

UNIVERSITY OF KENTUCKY

CREDIT UNION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1982

(1) Accounting Policies-

The financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Department of Finance of the Commonwealth of Kentucky. The practices used do not differ materially from generally accepted accounting principles. Some of the more significant accounting policies are as follows:

(a) Loans to Members--Loans to members represent principal balances remaining unpaid. Loans are generally repaid by means of payroll deductions in equal installments which include interest. Interest on loans is computed on the unpaid principal balances at the stated simple interest rate.

(b) Appropriated Undivided Earnings

1. Statutory Reserve-

A statutory reserve is maintained as prescribed and permitted under provisions of the National Credit Union Administration. The provisions in effect at December 31, 1982, require a minimum reserve of 6% of the outstanding loans and risk assets. Provisions in effect in prior years required a higher level of funding. The National Credit Union Administration does not allow for reductions of earnings previously appropriated. As of December 31, 1982, the Credit Union had appropriated \$211,000 in excess of the statutory minimum level.

2. Contingency Reserve-

The contingency reserve represents an appropriation of undivided earnings by action of the Board of Directors and constitutes a general reserve for any unforeseen contingencies.