NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON
DEPUTY TREASURER

Memorandum #2023-06

TO: **Independent Auditors, North Carolina Local Governments and Public Authorities, Interested Parties**

FROM: **Susan McCullen, Director, Fiscal Management Section**

SUBJECT: **Revised Fidelity Bond Requirements and Other Modifications to G.S. 159-29**

DATE: **October 19, 2022**

Effective January 1, 2023, the fidelity bond requirements of G.S. 159-29 have been rewritten by Section 9 of Session Law 2022-53. The revised requirements are effective on January 1, 2023 and apply to fidelity bonds obtained or renewed on or after that date. The minimum finance officer fidelity bond should be based on the annually budgeted funds amounts for the fiscal year covered by the bond, for example, the fidelity bond for the fiscal year beginning July 1, 2023, should be based on the budgeted amount for that same fiscal year.

A person may not be appointed as a finance officer or assume the duties for which a bond is required if the person is unable to obtain the bond required by G.S. 159-29.

Under the revised statute, the bond for the finance officer "may not be less than the greater of the following:

(1) Fifty thousand dollars ($50,000).

(2) An amount equal to ten percent (10%) of the unit's annually budgeted funds, up to one million dollars ($1,000,000)."

The statute establishes minimum bond requirements. Governing boards may determine that greater bond amounts are necessary and appropriate.

Examples of the calculation of the minimum required finance officer fidelity bond amount follow:

Unit and Funds	Annually Budgeted Expenditures
Example One	
General Fund	$ 174,350
Multiyear Capital Projects Funds	n/a
Enterprise Fund	105,360
Total – Annually Budgeted Funds	$ 279,710
10% of Annually Budgeted Funds	$27,971
G.S. 159-29(a)(1) applies	
Finance Officer – minimum fidelity bond required	**$ 50,000**

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Unit and Funds	Annually Budgeted Expenditures
Example Two	
General Fund (Only Fund)	$ 766,312
Total – Annually Budgeted Funds	$ 766,312
10% of Annually Budgeted Funds	$76,631
G.S. 159-29(a)(2) applies	
Finance Officer – minimum fidelity bond required	**$ 76,631**
Example Three	
General Fund	$ 754,212
Debt Service Fund	24,362
Multiyear Capital Projects Funds	n/a
Enterprise Funds	424,430
Multiyear Enterprise Capital Projects Fund	n/a
Total – Annually Budgeted Funds	$ 1,203,004
10% of Annually Budgeted Funds	$120,300
G.S. 159-29(a)(2) applies	
Finance Officer – minimum fidelity bond required	**$ 120,300**
Example Four	
General Fund	$ 282,224,212
Emergency Telephone System Special Revenue Fund	625,300
Arena Center Special Revenue Fund	423,325
Multiyear Capital Projects Funds	n/a
Enterprise Fund	146,350
Multiyear Enterprise Capital Projects Fund	n/a
Total – Annually Budgeted Funds	$ 283,419,187
10% of Annually Budgeted Funds	$28,341,912
G.S. 159-29(a)(2) applies	
Finance Officer – minimum fidelity bond required	**$ 1,000,000**

The “annually budgeted funds” amount is the “total expenditures” in the “original budget” as adopted for all annually budget funds. The annually budgeted funds exclude those for which a multiyear project ordinance is adopted, those in intragovernmental service funds, and those in trust or custodial funds.

If you have questions or comments on this memorandum, please contact a staff member of the State and Local Government Finance Division staff at 919-814-4300 or SLGFD@nctreasurer.com.

G.S. 159-29 with changes indicated as enacted in Session Law 2022-53.

§ 159-29. Fidelity bonds.

(a) The finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing ~~board, not less than fifty thousand dollars ($50,000).~~ board. A person may not be appointed as a finance officer if the person is unable to obtain the bond required by this section. The premium on the bond shall be paid by the local government or public authority. The amount of the bond fixed by the governing board may not be less than the greater of the following:

(1) Fifty thousand dollars ($50,000).

(2) An amount equal to ten percent (10%) of the unit's annually budgeted funds, up to one million dollars ($1,000,000).

(b) Each officer, employee, or agent of a local government or public authority who handles or has in his custody more than one hundred dollars ($100.00) of the unit's or public authority's funds at any time, or who handles or has access to the inventories of the unit or public authority, shall, before being entitled to assume his duties, give a faithful performance bond with sufficient sureties payable to the local government or public authority. A person who is unable to secure the bond required by this section cannot assume the duties for which a bond is required under this section. The governing board shall determine the amount of the bond, and the unit or public authority may pay the premium on the bond. Each bond, when approved by the governing board, shall be deposited with the clerk to the board.

If another statute requires an officer, employee, or agent to be bonded, this subsection does not require an additional bond for that officer, employee, or agent.

(c) A local government or public authority may adopt a system of blanket faithful performance bonding as an alternative to individual bonds. If such a system is adopted, statutory requirements of individual bonds, except for elected officials and for finance officers and tax collectors by whatever title known, do not apply to an officer, employee, or agent covered by the blanket bond. However, although an individual bond is required for an elected official, a tax collector, or finance officer, such an officer or elected official may also be included within the coverage of a blanket bond if the blanket bond protects against risks not protected against by the individual bond.