an annual budget compiled from revenue and expense projections. The Board of Directors reviews and approves the final budget for the Agricenter. The budget can be amended during the year as the Board deems necessary. Management presents proposed budget amendments to the Board by line item during Board meetings. The amendments are discussed and then voted on during the meeting. When amendments are passed, management makes adjustments to the budget to include the approved amendments.

### **B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2015, the Agricenter's operating expenditures exceeded appropriations by \$281,391.

### **C. Deficit Fund Equity**

As of June 30, 2015, the Agricenter did not have a deficit in fund equity.

### NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Reclassification	Additions	Disposals	Balance June 30, 2015
Capital Assets, Being Depreciated:					
Buildings	\$ 925,282	\$ -	\$ 27,367	\$ -	\$ 952,649
Leasehold improvements	2,938,619	-	398,717	-	3,337,336
Farm equipment	493,700	-	20,574	(3,000)	511,274
Donated equipment	164,511	-	-	-	164,511
Landscaping and other equipment	522,903	-	6,475	(154,760)	374,618
Office equipment	218,468	-	28,080	-	246,548
Vehicles	63,422	-	10,734	-	74,156
Total capital assets, being depreciated	5,326,905	-	491,947	(157,760)	5,661,092
Less accumulated depreciation	(3,513,739)	-	(242,110)	118,215	(3,637,634)
Total capital assets being depreciated, net	<u>\$ 1,813,166</u>	<u>\$ -</u>	<u>\$ 249,837</u>	<u>\$ (39,545)</u>	<u>\$ 2,023,458</u>

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Reclassification	Additions	Disposals	Balance June 30, 2014
Capital Assets, Being Depreciated:					
Buildings	\$ 857,895	\$ -	\$ 67,387	\$ -	\$ 925,282
Leasehold improvements	2,719,374	-	219,245	-	2,938,619
Farm equipment	493,700	-	-	-	493,700
Donated equipment	164,511	-	-	-	164,511
Landscaping and other equipment	363,019	-	159,884	-	522,903
Office equipment	197,226	-	21,242	-	218,468
Vehicles	63,422	-	-	-	63,422
Total capital assets, being depreciated	4,859,147	-	467,758	-	5,326,905
Less accumulated depreciation	(3,305,504)	-	(208,235)	-	(3,513,739)
Total capital assets being depreciated, net	<u>\$ 1,553,643</u>	<u>\$ -</u>	<u>\$ 259,523</u>	<u>\$ -</u>	<u>\$ 1,813,166</u>

#### NOTE 4 – LINE OF CREDIT

The Agricenter has \$250,000 of credit available at June 30, 2015 under a \$250,000 revolving line of credit agreement with a financial institution. Interest is payable monthly at the bank's prime rate plus one percent (4.65% and 4.25% at June 30, 2015 and 2014, respectively). The credit line is secured by the inventory, accounts receivable, equipment, and fixtures of the Agricenter. The revolving line of credit agreement terminates on February 12, 2017.

#### NOTE 5 – COMMITMENTS

The Agricenter leases approximately 1,000 acres, which includes the main building, farmers' markets, farm shop, and recycling plant located at Shelby Farms, from the Shelby County Agricenter Commission. The lease agreement provides that the Agricenter pay annual minimum rent of \$1. The term of the lease is for a period of ten years beginning February 1, 2005, with three additional ten-year renewal options. This in-kind donation and related expense have not been reflected in the financial statements.

Additional payments of \$20,000 annually paid to the Agricenter Commission are to be used for repairs and maintenance to the Agricenter facility or other purposes as determined by the Commission that comply with the mission of the Agricenter. This contingency fund will be paid to a maximum of \$200,000.

#### NOTE 6 – NOTES PAYABLE

Notes payable activity for the years ended June 30, 2015 and 2014, was as follows:

	Balance June 30, 2014	Additions	Repayments	Balance June 30, 2015
Notes payable	\$ 431,502	\$ 226,896	\$ (127,515)	\$ 530,883

  

	Balance June 30, 2013	Additions	Repayments	Balance June 30, 2014
Notes payable	\$ 194,836	\$ 329,600	\$ (92,934)	\$ 431,502

Notes payable at June 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Note payable to bank. 4.70% interest, due in monthly installments of \$2,432 principal and interest, maturing on October 25, 2018. Secured by irrigation system.	\$ 89,790	\$ 114,042
Note payable to bank. 4.83% interest, due in monthly installments of \$2,824 principal and interest, maturing on August 22, 2018. Secured by digital signs.	99,179	127,453
Note payable to related party, due in monthly installments of \$1,000 principal only, maturing on March 1, 2019.	44,000	48,800
Note payable to bank. 5.25% interest, due in monthly installments of \$2,716 principal and interest, maturing on May 19, 2016. Secured by inventory, accounts, equipment and fixtures.	29,540	59,678
Note payable to bank. 5.05% interest, due in monthly installments of \$1,027 principal and interest, maturing on August 29, 2016. Secured by inventory, accounts, equipment and fixtures.	-	25,359
Note payable to bank. 2.90% interest, due in monthly installments of \$1,347 principal and interest, maturing on February 15, 2018. Secured by tractor.	41,478	56,170
Note payable to bank. 4.30% interest, due in monthly installments of \$5,168 principal and interest, maturing on July 1, 2019.	226,896	-
Total notes payable	<u>530,883</u>	<u>431,502</u>
Less current maturities	<u>(152,926)</u>	<u>(134,829)</u>
Notes payable, net of current maturities	<u>\$ 377,957</u>	<u>\$ 296,673</u>

Future scheduled maturities payable at June 30, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 152,926	\$ 18,267	\$ 171,193
2017	133,593	12,460	146,053
2018	134,011	6,577	140,588
2019	80,399	1,793	82,192
2020	29,954	15	29,969
	<u>\$ 530,883</u>	<u>\$ 39,112</u>	<u>\$ 569,995</u>

## NOTE 7 – RELATED PARTY TRANSACTIONS

Agricenter conducts transactions with companies that are affiliated with members of the Board. For the year ended June 30, 2015, Agricenter's financial statements include related party transactions

of \$165 in legal fees, \$74,221 in chemical purchases, \$8,975 in event revenue, and \$22,785 in research services. For the year ended June 30, 2014, related party transactions included \$4,097 in legal fees, \$80,259 in chemical purchases, \$43,353 in event revenue, and \$18,103 in research services.

#### **NOTE 8 – AGREEMENTS WITH SHELBY COUNTY**

The Agricenter entered into a one-year lease with Shelby Farms Park on February 1, 2012 concerning approximately 300 acres of farmland located at Shelby Farms. The agreement includes an option to renew for one additional one-year period and allows for the Agricenter to farm this land with annual rent due to Shelby Farms Park of \$4,000. The Agricenter exercised its option to renew the lease with Shelby County, Tennessee on February 1, 2013.

The Agricenter has a management agreement with Shelby County Government to manage the Show Place Arena. The term of this contract began on January 1, 2009 and continued through December 31, 2013. A resolution was approved February 24, 2014, to extend the contract of another three years. The contract can be extended upon mutual written consent of the parties for three additional five-year renewal periods. The contract provides that any profits realized by Agricenter from the operation of the Show Place Arena will be used to make up any accumulated operating deficits incurred by Agricenter. Profits above and beyond the forgoing will be used to improve the Show Place Arena.

#### **NOTE 9 – RETIREMENT PLAN**

The Agricenter sponsors a 401(k) Retirement Plan to provide retirement benefits for employees who meet certain eligibility requirements. The Agricenter makes matching contributions to the Plan equal to 100% of each participant's salary deferral up to 4% of the participant's compensation. Participating employees become vested in employer contributions over a six year period. Agricenter's contributions during the years ended June 30, 2015 and 2014 were \$31,500 and \$37,947, respectively. The contributions made by Plan members for the years ended June 30, 2015 and 2014 were \$38,949 and \$37,831, respectively.

Effective July 2006, the Agricenter sponsored a 401(k) retirement plan under which employees may defer a portion of compensation in an amount not to exceed the annual statutory limits of the Internal Revenue Code.

Effective April 1, 2014, the Agricenter sponsored (1) a Section 125 Flexible Benefit Plan under which the employees may choose among certain benefits that are made available and the expenses will be paid with a portion of pre-tax wages and (2) a Health Reimbursement Arrangement Plan under which the employees may receive reimbursement for the cost of eligible medical expenses without taxation to the individual.

## NOTE 10 – RISK MANAGEMENT

The Agricenter purchases commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Payments of premiums for these policies are recorded as expenses of the Agricenter. Buildings included in the lease from the Shelby County Agricenter Commission are insured by Shelby County. Insurance settlements have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to prior years.

## NOTE 11 – LEASE INCOME

The Agricenter leases land, buildings, and office space under noncancellable operating leases that expire on various dates through 2037. The leases require fixed lease payments plus subsequent adjustments based on the prior year's consumer price index. The Agricenter also leases a cell tower under two noncancellable operating leases that expire on various dates through 2020. One tower lease requires fixed lease payments, and the other tower lease requires fixed lease payments plus a percentage of the rental amounts received from all parties utilizing the tower. Future minimum rentals from noncancellable operating leases are as follows for the years ending June 30:

2016	\$ 974,693
2017	800,053
2018	518,345
2019	362,758
Thereafter	1,102,313
	<u>\$ 3,758,162</u>

**SUPPLEMENTAL INFORMATION**

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Operating Support and Revenues</b>			
Rental and lease revenue	\$ 1,280,390	\$ 1,541,845	\$ 261,455
Program and special events, net of bad debt	1,372,523	1,393,597	21,074
Agriculture research and farm revenue	659,749	741,471	81,722
In-kind contributions	29,700	32,087	2,387
Other revenue	76,225	85,253	9,028
Total operating support and revenues	3,418,587	3,794,253	375,666
<b>Operating Expenses</b>			
Salaries and wages	1,302,306	1,306,388	(4,082)
Employee benefits and taxes	314,957	294,906	20,051
Advertising, marketing and promotion	19,840	18,790	1,050
Contract labor	1,200	3,607	(2,407)
Depreciation	233,568	242,110	(8,542)
Education	93,600	100,953	(7,353)
Equipment rental	19,847	56,670	(36,823)
Farm supplies	152,289	191,566	(39,277)
Insurance	232,106	186,793	45,313
Janitorial	32,662	38,458	(5,796)
Landscaping, repairs, maintenance and supplies	221,628	307,610	(85,982)
Legal and professional	26,046	79,673	(53,627)
Miscellaneous	4,922	44,582	(39,660)
Office and computer supplies	29,811	29,743	68
Program and special events	10,200	16,484	(6,284)
Security	3,320	5,656	(2,336)
Seminars and meeting	1,800	1,585	215
Taxes and licenses	6,245	2,015	4,230
Telephone	29,580	29,788	(208)
Travel	24,700	29,592	(4,892)
Utilities and waste disposal	566,012	573,013	(7,001)
Total operating expenses	3,326,639	3,559,982	(233,343)
Operating income	91,948	234,271	142,323

See independent auditor's report.

**AGRICENTER INTERNATIONAL, INC.**  
**(A Component Unit of Shelby County, Tennessee)**

**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Non-Operating Revenue (Expense)			
Interest income	1,200	4,351	3,151
Interest expense	<u>(20,680)</u>	<u>(21,432)</u>	<u>(752)</u>
Total non-operating revenue (expense)	<u>(19,480)</u>	<u>(17,081)</u>	<u>2,399</u>
 Change in net position	 <u>\$ 72,468</u>	 <u>\$ 217,190</u>	 <u>\$ 144,722</u>

**NOTE 1 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, expenditures exceed appropriations by \$233,343. These overexpenditures were funded by greater than anticipated revenues.

See independent auditor's report.



Watkins Uiberall, PLLC  
Certified Public Accountants

Independent Member of BKR International

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## **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**

The Board of Directors  
Agricenter International, Inc.  
Memphis, Tennessee

We have audited, in accordance with the 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 Agricenter International, Inc. (a component unit of Shelby County, Tennessee), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agricenter International, Inc.'s basic financial statements, and have issued our report thereon dated October 26, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agricenter International, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agricenter International, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agricenter International, Inc.'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 Agricenter International, Inc.'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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Wilkerson, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee  
October 26, 2015