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

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2013

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

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Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

April 14, 2014

Board of Directors

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **CLAYTON RECREATION, SPORTS AND WELLNESS COMMISSION, INC.** (the Commission) as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of September 30, 2013 and 2012, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplemental 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 audits 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.

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, 2013**

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, 2013, 2012, and 2011.

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 position; statements of revenues, expenses, and change in net position; and statements of cash flows. The statements of net position 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 change in net position. 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 position is as follows:

	September 30		
	2013	2012	2011
ASSETS			
Cash and other current assets	\$ 591,993	320,320	126,705
Capital assets	12,980,929	13,390,481	13,922,700
Total Assets	<u>13,572,922</u>	<u>13,710,801</u>	<u>14,049,405</u>
LIABILITIES			
Current liabilities	1,137,838	780,316	638,420
Noncurrent liabilities	-	446,044	508,657
Total Liabilities	<u>1,137,838</u>	<u>1,226,360</u>	<u>1,147,077</u>
NET POSITION			
Net investment in capital assets	12,554,513	12,855,161	13,329,306
Unrestricted	<u>(119,429)</u>	<u>(370,720)</u>	<u>(426,978)</u>
Total Net Position	<u>\$ 12,435,084</u>	<u>12,484,441</u>	<u>12,902,328</u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

STATEMENTS OF NET POSITION

2013 and 2012

The Commission's net position at September 30, 2013 decreased \$49,357 to \$12,435,084 from the prior year. The change is primarily due to the provision for depreciation expense of \$562,613 and an operating income before depreciation of \$133,443. These items were partially offset by contributions totaling \$400,000 from affiliated entities, the City of Clayton and the School District of Clayton.

2012 and 2011

The Commission's net position 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.

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

	For The Years Ended September 30		
	2013	2012	2011
Operating revenues	\$ 2,999,294	2,867,123	2,739,126
Operating expenses	<u>3,428,464</u>	<u>3,898,484</u>	<u>3,552,020</u>
Operating loss	(429,170)	(1,031,361)	(812,894)
Nonoperating revenues, net	<u>379,813</u>	<u>613,474</u>	<u>412,311</u>
Change in net position	(49,357)	(417,887)	(400,583)
Net position, beginning of year	<u>12,484,441</u>	<u>12,902,328</u>	<u>13,302,911</u>
Net position, end of year	<u><u>\$ 12,435,084</u></u>	<u><u>12,484,441</u></u>	<u><u>12,902,328</u></u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

2013 and 2012

Operating revenues in fiscal year 2013 increased by \$132,171 to \$2,999,294 or 4.6% and expenses decreased by \$470,020 to \$3,428,464 or 12.1% compared to the prior year ended September 30, 2012. Contributions from affiliates (City of Clayton and School District of Clayton) in fiscal year 2013 decreased by \$236,748 to \$400,000 and are included in nonoperating revenues.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

2012 and 2011

Operating revenues in fiscal year 2012 increased by \$127,997 to \$2,867,123 or 4.7% and expenses increased by \$346,464 to \$3,898,484 or 9.8% 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.

STATEMENTS OF CASH FLOWS

The Commission's rate structure is designed to collect sufficient revenues to cover operating expenses. The net cash provided by (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 2013 increased by \$132,767 to \$20,466,911 and accumulated depreciation increased by \$542,319 to \$7,485,982. 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.

The following is a summary of capital assets:

	September 30		
	2013	2012	2011
Building and improvements	\$ 18,997,162	18,915,893	18,915,893
Furniture and equipment	1,469,749	1,418,251	1,428,807
Total	20,466,911	20,334,144	20,344,700
Less - Accumulated depreciation	7,485,982	6,943,663	6,422,000
Total Capital Assets, Net	\$ 12,980,929	13,390,481	13,922,700

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 \$426,416 at September 30, 2013 decreased by \$108,904 from 2012. This decrease was due to principal payments on the notes payable and the pay-off of the 2011 note.

The Commission's long-term liabilities of \$535,320 at September 30, 2012 decreased by \$58,074 from 2011. This decrease was due to scheduled principal payments on the notes payable, 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, 2013**

The following is a summary of long-term liabilities:

	<u>September 30</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Notes payable	<u>\$ 426,416</u>	<u>535,320</u>	<u>593,394</u>

In November 2013, the Board of Directors approved to pay off the note payable early.

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 position including depreciation expense declined \$49,357 in fiscal year 2013, \$417,887 in fiscal year 2012, and \$400,583 in fiscal year 2011. The Commission's net position excluding depreciation expense, increased \$513,256 in fiscal year 2013, \$152,214 in fiscal year 2012, and \$165,013 in fiscal year 2011.

OVERALL OUTLOOK FOR NEXT YEAR

As in years past, 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 income reflects a nominal 1.41% growth in annual passes for fiscal year 2014, as the next membership fee increase is not expected to be implemented until October 1, 2014 (the start of fiscal year 2015). Increased member amenities, such as free and reduced-fee member services, continue to drive family membership sales for residents, corporate families, and nonresident families. 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 implemented several years ago. Once again, a relatively conservative budget was approved for fiscal year 2014, but 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, Janet Watson, at 314-290-8445.

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

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 456,899	178,778
Accounts receivable	90,330	104,417
Prepaid expenses	44,764	37,125
Total Current Assets	591,993	320,320
Capital Assets		
Building and improvements	18,997,162	18,915,893
Furniture and equipment	1,469,749	1,418,251
	20,466,911	20,334,144
Less - Accumulated depreciation	7,485,982	6,943,663
Total Capital Assets	12,980,929	13,390,481
Total Assets	13,572,922	13,710,801
LIABILITIES		
Current Liabilities		
Accounts payable	257,828	231,263
Accrued salaries and payroll taxes	87,758	84,260
Accrued compensated absences	22,468	20,784
Accrued interest payable	1,590	1,828
Deferred revenue - memberships	341,478	352,605
Deposits	300	300
Current portion of notes payable	426,416	89,276
Total Current Liabilities	1,137,838	780,316
Noncurrent Liabilities		
Notes payable, less current portion	-	446,044
Total Liabilities	1,137,838	1,226,360
NET POSITION		
Net investment in capital assets	12,554,513	12,855,161
Unrestricted	(119,429)	(370,720)
Total Net Position	\$ 12,435,084	12,484,441

See notes to financial statements

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Admissions	\$ 2,007,992	1,819,515
Programs	758,465	771,800
Rentals	178,850	169,865
Child care	18,524	14,675
Miscellaneous	35,463	91,268
Total Operating Revenues	2,999,294	2,867,123
OPERATING EXPENSES		
Building operations	920,608	1,305,487
Administration	1,118,330	1,182,309
Aquatics	330,995	333,336
Fitness	391,067	390,569
Sports	69,422	74,203
Summer quest	22,954	24,112
General recreation	12,475	18,367
Depreciation	562,613	570,101
Total Operating Expenses	3,428,464	3,898,484
OPERATING LOSS	(429,170)	(1,031,361)
NONOPERATING REVENUES (EXPENSES)		
Contributions from affiliates	400,000	636,748
Investment income	333	14
Interest expense	(20,520)	(23,288)
Total Nonoperating Revenues (Expenses)	379,813	613,474
CHANGE IN NET POSITION	(49,357)	(417,887)
NET POSITION, OCTOBER 1	12,484,441	12,902,328
NET POSITION, SEPTEMBER 30	\$ 12,435,084	12,484,441

See notes to financial statements

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Cash received from operations	\$ 3,002,254	2,840,101
Cash paid for operations	<u>(2,841,743)</u>	<u>(3,195,360)</u>
Net Cash Provided By (Used In) Operating Activities	<u>160,511</u>	<u>(355,259)</u>
Cash flows provided by noncapital financing activities:		
Contributions from affiliates	<u>400,000</u>	<u>636,748</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(153,061)	(37,882)
Proceeds from note payable	-	32,264
Principal payments on notes payable	(108,904)	(90,338)
Interest paid	<u>(20,758)</u>	<u>(23,515)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(282,723)</u>	<u>(119,471)</u>
Cash flows provided by investing activities:		
Investment income	<u>333</u>	<u>14</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	278,121	162,032
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>178,778</u>	<u>16,746</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 456,899</u></u>	<u><u>178,778</u></u>

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	<u>\$ (429,170)</u>	<u>(1,031,361)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	562,613	570,101
(Increase) decrease in:		
Accounts receivable	14,087	(28,234)
Prepaid expenses	(7,639)	(3,349)
Increase (decrease) in:		
Accounts payable	26,565	132,267
Accrued payroll and other	5,182	4,105
Deferred revenue - memberships	(11,127)	1,212
Total Adjustments	<u>589,681</u>	<u>676,102</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>\$ 160,511</u>	 <u>(355,259)</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 accounting principles generally accepted in the United States of America (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 position.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

7. Income Taxes

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2013 and 2012 of \$455,799 and \$177,678, respectively. The Commission held petty cash of \$1,100 in 2013 and 2012. 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, 2013 and 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.

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.

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

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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:

	For The Year Ended September 30, 2013			
	Balance	Additions	Deletions	Balance
	September 30 2012			September 30 2013
Capital assets being depreciated:				
Building and improvements	\$ 18,915,893	81,269	-	18,997,162
Furniture and equipment	1,418,251	71,792	20,294	1,469,749
Total Capital Assets				
Being Depreciated	20,334,144	153,061	20,294	20,466,911
Less - Accumulated depreci- ation for:				
Building and improvements	5,765,393	494,000	-	6,259,393
Furniture and equipment	1,178,270	68,613	20,294	1,226,589
Total Accumulated Depreciation	6,943,663	562,613	20,294	7,485,982
 Total Capital Assets, Net	 \$ 13,390,481	 (409,552)	 -	 12,980,929
	For The Year Ended September 30, 2012			
	Balance	Additions	Deletions	Balance
	September 30 2011			September 30 2012
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	20,344,700	41,335	51,891	20,334,144
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	6,422,000	570,101	48,438	6,943,663
 Total Capital Assets, Net	 \$ 13,922,700	 (528,766)	 3,453	 13,390,481

Depreciation expense for the years ended September 30, 2013 and 2012 totaled \$562,613 and \$570,101, respectively.

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

NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities consisted of the following:

	<u>For The Year Ended September 30, 2013</u>			<u>Balance September 30 2013</u>	<u>Amounts Due Within One Year</u>
	<u>Balance September 30 2012</u>	<u>Additions</u>	<u>Reductions</u>		
	Notes payable	\$ 535,320	-		
Compensated absences	20,784	36,083	34,399	22,468	22,468
Total Long-term Liabilities	\$ 556,104	36,083	143,303	448,884	448,884

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

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 Center's parking lot 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 note was paid off early in November 2013.

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 matured 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 was paid off early during the year ended September 30, 2013.

**CLAYTON RECREATION, SPORTS AND
WELLNESS COMMISSION, INC.**
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 was paid off early during the year ended September 30, 2013.

Aggregate maturities for the note payable are as follows:

<u>For The Years Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 66,586	17,875
2015	69,599	14,862
2016	72,748	11,712
2017	76,040	8,421
2018	79,481	4,980
2019	61,962	1,384
Total	<u>\$ 426,416</u>	<u>59,234</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 \$400,000 and \$636,748 for the years ended September 30, 2013 and 2012, 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, 2013 and 2012, accounts payable includes \$175,332 and \$104,670, respectively, which is owed to the School District.

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.