

ARKANSAS FIDELITY BOND TRUST FUND
STATE, COUNTY, MUNICIPAL AND SCHOOL DISTRICT
BLANKET DISHONESTY BOND
Policy No. FBTF12

Administered By:
THE ARKANSAS GOVERNMENTAL BONDING BOARD

Chair:
Arkansas Insurance Commissioner

Board Members:
President of the Association of Arkansas Counties
President of the Arkansas Municipal League
Director of the Department of Finance and Administration
Commissioner of Education, Department of Education

The Arkansas Fidelity Bond Trust Fund (Trust Fund), administered by the Arkansas Governmental Bonding Board (Board), shall provide coverage for actual losses sustained by the Participating Governmental Entities through fraudulent or dishonest act or acts committed by Employees or Officials of the Participating Governmental Entities during the Bond Period.

LIMIT OF COVERAGE: \$250,000 Per Occurrence

DEDUCTIBLE: \$1,000 Per Occurrence

**COVERAGE PROVIDED BY THE ARKANSAS FIDELITY BOND TRUST FUND IS SUBJECT TO
THE FOLLOWING CONDITIONS AND LIMITATIONS:**

1. BOND PERIOD

The bond period begins on July 1, 2007 and ends on the effective date of cancellation of this bond in its entirety. Both dates are 12:01 a.m., Standard Time.

2. DEFINITIONS

“Arkansas Fidelity Bond Trust Fund” (Trust Fund) means the bond program established by A.C.A. 21-2-701 et. seq.

- a.** “Arkansas Governmental Bonding Board” (Board) means the State board composed of the following members:
 - i.** The President of the Association of Arkansas Counties;
 - ii.** The President of the Arkansas Municipal League;
 - iii.** The Director of the Department of Education;
 - iv.** The Director of the Department of Finance and Administration; and
 - v.** The Insurance Commissioner, who shall serve as chair.
- b.** “Participating Governmental Entity” and “Participating Governmental Entities” means those entities defined in d., e., f. and g. of this section.
- c.** “State” means the State of Arkansas;
- d.** “County” or “Counties” means the county or counties of the State of Arkansas;
- e.** “Municipal”, “municipality”, or “municipalities” means the municipalities of the State of Arkansas;
- f.** “School District”, or “School Districts” means the school districts of the State of Arkansas;
- g.** “State Officers and Employees” means all elected and appointed salaried officials of the State and their salaried State employees, the salaried officials and salaried employees of all State boards and commissions, members of the General Assembly and the non- salaried appointed members of the various State boards and commissions;
- h.** “State Public Official” or “State Public Employee” means any elected or appointed salaried officer of the State of Arkansas and the salaried governmental employees of any such elected or appointed officer, members of the General Assembly and the non-salaried members of the various State boards and commissions;
- i.** “County Public Official” or “County Public Employee” means any elected officer of the counties and the employees or deputies of any elected officer, members of the Quorum Court and the members of the various county boards and commissions, but excluding officials and employees of county hospitals, county nursing homes and conservation and improvement districts;
- j.** “Municipal Public Official” or “Municipal Public Employee” means any elected officer of the municipalities and the employees or deputies of any elected officer, specifically including salaried municipal employees of municipally owned utilities, members of the city council including the mayor and the members of the various municipal boards and commissions, but excluding officials and employees of municipal hospitals, nursing homes and improvement districts;
- k.** “School District Public Official” or “School District Public Employee” means all school district salaried officials and salaried school district employees whether elected or appointed, and the members of local school boards of directors;
- l.** “Employees” in any of the capacities set forth above shall also include volunteers who work without compensation but do perform a function for the Participating Governmental Entity as though they were paid employees and are recognized as functioning as employees;
- m.** “Deductible” means the amount of covered loss, which must be incurred by the Participating Governmental Entity before benefits become payable by the Trust Fund. The deductible amount shall not be paid by the Trust Fund. The deductible shall be waived on payment of duplicate State Employees payroll and expense warrants;
- n.** “Occurrence” means all losses caused by, or involving, one or more “Employees” or “Officials”, whether the result of a single act or series of acts;
- o.** “Money” means currency, coins and bank notes in current use and having a face value, travelers checks, register checks and money orders held for sale to the general public;
- p.** “Securities” means negotiable and nonnegotiable instruments or contracts representing either money or other property and includes:

- i. tokens, tickets, revenue and other stamps in current use, whether represented by actual stamps or unused value in a meter; and
 - ii. evidences of debt, other than money, in connection with credit or charge cards; and
- q. “Property other than money and securities” means any tangible property, other than money and securities that has intrinsic value. Coverage for loss of property other than money and securities under this bond shall be limited to the actual cash value of the property on the day the loss was discovered.
- r. “Audit” or “Audit Report” means an audit or other statutorily allowed financial examination of the books and records of a Participating Governmental Entity.

3. FRAUDULENT OR DISHONEST ACT

A fraudulent or dishonest act of an Employee or Official of a Participating Governmental Entity shall mean an act, involving fraud, dishonesty or breach of trust, which is punishable under the Criminal Code in the jurisdiction within which the act occurred, for which said Employee or Official:

- a. could be tried and convicted by a court of proper jurisdiction or
- b. pleads guilty or nolo contendere or
- c. is found guilty.

4. AUDIT REQUIREMENT

Each Participating Governmental Entity shall procure an audit or other statutorily allowed examination of its books and records, for each fiscal year ending after January 1, 1995. If an audit or other statutorily allowed examination of a Participating Governmental Entity is not conducted by the Division of Legislative Audit, the Participating Governmental Entity shall procure an audit of its books and records by accountants in good standing with the Arkansas State Board of Public Accountancy in accordance with Governmental Auditing Standards issued by the Comptroller General of the United States. For each fiscal year ending after January 1, 1995 and prior to January 1, 2007, such audits must be completed within twenty-four (24) months of the close of each Participating Governmental Entity’s fiscal year. For each fiscal year ending after January 1, 2007, such audits must be completed within eighteen (18) months of the close of each Participating Governmental Entity’s fiscal year. All audit reports revealing or disclosing unauthorized expenditures, asset shortages or unaccounted for funds shall be forwarded immediately upon completion to the Division of Legislative Audit, the State Risk Manager and the appropriate prosecuting attorney. The audit requirements of this section shall apply to the books and records of each segment or component of each Participating Governmental Entity. Coverage under this bond shall not apply to losses sustained by a Participating Governmental Entity when said Participating Governmental Entity has not complied with the audit requirements of this section.

5. NOTICE AND PROOF OF LOSSES

The Legislative Auditor, with the approval of the Legislative Joint Auditing Committee will give notice and proof of loss to the Board, when audits or audit reports of Participating Governmental Entities disclose actual losses sustained as a result of fraudulent or dishonest act or acts committed by employees or officials of the Participating Governmental Entities.

6. DETERMINATION OF COVERAGE AND BOND PAYMENTS

Upon the receipt of notice and proof of loss from the Legislative Auditor, the Board shall determine coverage under the Trust Fund. The Board may withhold claim determination and payments until all information deemed necessary for determination of coverage has been received by the Board. All bond payments issued from the Trust Fund will be delivered to the Division of Legislative Audit for disbursement to the appropriate Participating Governmental Entity.

7. LOSS CAUSED BY UNIDENTIFIED EMPLOYEE

If a loss, excluding a loss of property other than money and securities, is alleged to have been caused by the fraud or dishonesty of one or more Employees or Officials and the Participating Governmental Entity or the Division of Legislative Audit shall be unable to designate the specific Employee or Official causing such loss, the Participating Governmental Entity shall nevertheless have the benefit of this bond, provided that the evidence submitted reasonably proves that the loss was in fact due to fraud or dishonesty of one or more of said Employees or Officials, and provided further that the aggregate liability of the Trust Fund shall not exceed the Limit of Coverage under this bond.

8. OTHER INSURANCE

This bond does not apply to losses recoverable or recovered under other bonds or policies. However, if the limit of the other bonds or policies is insufficient to cover the entire amount of the loss, this bond will apply to that part of the loss, other than that falling within the deductible amount of this bond, not recoverable under the other bonds or policies, but not for more than the Limit of Coverage under this bond.

9. RECOVERIES

If the Participating Governmental Entities shall sustain any loss covered by this bond which exceeds the Limit of Coverage provided by this bond, the Participating Governmental Entities shall be entitled to all recoveries (except from suretyship, insurance, reinsurance, security or indemnity taken by or for the benefit of the Trust Fund) by whomever made, on account of such loss until fully reimbursed, less the amount of the deductible. Any remainder shall be applied to reimbursement of the Trust Fund. Any recoveries of the deductible received by a Participating Governmental Entity and not reimbursed to the Trust Fund, shall be deducted from future payments under the Trust Fund to the Participating Governmental Entity and/or withheld from the Treasury Funds of the Participating Governmental Entity only to the extent that the Trust Fund has not been reimbursed for the amount of its payment.

10. TRANSFER OF RIGHTS OF RECOVERY

The Participating Governmental Entity must transfer to the Trust Fund all its rights of recovery against any person or organization for any loss it sustained and for which the Trust Fund has paid or settled. The Participating Governmental Entity must also do everything necessary to secure those rights and do nothing after loss to impair them. Before any bond payment is issued from the Trust Fund, the recipient of the bond payment shall sign and return a transfer of rights form, assigning to the Trust Fund, to the extent of the payment, all rights and claims that the recipient may have against the official or employee involved.

11. CANCELLATION AS TO ANY EMPLOYEE OR OFFICIAL

This bond shall be deemed cancelled as to any Employee or Official:

- a. Immediately upon discovery by the Participating Governmental Entity of any fraudulent or dishonest act on the part of such Employee or Official; or
- b. at 12:01a.m., Standard Time, upon the effective date specified in a written notice mailed to the Participating Governmental Entity by the Board.

12. CANCELLATION AS TO THE BOND IN ITS ENTIRETY

This bond shall be deemed cancelled in its entirety at 12:01 a.m., Standard Time, upon the effective date specified in a written notice mailed to the Participating Governmental Entity by the Board.

13. PRIOR FRAUD, DISHONESTY OR CANCELLATION

No Employee or Official, to the best of the knowledge of any Participating Governmental Entity, has committed any fraudulent or dishonest act in the service of the Participating Governmental Entity or

otherwise. If prior to the issuance of this bond, any fidelity insurance in favor of any Participating Governmental Entity and covering one or more of the Participating Governmental Entity's Employees or Officials shall have been cancelled as to any such Employee or Official by reason of:

- a.** the discovery of any fraudulent or dishonest act on the part of such an Employee or Official, or
- b.** the giving of written notice of cancellation by the Insurer issuing said fidelity insurance, whether the Surety or not, and, if such Employee or Official shall not have been reinstated under the coverage of said fidelity insurance or superseding fidelity insurance, the Trust Fund shall not be liable under this bond on account of such Employee or Official, unless the Board shall agree in writing to include such Employee or Official within the coverage of this bond.

14. EXCLUSIONS

Coverage under this bond shall not apply to:

- a.** Losses sustained by the Participating Governmental Entities as a result of:
 - i.** Liability imposed upon or assumed by the Participating Governmental Entities to exonerate or indemnify an Employee or Official from or against liability incurred by such Employee or Official in the performance of duties; or
 - ii.** Damages for which the Participating Governmental Entities are legally liable as a result of:
 - a)** deprivation or violation of the civil rights of any person by an Employee or Official; or
 - b)** the tortuous conduct of any Employee or Official, except conversion of property of other parties held by the Participating Governmental Entities in any capacity; or
 - c)** losses sustained by any party other than the Participating Governmental Entities; or
 - iii.** loss of property other than money and securities, unless the Participating Governmental Entity or the Division of Legislative Audit shall designate the specific Employee or Official causing such loss; or
 - iv.** any fraudulent or dishonest act or acts committed by any Employee of the Participating Governmental Entity known by the Participating Governmental Entity to have pleaded guilty or nolo contendere or have been found guilty of any criminal offence committed in connection with the Employee's job duties with the Participating Governmental Entity.
- b.** Losses sustained by a Public Utility through fraudulent or dishonest act or acts committed by Municipal Employees. Public Utility means any utility other than a utility owned by a Participating Governmental Entity.
- c.** Losses in which a Participating Governmental Entity, through fraudulent means, takes money or other property from another Participating Governmental Entity.
- d.** Compensatory, punitive or exemplary damages, interest or penalty amounts, investigative expenses, legal fees or court costs.