

10 Minute Supervisor Trainings



October 2024

Bonding Insurance

What is bonding insurance?

Bonding insurance is a policy held by the conservation district that covers and protects all district funds. It is required by KRS 65.067 that all public officials and employees who handle public funds must be covered by bonding insurance for the maximum amount that official or employee handles during the year. A blanket bond that covers all employees and board members can fulfill the requirement of KRS 65.067.

Since the conservation district is a public agency, all funds that come into the district become public funds. As elected officials, it is each supervisor's duty to make sure that those funds are safe and used towards the district's mission. Although everyone would like to think that no one they know would consider embezzling money from the district, it does occasionally happen. It is possible that someone may give in to opportunity and behave dishonestly. Dishonest behavior can result in losses due to theft, embezzlement, forgery, alteration of financial records, or other financial damage to funds or assets.

This can look different in different special purpose governmental entities. For conservation districts, this could be someone transferring money out of the district's bank account, writing checks for services that have not been provided or to people who have not completed a project, purchasing gift cards that are then used for personal reasons, taking equipment for repairs that aren't needed, etc.

Just like an insurance policy for your car, the district's bonding insurance protects the district's money in case it is stolen. Each bonding company will have different requirements for restitution, and it is important for the board to know what is needed.

What funds need to be included in the bond amount?

All accounts need to be included in a bond amount. This includes investments, restricted funds, and savings accounts. If your district needs help figuring out how much your district's bond needs to be, you can ask your field representative for help.

Who should be bonded?

- Treasurer
- Any board member with access to the bank account(s)
- Employees (under employee surety or dishonesty bonds)

Who can't be bonded?

Insurance companies will use various calculations and internal controls to determine risk assessment. Because of this there may be cases where a board member or employee is unable to be bonded. In the event that a person cannot be bonded, the district may seek quotes from another company or choose a different person to be bonded.

The board treasurer must be bonded. If the treasurer is unable to be bonded, the board may have to hold an internal election and elect a new treasurer.

Where can the district get bonding insurance?

KACo (Kentucky Association of Counties) is a common insurer for districts. Your district can also go through other local or national entities. It is a good idea to get quotes for bonding as different companies will offer different rates. Even if your district has always used the same company, it can be beneficial to get new quotes.

Questions for Your Board

1. What company holds your district's insurance?
2. Which board members are currently bonded?
3. Does your current insurance cover amount in all accounts held by the district?

Note—The maximum amount in district accounts can fluctuate throughout the year. It can be a good practice to have a buffer to avoid having to increase bonding amounts in the middle of a fiscal year.

4. If needed, how does the board file a claim?

Watch This!

Check out "All the Queen's Horses," a documentary film about how one person managed to embezzle \$53 million dollars over the 20 years they served as the comptroller of a small town in Illinois.

