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

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2012

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**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

April 22, 2013

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

We have audited the accompanying basic financial statements of the business-type activities of the **CLAYTON RECREATION, SPORTS AND WELLNESS COMMISSION, INC.** (the Commission) as of and for the years ended September 30, 2012 and 2011, which, collectively comprise the Commission's basic statements as listed in the table of contents. 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of September 30, 2012 and 2011, and the respective changes in financial position and its cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

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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 supplemental 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 supplemental 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, 2012**

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, 2012, 2011, and 2010.

**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:

	<b>September 30</b>		
	<b>2012</b>	2011	2010
<b>ASSETS</b>			
Cash and other current assets	<b>\$ 320,320</b>	126,705	416,853
Capital assets	<b>13,390,481</b>	13,922,700	14,204,683
Total Assets	<b>13,710,801</b>	14,049,405	14,621,536
<b>LIABILITIES</b>			
Current liabilities	<b>780,316</b>	638,420	752,986
Noncurrent liabilities	<b>446,044</b>	508,657	565,639
Total Liabilities	<b>1,226,360</b>	1,147,077	1,318,625
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	<b>12,855,161</b>	13,329,306	13,565,139
Unrestricted	<b>(370,720)</b>	(426,978)	(262,228)
Total Net Assets	<b>\$ 12,484,441</b>	12,902,328	13,302,911

**CLAYTON RECREATION, SPORTS AND  
WELLNESS COMMISSION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**STATEMENTS OF NET ASSETS**

**2012 and 2011**

The Commission's net assets at September 30, 2012 decreased \$417,887 to \$12,484,441 from the prior year. The change is primarily due to the provision for depreciation expense of \$570,101 and an operating loss before depreciation of \$461,260. These items were partially offset by contributions totaling \$636,748 from affiliated entities, the City of Clayton and the School District of Clayton.

**2011 and 2010**

The Commission's net assets at September 30, 2011 decreased \$400,583 to \$12,902,328 from the prior year. The change is primarily due to the provision for depreciation expense of \$565,596 and an operating loss before depreciation of \$247,298. These items were partially offset by contributions totaling \$300,000 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:

	<b>For The Years Ended September 30</b>		
	<b>2012</b>	2011	2010
Operating revenues	<b>\$ 2,867,123</b>	2,739,126	2,705,608
Operating expenses	<b>3,898,484</b>	3,552,020	3,579,103
Operating loss	<b>(1,031,361)</b>	(812,894)	(873,495)
Nonoperating revenues, net	<b>613,474</b>	412,311	273,383
Change in net assets	<b>(417,887)</b>	(400,583)	(600,112)
Net assets, beginning of year	<b>12,902,328</b>	13,302,911	13,903,023
Net assets, end of year	<b>\$ 12,484,441</b>	12,902,328	13,302,911

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

**2012 and 2011**

Operating revenues in fiscal year 2012 increased by \$127,997 to \$2,867,123 or 4.67% and expenses increased by \$346,464 to \$3,898,484 or 9.75% compared to the prior year ended September 30, 2011. Contributions from affiliates (City of Clayton and School District of Clayton) in fiscal year 2012 increased by \$336,748 to \$636,748 and are included in nonoperating revenues.

**CLAYTON RECREATION, SPORTS AND  
WELLNESS COMMISSION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**2011 and 2010**

Operating revenues in fiscal year 2011 increased by \$33,518 to \$2,739,126 or 1.24% and expenses decreased by \$27,083 to \$3,552,020 or 0.76% compared to the prior year ended September 30, 2010. Contributions from affiliates (City of Clayton and School District of Clayton) in fiscal year 2011 remained the same at \$300,000 and are included in nonoperating revenues. The Commission also received \$137,075 during fiscal year 2011 for insurance recoveries.

**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 2012 decreased by \$10,556 to \$20,334,144 and accumulated depreciation increased by \$521,663 to \$6,943,663. Capital assets in fiscal year 2011 increased by \$264,394 to \$20,344,700 and accumulated depreciation increased by \$546,377 to \$6,422,000.

The following is a summary of capital assets:

	<b>September 30</b>		
	<b>2012</b>	2011	2010
Building and improvements	<b>\$ 18,915,893</b>	18,915,893	18,741,852
Furniture and equipment	<b>1,418,251</b>	1,428,807	1,338,454
Total	<b>20,334,144</b>	20,344,700	20,080,306
Less - Accumulated depreciation	<b>6,943,663</b>	6,422,000	5,875,623
Total Capital Assets, Net	<b>\$ 13,390,481</b>	13,922,700	14,204,683

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

**LONG-TERM LIABILITIES**

The Commission's long-term liabilities of \$535,320 at September 30, 2012 decreased by \$58,074 from 2011. This decrease was principally due to scheduled principal payments on the notes payable, offset partially by the addition of one new note.

The Commission's long-term liabilities of \$593,394 at September 30, 2011 decreased by \$46,150 from 2010. This decrease was principally due to scheduled principal payments on the notes payable and the capital lease, offset partially by the addition of one new note.

**CLAYTON RECREATION, SPORTS AND  
WELLNESS COMMISSION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

The following is a summary of long-term liabilities:

	September 30		
	2012	2011	2010
Notes payable	\$ 535,320	593,394	635,204
Capital lease payable	-	-	4,340
Total Long-term Liabilities	\$ 535,320	593,394	639,544

Additional information on the Commission's long-term liabilities 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 \$417,887 in fiscal year 2012, \$400,583 in fiscal year 2011, and \$600,112 in fiscal year 2010. The Commission's net assets excluding depreciation expense, increased \$152,214 in fiscal year 2012, \$165,013 in fiscal year 2011, and \$22,108 in fiscal year 2010.

**OVERALL OUTLOOK FOR NEXT YEAR**

At this time, the most significant factor likely to impact the 2013 fiscal year continues to be the slowly recovering economy. The revenue stream for annual passes continues to be an important avenue of access for many people in the community, particularly families. The Commission's budgeted income reflects a 6.58% growth in annual passes for fiscal year 2013, due in large part to a membership fee increase implemented on October 1, 2012. The restructure of lower class fees, along with increased member amenities, continues to increase family membership sales. Increased enrollment in fitness and aquatic fitness programs continues with increased participation numbers, although revenue in these program areas has not dramatically increased due to the new fee structure. Once again, a relatively conservative budget was approved for fiscal year 2013, but the Commission is optimistic that it will remain 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, Janet Watson, at 314-290-8445.

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

**STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 178,778	16,746
Accounts receivable	104,417	76,183
Prepaid expenses	37,125	33,776
Total Current Assets	320,320	126,705
<b>Capital Assets</b>		
Building and improvements	18,915,893	18,915,893
Furniture and equipment	1,418,251	1,428,807
	20,334,144	20,344,700
Less - Accumulated depreciation	6,943,663	6,422,000
Total Capital Assets	13,390,481	13,922,700
Total Assets	13,710,801	14,049,405
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	231,263	98,996
Accrued salaries and payroll taxes	84,260	77,152
Accrued compensated absences	20,784	23,787
Accrued interest payable	1,828	2,055
Deferred revenue - memberships	352,605	351,393
Deposits	300	300
Current portion of notes payable	89,276	84,737
Total Current Liabilities	780,316	638,420
<b>Noncurrent Liabilities</b>		
Notes payable, less current portion	446,044	508,657
Total Liabilities	1,226,360	1,147,077
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	12,855,161	13,329,306
Unrestricted	(370,720)	(426,978)
Total Net Assets	\$ 12,484,441	12,902,328

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Admissions	\$ 1,819,515	1,790,934
Programs	771,800	719,028
Rentals	169,865	138,281
Child care	14,675	13,107
Miscellaneous	91,268	77,776
Total Operating Revenues	<u>2,867,123</u>	<u>2,739,126</u>
<b>OPERATING EXPENSES</b>		
Building operations	1,305,487	1,100,646
Administration	1,182,309	1,042,970
Aquatics	333,336	340,175
Fitness	390,569	384,145
Sports	74,203	89,953
Summer quest	24,112	6,624
General recreation	18,367	21,911
Depreciation	570,101	565,596
Total Operating Expenses	<u>3,898,484</u>	<u>3,552,020</u>
<b>OPERATING LOSS</b>	<u>(1,031,361)</u>	<u>(812,894)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Contributions from affiliates	636,748	300,000
Insurance recoveries	-	137,075
Investment income	14	1,172
Interest expense	(23,288)	(25,936)
Total Nonoperating Revenues (Expenses)	<u>613,474</u>	<u>412,311</u>
<b>CHANGES IN NET ASSETS</b>	<u>(417,887)</u>	<u>(400,583)</u>
<b>NET ASSETS, OCTOBER 1</b>	<u>12,902,328</u>	<u>13,302,911</u>
<b>NET ASSETS, SEPTEMBER 30</b>	<u>\$ 12,484,441</u>	<u>12,902,328</u>

See notes to financial statements

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

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	2012	2011
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>Cash flows from operating activities:</b>		
Cash received from operations	\$ 2,840,101	2,737,885
Cash paid for operations	<u>(3,195,360)</u>	<u>(3,110,062)</u>
Net Cash Used In Operating Activities	<u>(355,259)</u>	<u>(372,177)</u>
<b>Cash flows from noncapital financing activities:</b>		
Contributions from affiliates	636,748	300,000
Insurance recoveries	<u>-</u>	<u>137,075</u>
Net Cash Provided By Noncapital Financing Activities	<u>636,748</u>	<u>437,075</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(37,882)	(283,613)
Proceeds from note payable	32,264	37,276
Principal payments on notes payable	(90,338)	(79,086)
Principal payments on capital lease payable	-	(4,340)
Interest paid	<u>(23,515)</u>	<u>(26,153)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(119,471)</u>	<u>(355,916)</u>
<b>Cash flows provided by investing activities:</b>		
Investment income	<u>14</u>	<u>1,172</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>162,032</b>	<b>(289,846)</b>
<b>CASH AND CASH EQUIVALENTS, OCTOBER 1</b>	<u>16,746</u>	<u>306,592</u>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<u><u>\$ 178,778</u></u>	<u><u>16,746</u></u>

**CLAYTON RECREATION, SPORTS AND  
WELLNESS COMMISSION, INC.**  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	<u>\$ (1,031,361)</u>	<u>(812,894)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	570,101	565,596
(Increase) decrease in:		
Accounts receivable	(28,234)	338
Prepaid expenses	(3,349)	(36)
Increase (decrease) in:		
Accounts payable	132,267	(130,128)
Accrued payroll and other	4,105	6,526
Deferred revenue - memberships	1,212	(1,579)
Total Adjustments	<u>676,102</u>	<u>440,717</u>
 Net Cash Used In Operating Activities	 <u><u>\$ (355,259)</u></u>	 <u><u>(372,177)</u></u>

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

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**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**

The financial statements of the Commission include the financial activities of the Commission and any component units, entities which are financially accountable to the Commission. 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 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.

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

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Basis of Accounting (Continued)**

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.

**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.

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

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2012 and 2011 of \$177,678 and \$15,646, respectively. The Commission held petty cash of \$1,100 in 2012 and 2011. 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 (FDIC).

As of September 30, 2012, 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.

**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.

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

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**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

**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.

**Custodial Credit Risk for Investments** 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.

**Custodial Credit Risk for Deposits** 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 FDIC, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution.

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

**NOTE C - CAPITAL ASSETS**

Capital assets activity was as follows:

	<b>For The Year Ended September 30, 2012</b>			
	<b>Balance September 30 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30 2012</b>
Capital assets being depreciated:				
Building and improvements	\$ 18,915,893	-	-	18,915,893
Furniture and equipment	1,428,807	41,335	51,891	1,418,251
Total Capital Assets Being Depreciated	<u>20,344,700</u>	<u>41,335</u>	<u>51,891</u>	<u>20,334,144</u>
Less - Accumulated depreci- ation for:				
Building and improvements	5,274,611	490,782	-	5,765,393
Furniture and equipment	1,147,389	79,319	48,438	1,178,270
Total Accumulated Depreciation	<u>6,422,000</u>	<u>570,101</u>	<u>48,438</u>	<u>6,943,663</u>
Total Capital Assets, Net	<u>\$ 13,922,700</u>	<u>(528,766)</u>	<u>3,453</u>	<u>13,390,481</u>
	<b>For The Year Ended September 30, 2011</b>			
	<b>Balance September 30 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30 2011</b>
Capital assets being depreciated:				
Building and improvements	\$ 18,741,852	174,041	-	18,915,893
Furniture and equipment	1,338,454	112,870	22,517	1,428,807
Total Capital Assets Being Depreciated	<u>20,080,306</u>	<u>286,911</u>	<u>22,517</u>	<u>20,344,700</u>
Less - Accumulated depreci- ation for:				
Building and improvements	4,787,560	487,051	-	5,274,611
Furniture and equipment	1,088,063	78,545	19,219	1,147,389
Total Accumulated Depreciation	<u>5,875,623</u>	<u>565,596</u>	<u>19,219</u>	<u>6,422,000</u>
Total Capital Assets, Net	<u>\$ 14,204,683</u>	<u>(278,685)</u>	<u>3,298</u>	<u>13,922,700</u>

Depreciation expense for the years ended September 30, 2012 and 2011 totaled \$570,101 and \$565,596, respectively.

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

**NOTE D - LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following:

	<b>For The Year Ended September 30, 2012</b>				<b>Amounts Due Within One Year</b>
	<b>Balance September 30 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30 2012</b>	
	Notes payable	\$ 593,394	32,264	90,338	
Compensated absences	23,787	25,526	28,529	20,784	20,784
<b>Total Long-term Liabilities</b>	<b>\$ 617,181</b>	<b>57,790</b>	<b>118,867</b>	<b>556,104</b>	<b>110,060</b>

  

	<b>For The Year Ended September 30, 2011</b>				<b>Amounts Due Within One Year</b>
	<b>Balance September 30 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30 2011</b>	
	Notes payable	\$ 635,204	37,276	79,086	
Capital lease payable	4,340	-	4,340	-	-
	639,544	37,276	83,426	593,394	84,737
Compensated absences	20,926	31,756	28,895	23,787	23,787
<b>Total Long-term Liabilities</b>	<b>\$ 660,470</b>	<b>69,032</b>	<b>112,321</b>	<b>617,181</b>	<b>108,524</b>

**Notes Payable**

The Commission obtained an unsecured, fixed rate loan on 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.

The Commission entered into a promissory note in January 2011 for \$37,276 from the City for fitness equipment. Quarterly payments, including principal and interest are \$3,160 with an interest rate of 1%. The note matures in December 2013.

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

**NOTE D - LONG-TERM LIABILITIES (Continued)**

The Commission entered into a promissory note in January 2012 for \$32,264 from the City for fitness equipment. Quarterly payments, including principal and interest are \$2,735 with an interest rate of 1%. The note matures in January 2014.

Aggregate maturities for the note payable are as follows:

<b>For The Years Ended September 30</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 89,276	21,373
2014	80,264	18,262
2015	74,779	15,122
2016	72,527	11,934
2017	75,840	8,621
2018 - 2019	142,634	8,268
Total	\$ 535,320	83,580

**Capital Lease Payable**

The Commission has entered into a lease agreement 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. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease was paid in full during the year-ended September 30, 2011.

**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 \$636,748 and \$300,000 for the years ended September 30, 2012 and 2011, 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, 2012, accounts payable includes \$104,670 which is owed to the School District.

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

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**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.