
**CLAYTON RECREATION, SPORTS
AND WELLNESS COMMISSION, INC.**

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2010

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
FINANCIAL REPORT**

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

March 3, 2011

Board of Directors
**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**

We have audited the accompanying balance sheet of the **CLAYTON RECREATION, SPORTS AND WELLNESS COMMISSION, INC.** (the Commission) as of September 30, 2010, and the related statement of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Commission as of September 30, 2009 were audited by other auditors whose report dated February 9, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Commission as of September 30, 2010, and the changes in financial position and its cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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The logo for Polaris International, featuring the word 'POLARIS' in a bold, sans-serif font above the word 'INTERNATIONAL' in a smaller, all-caps, sans-serif font, with a stylized graphic element between the two words.

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The management's discussion and analysis, as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

As management of the Clayton Recreation, Sports and Wellness Commission, Inc. (the Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended September 30, 2010, 2009, and 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's financial statements presented in this report consist of statements of net assets; statements of revenues, expenses, and changes in net assets; and statements of cash flows. The statements of net assets provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Commission. The revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. This statement reports the revenues and expenses during the time periods indicated, and can be used to determine whether the Commission has successfully recovered all of its costs through user fees and other charges. The primary purpose of the statements of cash flows is to provide information about the Commission's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing, noncapital and related financing, and investing.

A condensed version of the statements of net assets is as follows:

	September 30		
	2010	2009	2008
ASSETS			
Cash and other current assets	\$ 416,853	325,895	527,494
Capital assets	<u>14,204,683</u>	<u>14,735,101</u>	<u>15,222,339</u>
Total Assets	<u>14,621,536</u>	<u>15,060,996</u>	<u>15,749,833</u>
LIABILITIES			
Current liabilities	752,986	543,959	568,051
Noncurrent liabilities	<u>565,639</u>	<u>614,014</u>	<u>682,490</u>
Total Liabilities	<u>1,318,625</u>	<u>1,157,973</u>	<u>1,250,541</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,565,139	14,052,223	14,460,017
Unrestricted	<u>(262,228)</u>	<u>(149,200)</u>	<u>39,275</u>
Total Net Assets	<u>\$ 13,302,911</u>	<u>13,903,023</u>	<u>14,499,292</u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

STATEMENTS OF NET ASSETS

2010 And 2009

The Commission's net assets at September 30, 2010 decreased \$600,112 to \$13,302,911 from the prior year. The change is primarily due to the provision for depreciation expense of \$622,220 and an operating loss before depreciation of \$251,275. These items were partially offset by contributions totaling \$300,000 from affiliated entities, the City of Clayton and the School District of Clayton.

2009 And 2008

The Commission's net assets at September 30, 2009 decreased \$596,269 to \$13,903,023 from the prior year. The change is primarily due to the provision for depreciation expense of \$647,642 and an operating loss before depreciation of \$180,144. These items were partially offset by contributions totaling \$250,000 from affiliated entities, the City of Clayton and the School District of Clayton.

A condensed version of the statements of revenues, expenses, and changes in net assets is as follows:

	For The Years Ended September 30		
	2010	2009	2008
Operating revenues	\$ 2,705,608	2,712,068	2,667,496
Operating expenses	3,579,103	3,539,854	3,374,217
Operating loss	(873,495)	(827,786)	(706,721)
Nonoperating revenues, net	273,383	231,517	290,287
Change in net assets	(600,112)	(596,269)	(416,434)
Net assets, beginning of year	13,903,023	14,499,292	14,915,726
Net assets, end of year	\$ 13,302,911	13,903,023	14,499,292

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

2010 And 2009

Operating revenues in fiscal year 2010 decreased by \$6,460 to \$2,705,608 or 0.24% and expenses increased by \$39,249 to \$3,579,103 or 1.11% compared to the prior year ended September 30, 2009. Contributions from affiliates (City of Clayton and School District of Clayton) in fiscal year 2010 increased to \$300,000 from \$250,000 in fiscal year 2009 and is included in nonoperating revenues.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

2009 And 2008

Operating revenues in fiscal year 2009 increased by \$44,572 to \$2,712,068 or 1.67% and expenses increased by \$165,637 to \$3,539,854 or 4.91% compared to the prior year ended September 30, 2008. Contributions from affiliates (City of Clayton and School District of Clayton) in fiscal year 2009 decreased to \$250,000 from \$307,927 in fiscal year 2008 and is included in nonoperating revenues.

STATEMENTS OF CASH FLOWS

The Commission's rate structure is designed to collect sufficient revenues to cover operating expenses. The net cash used in operating activities was used primarily for normal operating items.

CAPITAL ASSETS

The Commission's investment in capital assets includes building, improvements, furniture, and fitness equipment. Capital assets in fiscal year 2010 increased by \$52,011 to \$20,080,306 and accumulated depreciation increased by \$582,429 to \$5,875,623. Capital assets in fiscal year 2009 increased by \$97,901 to \$20,028,295 and accumulated depreciation increased by \$585,139 to \$5,293,194.

The following is a summary of capital assets:

	September 30		
	2010	2009	2008
Building and improvements	\$ 18,741,852	18,700,360	18,674,638
Furniture and equipment	<u>1,338,454</u>	<u>1,327,935</u>	<u>1,255,756</u>
Total Capital Assets	20,080,306	20,028,295	19,930,394
Less - Accumulated depreciation	<u>5,875,623</u>	<u>5,293,194</u>	<u>4,708,055</u>
Total Capital Assets, Net	<u>\$ 14,204,683</u>	<u>14,735,101</u>	<u>15,222,339</u>

Additional information on the Commission's capital assets can be found in Note C in the notes to financial statements.

LONG-TERM DEBT

The Commission's long-term liabilities of \$639,544 at September 30, 2010 decreased by \$43,334 from 2009. This decrease was principally due to scheduled principal payments on the note payable and the capital leases, offset partially by the addition of one new note.

The Commission's long-term liabilities of \$682,878 at September 30, 2009 decreased by \$79,444 from 2008. This decrease was due to scheduled principal payments on the note payable and the capital leases.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The following is a summary of long-term debt:

	September 30		
	2010	2009	2008
Note payable	\$ 635,204	665,157	718,526
Capital leases payable	4,340	17,721	43,796
Long-term Liabilities	<u>\$ 639,544</u>	<u>682,878</u>	<u>762,322</u>

Additional information on the Commission's long-term debt can be found in Note D in the notes to financial statements.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Commission's overall net assets including depreciation expense declined \$600,112 in fiscal year 2010, \$596,269 in fiscal year 2009, and \$416,434 in fiscal year 2008. The Commission's net assets, excluding depreciation expense, increased \$22,108 in fiscal year 2010, \$51,373 in fiscal year 2009, and \$209,768 in fiscal year 2008.

OUTLOOK FOR NEXT YEAR

At this time, the most significant factor likely to impact the 2011 fiscal year continues to be the overall economic downturn of the country. The revenue stream for annual passes continues to be an important avenue of access for many people in the community. The Commission's income reflects sizeable growth in annual passes for fiscal year 2011 based on a membership fee increase, along with the restructuring of lower class fees designed to drive membership sales. While increased enrollment in fitness and aquatic fitness programs is expected to boost participation numbers, revenue in these program areas was not increased due to the new fee structure scheduled to be implemented on October 10, 2010. While a relatively conservative budget was approved for fiscal year 2011, the Commission is optimistic that it will maintain the current high quality of service to its patrons.

SUMMARY

This report is intended to provide our customers and other interested parties with a general overview of the financial position of the Commission and to indicate accountability for the revenues received. Questions about this report or requests for additional information should be directed to the City of Clayton Parks and Recreation Director, Patty DeForrest, at 314-290-8464 or Finance Director, Donald Yucuis, at 314-290-8445.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**

**STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2010 AND 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 306,592	225,916
Accounts receivable	76,521	67,029
Prepaid expenses	33,740	32,950
Total Current Assets	416,853	325,895
Capital Assets		
Building and improvements	18,741,852	18,700,360
Furniture and equipment	1,338,454	1,327,935
	20,080,306	20,028,295
Less - Accumulated depreciation	5,875,623	5,293,194
Total Capital Assets	14,204,683	14,735,101
Total Assets	14,621,536	15,060,996
LIABILITIES		
Current Liabilities		
Accounts payable	229,124	50,077
Accrued salaries and payroll taxes	73,487	69,633
Accrued compensated absences	20,926	14,215
Accrued interest payable	2,272	2,480
Deferred revenue - memberships	352,972	338,390
Deposits	300	300
Current portion of long-term notes payable	69,565	55,479
Current portion of capital lease obligation	4,340	13,385
Total Current Liabilities	752,986	543,959
Noncurrent Liabilities		
Notes payable, less current portion	565,639	609,678
Capital lease obligation, less current portion	-	4,336
Total Noncurrent Liabilities	565,639	614,014
Total Liabilities	1,318,625	1,157,973
NET ASSETS		
Invested in capital assets, net of related debt	13,565,139	14,052,223
Unrestricted	(262,228)	(149,200)
Total Net Assets	\$ 13,302,911	13,903,023

See notes to financial statements

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Admissions	\$ 1,748,176	1,756,787
Programs	723,869	765,518
Rentals	135,946	107,418
Child care	13,959	13,157
Miscellaneous	83,658	69,188
Total Operating Revenues	<u>2,705,608</u>	<u>2,712,068</u>
OPERATING EXPENSES		
Building operations	1,039,751	962,898
Administration	1,050,335	982,051
Aquatics	358,983	388,826
Fitness	400,828	430,755
Sports	66,767	91,072
Summer quest	33,091	30,083
General recreation	7,128	6,527
Depreciation	622,220	647,642
Total Operating Expenses	<u>3,579,103</u>	<u>3,539,854</u>
OPERATING LOSS	<u>(873,495)</u>	<u>(827,786)</u>
NONOPERATING REVENUES (EXPENSES)		
Contributions from affiliates	300,000	250,000
Investment income	1,852	12,409
Interest expense	(28,469)	(30,892)
Total Nonoperating Revenues (Expenses)	<u>273,383</u>	<u>231,517</u>
CHANGES IN NET ASSETS	<u>(600,112)</u>	<u>(596,269)</u>
NET ASSETS, OCTOBER 1	<u>13,903,023</u>	<u>14,499,292</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 13,302,911</u>	<u>13,903,023</u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Cash received from operations	\$ 2,726,729	2,681,282
Cash paid for operations	<u>(2,768,061)</u>	<u>(2,893,760)</u>
Net Cash Used In Operating Activities	<u>(41,332)</u>	<u>(212,478)</u>
Cash flows from noncapital financing activities:		
Advances to affiliate	(16,031)	(28,146)
Contributions from affiliates	<u>300,000</u>	<u>250,000</u>
Net Cash Provided By Noncapital Financing Activities	<u>283,969</u>	<u>221,854</u>
Cash flows from capital and related financing activities:		
Purchase of furniture and equipment	(91,802)	(161,605)
Proceeds from sale of furniture and equipment	-	1,201
Proceeds from note payable	33,469	-
Principal payments on note payable	(63,422)	(53,369)
Principal payments on capital lease obligation	(13,381)	(31,091)
Interest paid	<u>(28,677)</u>	<u>(26,075)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(163,813)</u>	<u>(270,939)</u>
Cash flows from investing activities:		
Investment income	1,852	14,791
Proceeds from sale of investments	-	435,000
Net Cash Provided By Investing Activities	<u>1,852</u>	<u>449,791</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,676	188,228
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>225,916</u>	<u>37,688</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 306,592</u></u>	<u><u>225,916</u></u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	<u>\$ (873,495)</u>	<u>(827,786)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	622,220	647,642
(Increase) decrease in:		
Accounts receivable	6,539	(19,409)
Prepaid expenses	(790)	-
Increase (decrease) in:		
Accounts payable	179,047	(8,663)
Accrued payroll and other	10,565	7,115
Deferred revenue - memberships	14,582	(11,077)
Deposits	-	(300)
Total Adjustments	<u>832,163</u>	<u>615,308</u>
 Net Cash Used In Operating Activities	 <u>\$ (41,332)</u>	 <u>(212,478)</u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CLAYTON RECREATION, SPORTS AND WELLNESS COMMISSION, INC.** (the Commission), a nonprofit organization, was legally incorporated in 1997 (with activity commencing on July 1, 1998) with the purpose of providing educational, recreation, athletic, and wellness programs; community-based activities and related activities; and to own and operate a new athletic/recreation facility and renovated community center for the benefit of the City of Clayton, Missouri (the City) and the School District of Clayton, St. Louis, Missouri (the School District).

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units based upon its relationship with the City and School District. The more significant of the Commission's accounting policies are described below:

1. Reporting Entity - Related Party

The financial statements of the Commission include the financial activities of the Commission and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an Amendment of GASB 14*. The Commission is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Commission appoints a voting majority of the component unit's governing body or because the component unit will provide a financial benefit or impose a financial burden on the Commission. It was determined that the Commission does not have any component units.

2. Basis of Accounting

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing services to the public on a continuing basis be financed or recovered primarily through user charges.

The Commission's financial statements are presented on the accrual basis of accounting where revenues are recognized as earned and expenses are recognized when the related liability is incurred. The accounting and financial reporting treatment applied to the Commission is determined by its measurement focus. The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues and expenses include charges that are assessed to the beneficiaries of the service

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Accounting (Continued)

and the cost of providing the service. Nonoperating and other activities primarily include investment income, interest expense, and contributions from affiliates.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

As permitted by U.S. generally accepted accounting principles, the Commission has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

3. Accounts Receivable

In the opinion of management, all receivables are collectible in full; therefore, no allowance for doubtful accounts is provided.

4. Capital Assets

Capital assets are defined by the Commission as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated property and equipment are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Assets	Years
Building and improvements	7 - 40
Furniture and equipment	5 - 10

5. Compensated Absences

The Commission allows all full-time employees to accumulate unused sick leave up to a maximum of 130 days. Earned vacation time is required to be used within one year of accrual. Upon termination, accumulated vacation will be paid to the employee. Sick leave is not paid upon termination, but will be paid only upon illness while in the employment of the Commission.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Statements of Cash Flows

For purposes of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

7. Income Taxes

The Commission is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

8. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

9. Reclassifications

Certain reclassifications were made to the 2009 financial statements in order to conform to the 2010 financial statements presentation.

NOTE B - DEPOSITS AND INVESTMENTS

The Commission follows the City's investment policy, since the Commission's funds are pooled with the City's funds. The Commission has pooled cash deposits with the City at September 30, 2010 and 2009 of \$305,492 and \$224,816, respectively. The Commission held petty cash of \$1,100 in 2010 and 2009. The City and the Commission take a conservative, "prudent person" approach to their investment purchases and management. The focus of this policy is to invest public funds in safe and secure investments with sufficient liquidity to enable the Commission to meet the cash flow demands of operations while obtaining the best rate of return, given the investment risk and cash flow restraints of the policy.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned or the Commission will not be able to recover collateral securities in the possession of an outside party. The Commission's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the Commission or trustee institution. The value of the securities must amount to the total of the Commission's cash not insured by the Federal Deposit Insurance Corporation.

As of September 30, 2010, the Commission's bank balances with the City were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
NOTES TO FINANCIAL STATEMENTS

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investment Policy

The objectives of the City's investment policy are the following:

Legality: Every investment shall be made in accordance with applicable federal, state, and local statutory provisions.

Safety: Safety of principal is the foremost objective of the investment policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

Liquidity: The investment portfolio must remain sufficiently liquid to enable the Commission to meet all operating requirements, which might be reasonably anticipated.

Return on Investment: The Commission's investment portfolio shall be managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, taking into account the Commission's investment risk constraints and the cash flow characteristics of the portfolio.

These objectives support the Commission's conservative and prudent approach to investment management. The policy also addresses qualified institutions, appropriate investments, collateralization, safe-keeping, institutional diversification of the portfolio, maximum maturities, performance standards, and reporting requirements.

The policy limits investments to bonds, bills, or notes of the U.S. or an agency thereof, negotiable or nonnegotiable certificates of deposit, savings accounts and other interest-earning deposit accounts of authorized financial institutions, or repurchase agreements (with acceptable collateral in an amount greater than the amount of the repurchase agreement including accrued interest) through approved financial institutions with a previously signed Master Repurchase Agreement. In accordance with the City's policy, the City tries to maintain a high level of liquidity to allow the Commission to meet its operating requirements. Unless matched to a specific cash flow, the Commission will not invest in securities maturing more than three years from the date of purchase, unless circumstances warrant other consideration.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not address credit quality standards.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission will diversify its investments by institution. With the exception of bonds, bills, or notes of the U.S. or any agency thereof, including authorized pools, it shall be the goal of the Commission that no more than 80% of the Commission's investment portfolio will be invested in a single institution.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For investments, Custodial Credit Risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. In accordance with the City's policy, the Commission addresses custodial risk by prequalifying institutions with which the Commission places investments, diversifying the investment portfolio, and maintaining a standard of quality for investments.

For deposits, Custodial Credit Risk is the risk that in the event of bank failure, the Commission's deposits may not be returned. Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution.

NOTE C - CAPITAL ASSETS

Capital assets activity was as follows:

	For The Year Ended September 30, 2010			
	Balance			Balance
	September 30	Additions	Deletions	September 30
	2009			2010
Capital assets being depreciated:				
Building and improvements	\$ 18,700,360	41,492	-	18,741,852
Furniture and equipment	1,327,935	55,679	45,160	1,338,454
Total Capital Assets				
Being Depreciated	20,028,295	97,171	45,160	20,080,306
Less - Accumulated depreciation for:				
Building and improvements	4,309,337	478,223	-	4,787,560
Furniture and equipment	983,857	143,997	39,791	1,088,063
Total Accumulated				
Depreciation	5,293,194	622,220	39,791	5,875,623
Total Capital Assets, Net	<u>\$ 14,735,101</u>	<u>(525,049)</u>	<u>5,369</u>	<u>14,204,683</u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended September 30, 2009			
	Balance September 30 2008	Additions	Deletions	Balance September 30 2009
	Capital assets being depreciated:			
Building and improvements	\$ 18,674,638	25,722	-	18,700,360
Furniture and equipment	1,255,756	142,248	70,069	1,327,935
Total Capital Assets Being Depreciated	19,930,394	167,970	70,069	20,028,295
Less - Accumulated depreciation for:				
Building and improvements	3,829,571	479,766	-	4,309,337
Furniture and equipment	878,484	167,876	62,503	983,857
Total Accumulated Depreciation	4,708,055	647,642	62,503	5,293,194
Total Capital Assets, Net	\$ 15,222,339	(479,672)	7,566	14,735,101

Depreciation expense for the years ended September 30, 2010 and 2009 totaled \$622,220 and \$647,642, respectively.

NOTE D - LONG-TERM DEBT

Long-term debt consisted of the following:

	For The Year Ended September 30, 2010			Amounts Due Within One Year
	Balance September 30 2009	Additions	Reductions	
Notes payable	\$ 665,157	33,469	63,422	69,565
Capital leases payable	17,721	-	13,381	4,340
	682,878	33,469	76,803	73,905
Compensated absences	14,215	36,301	29,590	20,926
Total Long-term Debt	\$ 697,093	69,770	106,393	94,831

**CLAYTON RECREATION, SPORTS AND
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NOTES TO FINANCIAL STATEMENTS**

NOTE D - LONG-TERM DEBT (Continued)

	For The Year Ended September 30, 2009			Balance September 30 2009	Amounts Due Within One Year
	Balance September 30 2008	Additions	Reductions		
	Notes payable	\$ 718,526	-		
Capital leases payable	43,796	-	26,075	17,721	13,385
	<u>762,322</u>	<u>-</u>	<u>79,444</u>	<u>682,878</u>	<u>68,864</u>
Compensated absences	13,362	22,974	22,121	14,215	14,215
	<u>13,362</u>	<u>22,974</u>	<u>22,121</u>	<u>14,215</u>	<u>14,215</u>
Total Long-term Debt	<u>\$ 775,684</u>	<u>22,974</u>	<u>101,565</u>	<u>697,093</u>	<u>83,079</u>

Notes Payable

The Commission obtained an unsecured, fixed rate loan in June 1, 2007 for \$782,000 from a financial institution to pay off a then existing note and to renovate the Shaw Park swimming pool and the Stuber Gymnasium. Quarterly payments, including principal and interest, are \$21,115 with an initial rate of 4.47%. The note matures on June 1, 2019.

The Commission entered into a promissory note in February 2010 for \$33,469 from the City for fitness equipment. Monthly payments, including principal and interest are \$980 with an interest rate of 1%. The note matures in December 2012.

Aggregate maturities for the note payable are as follows:

For The Years Ended September 30	Principal	Interest
2011	\$ 69,565	26,656
2012	72,330	23,890
2013	66,036	21,034
2014	66,329	18,132
2015	69,359	15,102
2016 - 2019	<u>291,585</u>	<u>27,210</u>
Total	<u>\$ 635,204</u>	<u>132,024</u>

**CLAYTON RECREATION, SPORTS AND
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NOTES TO FINANCIAL STATEMENTS**

NOTE D - LONG-TERM DEBT (Continued)

Capital Leases Payable

The Commission has entered into lease agreements as lessee for the acquisition of fitness equipment. Monthly payments totaling \$1,940, including interest at rates of 3.49% to 4.45%, to be paid through February 15, 2011. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Equipment	\$100,855
Less - Equipment	<u>(80,305)</u>
Total	<u>\$ 20,550</u>

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

For The Year Ended September 30	Amount
2011	\$ 4,397
Less - Amount representing interest	<u>57</u>
Present Value Of Future Minimum Lease Payments	<u><u>\$ 4,340</u></u>

NOTE E - INTERGOVERNMENTAL AGREEMENT

The City joined with the School District to construct and operate the Commission's recreational facility. Administration, accounting, repair, and maintenance of the facility will be shared in accordance with an agreement between the City and the School District. The City contributed approximately two-thirds of the construction costs, with the remainder contributed by the School District and various other organizations. The City and the School District are liable in accordance with the terms of the contract for any operational cash shortages. The total amount charged to the City and the School District amounted to \$300,000 and \$250,000 for the years ended September 30, 2010 and 2009, respectively. Both the City and the School District are leasing three and nine acres of land, respectively, to the Commission for \$1 per year for 35 years. At September 30, 2010, accounts payable includes \$198,097 which is owed to the School District.

**CLAYTON RECREATION, SPORTS AND
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NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT BENEFIT PLAN

Substantially all full-time Commission employees are covered by a defined benefit pension plan which is operated by the City. Employees become eligible to participate in the plan on the start date of their full-time employment.