

KDLA TRUSTEE TIP: Bonding the Library Treasurer

The library treasurer is invested with a grave responsibility -- the safekeeping of the tax and other monies collected by the library. Kentucky Revised Statutes require that the library treasurer be bonded in an amount approved by the library board [KRS 173.360(2); KRS 173.540(5); KRS 173.755(5)].

Library boards are sometimes confused by the need for a surety bond because they feel they are already covered by liability and/or errors and omissions insurance policies. Although professional liability and/or errors and omissions insurance policies may provide some of the same protections as a surety bond, the Kentucky Attorney General has opined that these policies cannot replace the bond. In OAG 66-49, the AG writes that:

a bond merely guarantees the oblige that the obligor will truly and faithfully perform the obligation...If the obligor (or principal) fails in his duty and does not make personal restitution, his surety can be called upon... This still does not relieve him of his personal responsibility since he is obligated to reimburse his surety for the amount which they are required to pay on his behalf... [An insurance policy] is for the benefit of the policyholder to guarantee him against personal loss because of this erroneous act or failure to act.... [An insurance guarantee] is not absolute since policies do contain exclusions and many have a deductible clause.

While there is no statutory amount specified for the bond amount, the guidelines set by the Kentucky Education Cabinet in 702 KAR 3:080 provide guidance on how the bond amount relates to the amount of exposure:

Exposure Factor	Minimum Amount of Bond	Exposure Factor	Minimum Amount of Bond
Up to \$25,000	\$2500	\$10,000,001 to \$15,000,000	\$600,000
\$25,001 to \$125,000	\$25,000	\$15,000,001 to \$25,000,000	\$800,000
\$125,001 to \$400,000	\$50,000	\$25,000,001 to \$75,000,000	\$1,000,000
\$400,001 to \$1,000,000	\$100,000	\$75,000,001 to \$175,000,000	\$1,500,000
\$1,000,001 to \$2,000,000	\$150,000	\$175,000,001 to \$500,000,000	\$2,000,000
\$2,000,001 to \$4,000,000	\$200,000	\$500,000,001 to \$1,000,000,000	\$3,000,000
\$4,000,001 to \$6,000,000	\$300,000	\$1,000,000,001 to \$1,500,000,000	\$4,000,000
\$6,000,001 to \$10,000,000	\$400,000		

This Trustee Tip is not legal advice. If you feel you need legal advice, please contact an attorney.