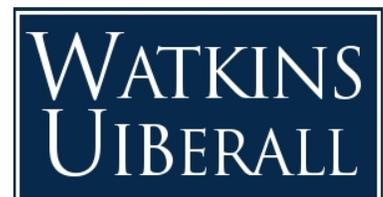


AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)
FINANCIAL STATEMENTS
June 30, 2011 and 2010



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

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

1661 Aaron Brenner Drive • Suite 300
Memphis, Tennessee 38120
901.761.2720 • Fax: 901.683.1120

210 East Main Street • Suite 2C
Tupelo, Mississippi 38804
662.269.4014 • Fax: 662.269.4016

www.wucpas.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Agricenter International, Inc. (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Agricenter International, Inc. as of and for the year ended June 30, 2010 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 10, 2010.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agricenter International, Inc. (a component unit of Shelby County, Tennessee) as of June 30, 2011, and the change in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the Organization's internal control over financial reporting and our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 21 through 22 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.

Watkins Mikusall, PLLC

Memphis, Tennessee
October 28, 2011

Agricenter International, Inc.
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Introduction

This report, Management Discussion and Analysis, provides an overview of the financial position and results of Agricenter International, Inc. for the year ended June 30, 2011. It has been prepared by management and is required supplemental information to the financial statements and footnotes that follow this section. Comparative information for the year ended June 30, 2010 has been provided in a few select instances.

The referenced financial statements were prepared 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.

Agricenter International, Inc. is a self-sustaining, 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.

Financial Highlights

The financial position of Agricenter International continued to weaken through 2010-2011. At the close of our fiscal year ended June 30, 2011, we had total assets of \$2,203,539, liabilities of \$983,034, and net assets of \$1,220,505. Agricenter's operating loss for the year ended June 30, 2011 was \$222,480 and includes \$183,423 in depreciation charges. The total deficit also includes a loss from Show Place Arena operations for the fiscal year of \$112,086 in the sixth full year of the management agreement with Shelby County Government. Total revenues for the year decreased by 8% over the prior year. Total expenses for the year decreased by 2.2% over the prior year.

There were several events that contributed to the decrease in revenues. Economic issues continue to affect facility rentals for both equestrian events at the Show Place Arena and show events at the Expo Center. Agricenter lost 2 large shows at the Expo Center totaling over \$60,000 as well as numerous equestrian events at the Show Place Arena. Show promoters cited economic concerns as the primary reason for event cancellations / non-renewals. In addition to a decline in event rentals, Agricenter also experienced a sharp decline in agricultural research over the previous year. Economic concerns are also attributed to the reduction in the number of research trials that were conducted. A summer drought followed by substantial late summer / early fall rains negatively affected yield levels on crop sales.

Long term notes payable increased from \$27,081 to \$180,639. Agricenter invested in a new planter and irrigation system with a combined total of just under \$200,000. Both assets were deemed as a necessity to facilitate growth in the growingly competitive agricultural research industry. Both assets were placed into service during the spring of 2011. Agricenter retired the remaining balance on the loan associated with the wiring upgrades in the dome area of the expo center. \$7,480 in principal payments was made on the 2009 Regions loan for farm equipment. The principal balance on this loan as of June 30, 2011 is \$27,120.

Crop sales as a whole were down by \$85,446 over prior year. RV Park revenue increased by \$12,107 over the previous year. As previously noted, event revenue for all venues on the Agricenter property decreased by \$53,226 for the year ended June 30, 2011. See the table below highlighting each cost center within Agricenter for both 2009-2010 and 2008-2009 with the net income or loss for each area:

Cost Center Name	2010-2011	2009-2010	Difference
General administration	\$ (545,354)	\$ (608,591)	\$ 63,237
Agricenter/Corridor	171,595	62,833	108,762
Farmers Market	(8,926)	8,205	(17,131)
Farm	(109,332)	(19,410)	(89,922)
Land leases/Catch'em Lake	381,158	311,761	69,397
Farm research	(100,320)	248,637	(348,957)
Show Place Arena	(112,086)	(181,084)	68,998
AI RV Park	178,271	163,158	15,113
Operating income	<u>\$ (144,994)</u>	<u>\$ (14,491)</u>	<u>\$ (130,503)</u>

Statement of Net Assets

The Statement of Net Assets represents the financial position of Agricenter at the end of the fiscal year and includes all assets and liabilities. Total assets increased by 9.44%. This includes an increase in cash and cash equivalents of 30.42% and an increase in accounts receivable of 18.63% compared to the prior year. We are still collecting for upcoming shows and from regular tenants. Property and equipment was up over the prior year by 6%. Property and equipment additions for the year totaled \$277,349 and depreciation expense for the year totaled \$183,423.

Outstanding debt as of June 30, 2011 has increased by 449%. The Regions loan for the wiring of data and phone lines in the dome area was retired in 2011. The Regions loan for the purposes of purchasing farm equipment remains active and outstanding. Two Regions loans were added during the year for the new irrigation system and the research planter. The combined principal balance of these two new loans at year end was \$195,364.

Accounts payable increased by 30.5% over last year.

	FY 2011	FY 2010	Dollar Change	Percent Change
Current assets	\$ 560,394	\$ 464,338	\$ 96,056	20.69%
Capital assets	<u>1,643,145</u>	<u>1,549,219</u>	<u>93,926</u>	6.06%
Total assets	<u>\$ 2,203,539</u>	<u>\$ 2,013,557</u>	<u>\$ 189,982</u>	9.44%
Debt outstanding	\$ 226,516	\$ 41,290	\$ 185,226	448.60%
Other liabilities	<u>756,518</u>	<u>529,282</u>	<u>227,236</u>	42.93%
Total liabilities	<u>\$ 983,034</u>	<u>\$ 570,572</u>	<u>\$ 412,462</u>	72.29%
Invested in capital assets, net of related debt	\$ 1,416,629	\$ 1,507,930	\$ (91,301)	-6.05%
Unrestricted	(196,124)	(64,945)	(131,179)	201.98%
Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	100.00%
Total net assets	<u>\$ 1,220,505</u>	<u>\$ 1,442,985</u>	<u>\$ (222,480)</u>	-15.42%

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present Agricenter's financial activity for the year.

Agricenter International, Inc. has a diverse stream of revenue, which helps during economic downturns or when crop yields decrease. Below is a comparative table detailing the operating activities for the years ended June 30, 2011 and June 30, 2010.

Total revenue for the year ended June 30, 2011 was \$232,822 or 6.63% less than the prior year due primarily to the decrease in Farm and Research Revenue. Event revenue from the Agricenter Expo Center and the Show Place Arena decreased by \$53,226 compared to the prior year. The RV Park experienced a \$12,107 increase in revenue compared to the prior year. Catch'em Lake revenue decreased by \$27,783 over the prior year, however it is important to note that there was a fundamental change in revenue recognition for Catch'em Lake made by the previous audit firm. Office and land rents remaining were up by \$52,964 compared to the prior year. Revenues from crop sales and farm research decreased by \$358,820 over the prior year.

	FY 2011	FY 2010	Dollar Change	Percent Change
Rental and Program Revenue	\$ 2,584,678	\$ 2,532,151	\$ 52,527	2.07%
Farm and Research Revenue	562,176	920,996	(358,820)	-38.96%
Other Revenue	<u>133,417</u>	<u>59,946</u>	<u>73,471</u>	<u>122.56%</u>
Total revenues	<u>3,280,271</u>	<u>3,513,093</u>	<u>(232,822)</u>	<u>-6.63%</u>
Operating Expenses	2,983,560	2,933,174	50,386	1.72%
Farm expenses	326,268	356,551	(30,283)	-8.49%
Depreciation expense	<u>183,423</u>	<u>205,104</u>	<u>(21,681)</u>	<u>-10.57%</u>
Total expenses	<u>3,493,251</u>	<u>3,494,829</u>	<u>(1,578)</u>	<u>-0.05%</u>
Operating income (loss)	(212,980)	18,264	(231,244)	-1266.12%
Change in Restricted Net Assets	-	(32,036)	32,036	-100.00%
Other Income (Expense)	<u>(9,500)</u>	<u>(719)</u>	<u>(8,781)</u>	<u>1221.28%</u>
Change in net assets	(222,480)	(14,491)	(240,025)	1656.37%
Beginning net assets	<u>1,442,985</u>	<u>1,457,476</u>	<u>(14,491)</u>	<u>-0.99%</u>
Ending net assets	<u>\$ 1,220,505</u>	<u>\$ 1,442,985</u>	<u>\$ (222,480)</u>	<u>-15.42%</u>

Expenses for the year ended June 30, 2011 increased by less than 1%. Operating expenses increased by approximately 2%, farm and research expenses decreased by 8.49%, and depreciation expenses decreased by 10.57%. There was \$11,181 in bad debt write-offs in 2010-11. Most of these debts were leases in which the economic conditions led the customer to close the business.

Capital Assets

To date, Agricenter International, Inc. has invested \$4.65 million dollars in capital assets that include leasehold improvements, buildings, farm equipment, landscaping equipment, office equipment and vehicles.

Leasehold improvements increased by 1.16%. Several small improvement projects were completed in 2010-11 including air conditioning repairs and upgrades in the main expo building. As previously mentioned, Agricenter invested in two sizeable pieces of research equipment causing farm and research assets to increase by 105%. Accumulated depreciation increased by \$183,423. Agricenter depreciates assets over the useful life of the asset using straight line depreciation.

The following table reflects the above noted changes:

	FY 2011	FY 2010	Dollar Change	Percent Change
Buildings	\$ 857,895	\$ 857,895	\$ -	0.00%
Leasehold improvements	2,573,983	2,544,391	29,592	1.16%
Farm equipment	456,580	222,344	234,236	105.35%
Landscaping and other equipment	360,908	359,408	1,500	0.42%
Donated equipment	134,197	134,197	-	0.00%
Office equipment	187,955	178,734	9,221	5.16%
Vehicles	<u>78,657</u>	<u>75,857</u>	<u>2,800</u>	<u>3.69%</u>
Subtotal	4,650,175	4,372,826	277,349	6.34%
Depreciation	<u>(3,007,030)</u>	<u>(2,823,607)</u>	<u>(183,423)</u>	<u>6.50%</u>
Net fixed assets	<u>\$ 1,643,145</u>	<u>\$ 1,549,219</u>	<u>\$ 93,926</u>	<u>6.06%</u>

Contacting the Agricenter International, Inc. Management

This financial report is designed to provide the public with a general overview of the Agricenter's finances. You may contact the management of Agricenter International, Inc. at 7777 Walnut Grove Road, Memphis, TN 38120 (901) 757-7777.

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

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>Assets</u>	
	2011	2010
Current Assets		
Cash and cash equivalents	\$ 187,362	\$ 143,662
Accounts receivable - net	291,881	246,044
Insurance claim receivable	-	57,570
Prepaid expenses	13,517	12,730
Inventory	67,634	4,332
Total current assets	560,394	464,338
 Capital Assets		
Capital assets, being depreciated, net	1,643,145	1,549,219
	\$ 2,203,539	\$ 2,013,557
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable	\$ 240,524	\$ 184,210
Accrued expenses	117,521	148,870
Deferred income	296,573	80,500
Security deposits	36,005	49,470
Line of credit	65,895	66,232
Current maturities of notes payable	45,877	14,209
Total current liabilities	802,395	543,491
 Long-Term Liabilities		
Notes payable, net of current maturities	180,639	27,081
Total liabilities	983,034	570,572
 Net Assets		
Invested in capital assets, net of related debt	1,416,629	1,507,929
Unrestricted (deficit)	(196,124)	(64,944)
Total net assets	1,220,505	1,442,985
	\$ 2,203,539	\$ 2,013,557

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

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

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Operating Support and Revenues		
Rental and lease revenue	\$ 1,287,616	\$ 1,222,548
Program and special events	1,297,062	1,309,603
Farm and research revenue	562,176	920,996
Contributions	5,566	49,747
Other revenue	127,851	59,946
	3,280,271	3,562,840
Net assets released from restrictions	-	32,036
Total operating support and revenues	3,280,271	3,594,876
Operating expenses	3,493,251	3,576,612
Operating income (loss)	(212,980)	18,264
Non-Operating Revenue (Expense)		
Interest income	1,372	5,966
Interest expense	(10,872)	(6,685)
Total non-operating revenue (expense)	(9,500)	(719)
Change in unrestricted net assets	(222,480)	17,545
Temporarily Restricted Net Assets		
Net assets released from restrictions	-	(32,036)
Change in net assets	(222,480)	(14,491)
Net assets - beginning of year	1,442,985	1,457,476
Net assets - end of year	\$ 1,220,505	\$ 1,442,985

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, 2011 and 2010

	2011	2010
Cash Flows Provided By (Used For) Operating Activities		
Receipts from customers	\$ 3,482,311	\$ 3,349,852
Interest received	1,372	5,966
Payments to suppliers	(1,706,726)	(2,107,720)
Payments to employees	(1,642,226)	(1,295,272)
Interest paid	(10,872)	(6,685)
Net cash provided by (used for) operating activities	123,859	(53,859)
Cash Flows From (Used For) Capital and Related Financing Activities		
Purchases of capital assets	(79,916)	(79,138)
Net advances (payments) on line of credit	(337)	66,232
Proceeds from issuance of note payable	26,200	40,000
Principal payments on notes payable	(26,106)	(14,209)
Net cash from (used for) capital and related financing activities	(80,159)	12,885
Net increase (decrease) in cash and cash equivalents	43,700	(40,974)
Cash and cash equivalents at beginning of the year	143,662	184,636
Cash and cash equivalents at end of the year	\$ 187,362	\$ 143,662

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, 2011 and 2010

Reconciliation of Change in Net Assets to Net Cash
 Provided By (Used For) Operating Activities:

	2011	2010
Cash Flows Provided By (Used For) Operating Activities		
Change in net assets	\$ (222,480)	\$ (14,491)
Adjustments to Reconcile Net Assets to Net Cash Used for Operating Activities:		
Depreciation	183,423	205,104
Bad debts	11,181	46,317
Forgiveness of debt	(12,301)	-
Changes in Assets and Liabilities:		
Accounts receivable	(57,018)	(226,820)
Insurance claim receivable	57,570	(57,570)
Prepaid expenses	(787)	22,695
Inventory	(63,302)	357
Accounts payable	56,314	(54,352)
Accrued expenses	(31,349)	(184)
Deferred income	216,073	10,220
Security deposits	(13,465)	14,865
Total adjustments	346,339	(39,368)
Net cash provided by (used for) operating activities	\$ 123,859	\$ (53,859)
Noncash investing and financing activities:		
Equipment financed through the issuance of long-term debt	\$ 197,433	\$ -

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Agricenter International, Inc. (the "Agricenter") is a self-sustaining, 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 for Agricenter's 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.

Basis and Method of Accounting

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Therefore, the financial statements of the Agricenter are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues relate to lease of land and facilities. Operating expenses for enterprise funds include the cost of providing those services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Agricenter applies Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 federally insured limits. 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.

Deferred Revenue

Deferred revenue includes amounts that were unearned at year end. Deferred revenues primarily include unearned revenues from 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, 2011 and 2010 was \$6,794 and \$15,168, respectively.

Accounts Receivable

Agricenter records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate 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 \$8,350 and \$7,610 at June 30, 2011 and 2010, respectively.

Cash and Cash Equivalents

For statement of 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, 2011 and

2010, cash and cash equivalents included certificates of deposit of \$123,646 and \$122,722, respectively.

Inventory

Inventory is valued at the lower of cost or market as determined by the first-in, first-out method.

Income Taxes

The Agricenter is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income.

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 Assets

Net assets are 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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets 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 assets – all other net assets that do 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.

Subsequent Events

Management has evaluated subsequent events through October 28, 2011, the date the financial statements were available to be issued. After year-end, the Agricenter borrowed an additional \$60,000 on their line of credit.

NOTE 2 – BUDGETARY INFORMATION

The Controller prepares a preliminary annual budget compiled from revenue and expense projections. The Board of Directors reviews and approves the adoption of the final budget for the Agricenter. The budget can be amended during the year as the Board deems necessary. The Controller 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, the Controller makes adjustments to his budget to include the newly approved amendments.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance				Balance
	June 30, 2010	Reclassification	Increases	Decreases	June 30, 2011
Capital Assets, Being Depreciated:					
Buildings	\$ 857,895	\$ -	\$ -	\$ -	\$ 857,895
Leasehold improvements	2,544,417	(20,500)	50,092	-	2,574,009
Farm equipment	222,371	20,500	213,736	-	456,607
Donated equipment	134,197	-	-	-	134,197
Landscaping and other equipment	359,408	-	1,500	-	360,908
Office equipment	178,734	-	9,221	-	187,955
Vehicles	75,857	-	2,800	-	78,657
Total capital assets being depreciated	4,372,879	-	277,349	-	4,650,228
Less accumulated depreciation	(2,823,660)	-	(183,423)	-	(3,007,083)
Total capital assets being depreciated, net	\$ 1,549,219	\$ -	\$ 93,926	\$ -	\$ 1,643,145

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance <u>June 30, 2009</u>	<u>Reclassification</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2010</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 857,895	\$ -	\$ -	\$ -	\$ 857,895
Leasehold improvements	2,524,920	-	19,497	-	2,544,417
Farm equipment	177,149	-	45,222	-	222,371
Donated equipment	134,197	-	-	-	134,197
Landscaping and other equipment	352,087	-	7,321	-	359,408
Office equipment	178,107	-	627	-	178,734
Vehicles	<u>69,386</u>	<u>-</u>	<u>6,471</u>	<u>-</u>	<u>75,857</u>
Total capital assets being depreciated	4,293,741	-	79,138	-	4,372,879
Less accumulated depreciation	<u>(2,618,556)</u>	<u>-</u>	<u>(205,104)</u>	<u>-</u>	<u>(2,823,660)</u>
Total capital assets being depreciated, net	<u>\$ 1,675,185</u>	<u>\$ -</u>	<u>\$(125,966)</u>	<u>\$ -</u>	<u>\$ 1,549,219</u>

NOTE 4 – LINE OF CREDIT

The Agricenter has \$184,105 of credit available at June 30, 2011 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 (4.25% at June 30, 2011). The credit line is secured by the inventory, accounts, equipment, and fixtures of the Agricenter.

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 will pay annually a 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 at June 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Note payable to bank. 6.25% interest, due in monthly installments of \$795 principal and interest, maturing on March 31, 2011. Secured by inventory, accounts, equipment and fixtures.	\$ -	\$ 6,690
Note payable to bank. 4.95% interest, due in monthly installments of \$755 principal and interest, maturing on September 25, 2014. Secured by inventory, accounts, equipment and fixtures.	27,120	34,600
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.	140,964	-
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.	54,400	-
Note payable to related party, due in monthly installments of \$400 principal only, maturing in April 2012.	4,032	-
Total notes payable	<u>226,516</u>	<u>41,290</u>
Less current maturities	<u>(45,877)</u>	<u>(14,209)</u>
Notes payable, net of current maturities	<u>\$ 180,639</u>	<u>\$ 27,081</u>

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

2012	\$ 45,877
2013	45,724
2014	48,135
2015	43,712
2016	41,026
Thereafter	2,042
	<u>\$ 226,516</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, 2011, Agricenter's financial statements include related party transactions of \$38,083 in legal fees and \$15,000 in consulting fees.

NOTE 8 – AGREEMENT WITH SHELBY COUNTY

The Agricenter entered into a one-year lease with Shelby Farms Park on February 1, 2011 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 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 continues through December 31, 2013. The contract may 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 foregoing will be used to improve the Show Place Arena.

NOTE 9 – RETIREMENT PLAN

The Agricenter sponsors a 401(a) Retirement Plan to provide retirement benefits for employees who meet certain eligibility requirements. The Agricenter contributes 4% of each participant's gross wages into the Plan. Participating employees become vested in employer contributions over a six year period. Agricenter's contributions during the years ended June 30, 2011 and 2010 were \$15,542 and \$40,378, respectively. Effective July 2006, 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.

NOTE 10 – RISK MANAGEMENT

It is the policy of the Agricenter to purchase 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 2016. 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:

2012	\$ 565,888
2013	384,923
2014	243,011
2015	160,687
2016	54,805
Thereafter	263,550
	<u>\$ 1,672,864</u>

NOTE 12 – OPERATING EXPENSES

Operating expenses for the years ended June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Legal and professional	\$ 89,576	\$ 47,413
Bad debts	11,181	46,317
Contract labor	5,102	2,090
Depreciation	183,423	205,104
Employee benefits and taxes	288,656	350,860
Travel	16,541	20,114
Insurance	151,690	142,103
Taxes and licenses	5,483	4,969
IT supplies	1,838	1,513
Janitorial	33,622	38,253
Miscellaneous	17,907	9,117
Salaries and wages	1,243,680	1,295,088
Seminars and meeting	7,529	14,231
Telephone	53,120	53,744
Utilities and waste disposal	556,636	457,706
Farm	326,268	356,551
Landscaping, repairs, maintenance and supplies	240,497	256,262
Program and special events	57,220	101,326
Education	98,951	124,727
Office and computer supplies	30,626	17,944
Advertising, marketing and promotion	6,794	15,168
Security	6,752	3,724
Equipment rental	60,159	12,288
	<u>60,159</u>	<u>12,288</u>
Total operating expenses	<u>\$ 3,493,251</u>	<u>\$ 3,576,612</u>

SUPPLEMENTAL INFORMATION

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

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2011

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Support and Revenues			
Rental and lease revenue	\$ 1,218,450	\$ 1,287,616	\$ 69,166
Program and special events	1,409,373	1,297,062	(112,311)
Farm and research revenue	799,823	562,176	(237,647)
Contributions	-	5,566	5,566
Other revenue	53,060	127,851	74,791
Total operating support and revenues	<u>3,480,706</u>	<u>3,280,271</u>	<u>(200,435)</u>
Operating Expenses			
Legal and professional	54,900	89,576	(34,676)
Bad debts	4,200	11,181	(6,981)
Contract labor	3,620	5,102	(1,482)
Depreciation	213,348	183,423	29,925
Employee benefits and taxes	269,335	288,656	(19,321)
Travel	19,275	16,541	2,734
Insurance	175,644	151,690	23,954
Taxes and licenses	4,972	5,483	(511)
IT supplies	2,100	1,838	262
Janitorial	39,892	33,622	6,270
Miscellaneous	8,100	17,907	(9,807)
Salaries and wages	1,249,575	1,243,680	5,895
Seminars and meeting	6,000	7,529	(1,529)
Telephone	41,904	53,120	(11,216)
Utilities and waste disposal	471,670	556,636	(84,966)
Farm	282,866	326,268	(43,402)
Landscaping, repairs, maintenance and supplies	241,988	240,497	1,491
Program and special events	70,818	57,220	13,598
Education	106,200	98,951	7,249
Office and computer supplies	18,665	30,626	(11,961)
Advertising, marketing and promotion	8,760	6,794	1,966
Security	3,120	6,752	(3,632)
Equipment rental	22,727	60,159	(37,432)
Total operating expenses	<u>3,319,679</u>	<u>3,493,251</u>	<u>(173,572)</u>

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Operating income (loss)	161,027	(212,980)	(374,007)
Non-Operating Revenue (Expense)			
Interest income	4,200	1,372	(2,828)
Interest expense	<u>(3,388)</u>	<u>(10,872)</u>	<u>(7,484)</u>
Total non-operating revenue (expense)	<u>812</u>	<u>(9,500)</u>	<u>(10,312)</u>
Change in net assets	<u>\$ 161,839</u>	<u>\$ (222,480)</u>	<u>\$ (384,319)</u>

See independent auditor's report.



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

1661 Aaron Brenner Drive • Suite 300
Memphis, Tennessee 38120
901.761.2720 • Fax: 901.683.1120

210 East Main Street • Suite 2C
Tupelo, Mississippi 38804
662.269.4014 • Fax: 662.269.4016

www.wucpas.com

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 the financial statements of the Agricenter International, Inc. (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Agricenter International, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agricenter International, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agricenter International, Inc.'s internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agricenter International, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Agricenter in a separate letter dated October 28, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, Shelby County, and the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Watkins Mikusall, PLLC

Memphis, Tennessee
October 28, 2011

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2011

2010 -01 Information and Communication

During their audit, the prior auditors noted a lack of adequate communication and coordination between accounting personnel and various departments with respect to the scope and timing of customer arrangements, including the proper identification of all undelivered obligations that may affect revenue recognition in order to ensure that related revenues were accurately recorded in accordance with generally accepted accounting principles.

Current Status: Management has increased communication by requiring regular meetings between departments to discuss billings and status of departments.

2010-02 Accounts Payable

During their search for unrecorded liabilities, the prior auditors discovered several invoices included in the “unprocessed invoice” file dated prior to year end that had not been recorded to the general ledger. All unprocessed invoices should be recorded in a timely manner to ensure transactions are being recorded in the proper accounting period. They recommended the controller verify that all unprocessed invoices have been recorded as a step in the financial close process.

Current Status: Controller verifies that all unprocessed invoices are recorded during the financial close process.

2010-03 Recording of Restricted Activities

The prior auditors discovered that restricted contributions and the related expenditures to satisfy the restrictions were being recorded in the statement of net assets. In order to be consistent with generally accepted accounting principles, restricted contributions and the related expenditures should be recorded in the statement of activities. The transactions should also be clearly identified as restricted to ensure the funds are being used in a manner to satisfy the donor’s intentions.

Current Status: Controller reviews all contributions to determine if there are any restrictions and that any related expenditures are properly recorded.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

June 30, 2011

2010-04 Cash Collections

During the year ended June 30, 2010, it was discovered that the former controller was embezzling cash collections from Agricenter. Additional internal control procedures need to be put in place to prevent any further occurrences. These procedures should include expanded monitoring of the cash collection process through the utilization of more detailed reports regarding the collection of cash as well as on-site verification of the amounts included in the reports by someone not involved in the cash collection process. In addition, a third person should at least periodically compare the cash reports to the amounts actually deposited in the bank.

Current Status: A written cash collection policy was properly implemented in accordance with recommendations.