

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2017, the bank balance was \$954,295. These deposits were covered by FDIC insurance or a properly executed collateral security agreement.

	<u>Reconciled Bank Balance</u>	<u>Deposits in Bank</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Commission's name which are held by the financial institution	704,295	775,902
Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 954,295</u>	<u>\$ 1,025,902</u>

Note 3. Restricted Cash**Depreciation Reserve**

Rural Development currently requires a \$1,490 monthly payment to be deposited into the depreciation reserve until the balance is at least \$178,800. The amount in the Reserve Account at June 30, 2017 was \$274,954.

Sinking Fund Reserve

Rural Development requires one-sixth of the next succeeding interest payment and one-twelfth of the next succeeding principle payment of any current bond to be deposited into this reserve. The money that accumulates in this reserve is to be used to pay current interest and principal on bonds as they come due. The amount in the Sinking Fund Reserve as of June 30, 2017 was \$243,567.

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 274,954
Sinking fund	<u>243,567</u>
	\$ 518,521

Note 4. Prepaid Water Storage Lease

On November 18, 2003, Cave Run Water Commission, Inc. entered into a 30-year lease agreement with the U. S. Army Corps of Engineers for water storage in the amount of \$72,897. This lease was paid in full during fiscal year ending June 30, 2004 and has been amortized over the life of the lease. Water storage lease expense (amortization) at June 30, 2017 was \$2,430.

Note 5. Long-Term Debt*Bonds*

- A. On March 25, 2003, Cave Run Water Commission, Inc. issued \$3,000,000 in Waterworks Revenue Bonds from the United States Department of Agriculture (USDA), Rural Development for the construction of the water treatment plant and water lines. Semiannual interest payments at a 4.25% interest rate are required on January 01 and July 01 of each year beginning January 01, 2006 and annual principal payments are required on January 01 of each year beginning January 01, 2008. The bonds will be paid in full July 01, 2044. As of June 30, 2017, the principal balance on these bonds was \$2,567,000.