# NEW - Pledge of Collateral (formally known as the Bond of Depository)

In Fiscal Year 2021-2022, the “Bond of Depository” has been changed to “Pledge of Collateral.” Please note the name change in addition to important process changes:

* There is no longer a “penal sum” calculation requirement which was utilized by a district to calculate a bond amount guaranteed by the district’s depository institution. For FY2021-22, a district must simply provide a *Pledge of Collateral* which will demonstrate collateral in an amount at least equal to deposits in the form of secured funds or a surety bond. If the collateral is in the form of a surety bond, the board of education can enter into an agreement with its depository institution whereby the premium on collateral guaranteed by the surety company may be paid either by the board, or by the depository as evidenced in [KRS 160.570](https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=3768) (2). If the district board of education pays the premium, the depository shall allow the board not less than two percent (2%) interest on its average daily or average monthly balances.
* The depository selected shall, before entering upon its duties, provide collateral in accordance with [KRS 41.240](https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=43609) and [66.480](https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=48604). According to KRS 41.240, the depository institution should pledge or provide enough collateral which, together with FDIC insurance, equals or always exceeds the amount of public funds on deposit. The pledged (collateral) amount is determined by the depository institution and entered in SEEK as it previously has been and is due to the Kentucky Department of Education (KDE) annually by July 1, with approval from the Commissioner of Education.
* The *Pledge of Collateral Agreement* provides evidence between the board of education and the depository institution, of a pledge or provision of collateral in the event of failure or insolvency of the depository institution. This agreement shall be signed by both parties and maintained at the local board of education.

Note- the window in SEEK will be opened June 1 for the districts to submit. Each district will need to adjust their Pledge of Collateral by July 1. Even if there are no changes to the previous FY information, you will need to update the beginning and ending dates and SUBMIT the bond information to KDE through the SEEK Application web form.

Please refer to the “Bonds” webpage at [Bond of Depository](https://education.ky.gov/districts/FinRept/Pages/Bond-of-Depository.aspx) for all forms, instructions and reports. The recently updated *FAQs* will provide further information and should answer your questions regarding the recent changes.

Contact Information

If, during the fiscal year, your district needs to make changes to the Pledge of Collateral information that has already been approved by KDE, or you have any questions, please contact Jackie Chism at 502-564-3846, extension # 4445, Jackie Chism.

# Fidelity (Performance) Bond Reminder

The Fidelity (Performance) Bond information for Fiscal Year 2021-2022 is due to KDE by July 1, through the SEEK Application “Fidelity Bond” web form, and is required to be approved by the Commissioner of Education. The Exposure Calculation Report for FY 2021-2022 was posted to our website in April 2021, and the window in SEEK will be opened June 1 for districts to submit.

Please refer to the KDE “Bonds” webpage in thesection at  [Fidelity (Performance) Bonds](https://education.ky.gov/districts/FinRept/Pages/Fidelity-%28Performance%29-Bond.aspx%20) for all forms, instructions and reports.

Contact Information

If, during the fiscal year, your district needs to make changes to the Fidelity Bond information that has already been approved by KDE, or you have any questions, please contact Jackie Chism at 502-564-3846, extension # 4445, Jackie Chism, or Gail Cox at 502-564-3846, extension # 4462, Gail Cox.

# **FY2021 Audit Contract and Acceptance Statement**

The audit contract requirements and documents for FY2020-2021 are now available for review on the KDE [Financial Audit Contract Information](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx) website. A few important items to note:

• The Audit Acceptance Statement is a web form and should be submitted through the KDE SharePoint web form process. This process also includes the justification section for using the same auditor/audit firm for five consecutive years. The Audit Acceptance Statement Submission Process instructions are located on the [Financial Audit Contract Information](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx) website.

The following FY2021 items are due to KDE on or before May 28, 2021:

• audit acceptance statement and one signed audit contract

• latest peer review report and acceptance letter

• and, if applicable, any letter of response

Submission is preferred electronically to Finance.Reports@education.ky.gov with the “DISTRICT NAME AUDIT CONTRACT DOCUMENTS” in the subject line; however, you may submit a paper copy to the following address:

Kentucky Department of Education
Division of District Support
Attn: District Financial Management Branch
300 Sower Blvd, 4th Floor
Frankfort, KY 40601

For questions regarding the FY2021 contract, please contact: Becky Walsh, (502) 564-3846, ext. 4410; Kim Carter, (502) 564-3846, ext. 4440; Jackie Chism (502) 564-3846, ext. 4445, or Gail Cox (502) 564-3846, ext. 4462; marshall.smith@education.ky.gov (502) 564-3846, ext. 4463.

Child Nutrition Program Funds- End of Year Reminders

As the program year 2020-2021 comes to an end, it’s always a good time to review the fund balance of the nonprofit school food service program.  SCN would like to offer two reminders when conducting this review.

Excess Balance

Child nutrition program regulations state the nonprofit school food service account cannot maintain more than a three-month operating balance unless the balance is associated with a SCN approved reduction (or spend down) plan.  To determine if a three-month operating balance exists, take the fund balance (minus inventory) and compare it to the total of three months of the average monthly program operating expenses (total yearly expenses divided by number of operating/claim months).  If the total fund balance is greater than the average of three months operating expenses, an excess balance exists, and a reduction plan must be created.  If it is necessary to create a reduction or spend down plan, SCN suggests evaluating equipment that might need to be updated or replaced, increasing the quality of food product purchases, or increase staff wages or provide additional staff training if possible.  There are many great ways to increase program quality when excess funds are available.

Negative Balance

On the other side of the spectrum, program regulations state the nonprofit school food service account cannot carry forward a negative balance into the next program year.  If the nonprofit school food service account ends the program year in a deficit, non-Federal funds must restore program losses.  The LEA may create a loan agreement with the child nutrition program to repay the funds used to cover program loss; however, the loan agreement must be agreed to at the time of the fund transfer and cannot be created retroactively.  Furthermore, if the food service program operates at a deficit, it is recommended that indirect costs not be taken from the program until the program can sustain the payment while maintaining a positive balance.

In both situations, SCN staff are more than happy to help review individual program situations and provide technical assistance.  It is the goal of the SCN to ensure that all child nutrition programs in Kentucky are successful and provide students with the best possible quality and experience while participating in the child nutrition programs.  Contact SCN staff member, Jerry Roberts, Jerry.Roberts@education.ky.gov for any questions.

Finance Officer Spotlight

Eric Bletzinger was born and raised in Neenah, Wisconsin where he graduated from high school in 1994. In February 1995, he joined the Army and was a member of the 2nd/187th Infantry Unit in Ft. Campbell, Kentucky. In 2003, Bletzinger received his undergraduate degree in healthcare administration from Western Kentucky University, where he met his wife, Kara. In 2006, he received his master’s degree in business administration (finance). Bletzinger has overseen organizations from 20 to 75 employees in the healthcare industry.

After a brief time in Tennessee, he returned with his family to Muhlenberg County, Kentucky, where he began his career in education.  Bletzinger and his wife have been married for nearly 19 years and have two boys, Ethan (14) and Landon (10). His hobbies include running, wood working, and flying as a private pilot since 2013.  He enjoys flying his family’s Piper Arrow around Kentucky and to his home state of Wisconsin.