



DEPARTMENT OF FINANCE

LISA LEWIS, DIRECTOR
STEPHANIE BONNETT, ASSISTANT FINANCE OFFICER
FREDA HOLDERMAN, ACCOUNTING SUPERVISOR

TO: Board Members
FROM: Lisa Lewis, Director of Finance *Lewis LB*
DATE: June 3, 2024
RE: Pledge of Collateral (*fka Bond of Depository*)

In Fiscal Year 2021-22, 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 FY 2021-2022, 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 (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 and 66.480. 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.

Attached you will find the Pledge of Collateral to be executed for Stock Yards Bank. I ask for renewal of banking service with Stock Yards Bank and approval of the Pledge of Collateral.

OUR MISSION IS TO INSPIRE AND EQUIP OUR STUDENTS TO SUCCEED IN LIFE

BULLITT COUNTY PUBLIC SCHOOLS IS AN EQUAL EDUCATION AND EMPLOYMENT INSTITUTION

COMMONWEALTH OF KENTUCKY
Department of Education
Office of District Support Services

Pledge of Collateral Agreement for Public School Funds

The undersigned, Stock Yards Bank & Trust of Louisville, Kentucky, hereinafter referred to as the Depository, hereby acknowledges itself bound to the Commonwealth of Kentucky, and the Bullitt County Board of Education, as depository of the Board of Education, shall well and truly discharge the duties of said office according to law, account for, to the proper authorities, and pay over to all parties legally entitled thereto on proper warrants all funds that may come into its hands as Depository of the Board of Education aforesaid for a period not to exceed two (2) years, beginning July 1, 2024 .

As collateral for this undertaking, the undersigned hereby pledges obligations guaranteed by the U. S. Government, Kentucky School Revenue, and/or Federal Government Agency for surety bonds or other securitized collateral (type of collateral *) in the principal sum of 103% of current daily balances* deposited in escrow with the Stock Yards Bank & Trust of Louisville, Kentucky, hereinafter referred to as the Escrow Agent, evidenced by the safekeeping receipt filed in the offices of the local board of education, provided, however, that at no time shall the amount of collateral be reduced without the execution of a new bond which shall have prior approval by the Commissioner of Education.

The undersigned, the Depository, hereby reserves the right unto itself, (1) to detach and collect for its own use and benefit all coupons of said bonds as they mature; (2) to substitute for any of said bonds, other United States Government bonds and/or Kentucky School Revenue Bonds of the same face or par value; (3) to terminate all liability under this bond and escrow deposit by giving a thirty (30) day notice, in writing, of its intention to do so to the chairperson of the Bullitt County Board of Education, by registered mail, addressed to such chairperson at the Local Board of Education, and to the chairperson of the Kentucky Board of Education, by registered mail, addressed to such chairperson at Frankfort, Kentucky. Within the thirty days, the Depository shall make statements with the board, pay over all funds in its hand to the board, and exhibit to the Escrow Agent a copy of the settlement, duly receipted by the secretary and chairperson of the board. The Board of Education shall cancel this bond only by giving a thirty (30) day notice in writing, of its intention to do so, to the Depository, by registered mail, and to the chairperson of the Kentucky Board of Education by registered mail.

It is further conditioned that liability of this bond is not to be effectual until Federal Deposit Insurance Corporation (FDIC) protection is exhausted.

IN WITNESS WHEREOF, the undersigned has caused its corporate name to be subscribed and its corporate seal to be affixed hereof, this 3 day of June, 2024.

Name of Bank Stock Yards Bank & Trust

By (Bank Official)

[Signature] Sean Bowling Title Vice President

We hereby certify to the Commissioner of Education that the bond appearing hereon is a true copy of the bond executed and delivered by the Depository of this Board of Education, and it was approved by the Bullitt County Board of Education on June 17, 2024.

Chairperson

Darrell Coleman

Secretary

Jesse Bacon

*This collateral shall consist of investments that conform to KRS 41.240 and KRS 66.480.

FORM TO BE RETAINED AT THE LOCAL SCHOOL BOARD OFFICE