



# 10-Minute Supervisor Trainings

Kentucky Soil and Water Conservation Commission

OCTOBER 2011

## BONDING

**KRS 65.0067 (1)** states, "All officers, officials, and employees of cities, counties, urban-county governments, charter county governments, a regional wastewater commission, and special districts who handle public funds in the execution of their duties shall give a good and sufficient bond to the local governing body for the faithful and honest performance of his or her duties and as security for all money coming into that person's hands or under that person's control. The bond amount shall be based upon the maximum amount of public funds the officer, official, or employee handles at any given time during a fiscal year cycle. The local governing body shall pay the cost of the bond."

**KRS 262.250 (3)** states, "The supervisors shall provide for the execution of surety bonds for all employees and officers who are entrusted with funds or property."

What these two regulations mean is that every supervisor and employee who are entrusted with the funds and property of the conservation district must be covered by a bond. How much a particular board member or employee is bonded for is dependent upon the maximum amount of funds that the specific board member or employee is authorized to handle. It is up to each conservation district to ensure that their supervisors and employees are bonded for the correct amount. Not only is it legally required, but it is to the conservation district's benefit to make sure that everyone who can access the district's funds is sufficiently bonded. This bonding protects the district's assets in the event that a supervisor or employee mishandles the funds.

### Examples

District A has 2 supervisors listed as authorized signatories at the bank. The district has a checking account that reached a maximum of \$121,846 last year and a \$25,000 CD. Both authorized signatories for District A should be covered by a bond of at least \$150,000.

District B has 3 supervisors listed as authorized signatories at the bank – 2 for all accounts and 1 for just their general account. All checking accounts require 2 signatures on checks. Although the general account never exceeds \$97,500, all accounts for the district together reached a maximum of \$579,726. The 2 supervisors who can sign checks on all accounts should be covered by a bond of at least \$600,000, while the supervisor who can only sign checks on the one account should be covered by a bond of \$100,000.

District C has 1 supervisor listed as an authorized signatory on the district's checking and savings accounts and 2 other supervisors listed as authorized signatories on the district's CDs. The district's bank accounts (minus the CDs) reached a maximum of \$149,672 last year, and the 3 CDs are valued at \$174,500 collectively. The supervisor who can sign on the banking accounts should be covered by a bond of at least \$150,000, and the 2 supervisors who are authorized for the CDs should be covered by bonding at least \$175,000.

District D has 2 supervisors who are listed as authorized signatories at the bank. The district has a checking account that reached a maximum of \$138,721 last year, so the district has chosen to have those two supervisors covered by a bond of \$140,000. This year, an equipment revolving loan payment of approximately \$85,000 will be deposited in the district account when the district has approximately \$90,000 in all of their accounts, bringing the district's projected maximum up to \$175,000. The district should increase the bonding amount for these two supervisors to cover at least \$175,000 (an increased bonding amount of \$35,000).

### **Information from Kentucky Association of Counties (KACo)**

Although the Division of Conservation and the Soil and Water Conservation Commission does not require or even recommend a specific bonding company, since the majority of Kentucky's conservation districts have chosen to acquire their bonding coverage through the Kentucky Association of Counties, information is provided regarding how the KACo bonding works. Each district is encouraged to check into how their particular district's bonding is set up to make sure that they're getting the most bonding benefit for their money.

The KACo All Lines Fund covers all employees, volunteers, and every member of the board of supervisors with the sole exception of the Treasurer. The Treasurer must be covered under their own separate policy.

- The minimum bonded amount should be the maximum amount of funds that the conservation district had in all of their accounts at any time during the year, even if their accounts were only at that maximum for a couple of days.
- If the standard \$150,000 All Lines Fund is not sufficient for the maximum amount that the conservation district had, an excess policy can be purchased. This excess policy also covers all employees, volunteers, and every member of the board of supervisors with the sole exception of the Treasurer. So, it does not matter if the district has 1 additional alternative signers or 4 additional alternative signers – they are all covered by the All Lines Fund and the excess policy.
- A district cannot get around the separate policy for a Treasurer by not electing a Treasurer. Some person is still acting as treasurer for the board and carrying out the duties of treasurer – and that person has to be bonded separately. If a board made the argument that all members were carrying out the duties of treasurer in an attempt to get around bonding a treasurer, then ALL members would have to be bonded separately.
- A district's bonding amount can be changed during the year, but it is important that a district look ahead to the future and accurately predict the amount of bonding that they will need. While a minimal amount of bonding changes during each year will be approved, if the underwriting company feels that a district is changing their bonding willy-nilly they are perfectly within their rights to drop that district from their policy.

### **What if our district doesn't have insurance through KACo?**

If your district has liability insurance and bonding insurance through companies other than KACo, it is recommended that you ask the company:

- How much is the bonding?
- Who is covered on the liability policy?
- Who is covered on the bonding policy?
- What is the policy on increasing the bonding amount throughout the year?

Asking specific questions of your insurance and bonding company will help your district to make the determination if you have sufficient bonding to cover the funds of your district.