

Town of Elm City

06/26/2026

North Carolina Local Government Commission

Department of State Treasurer

RE: Appeal for Waiver of Notice of Noncompliance – Annual Audit Reports

Dear Members of the Local Government Commission:

On behalf of the Town of Elm City, we respectfully submit this appeal requesting a waiver of the Notice of Noncompliance related to the untimely submission of the Town's annual audit reports. The current governing board recognizes the seriousness of the annual audit requirements and has made the completion of all outstanding audits one of its highest priorities since taking office.

The current Mayor and Board of Commissioners began serving the Town of Elm City on **December 9, 2025**. None of the officials responsible for the prior administration remained in office following the election. Upon assuming office, the new governing board discovered significant financial management deficiencies, incomplete records, and substantial obstacles that have delayed the completion of the required audits. The Town has since taken numerous corrective actions to restore compliance and strengthen its financial operations.

Staffing Issues

The Town experienced significant staffing deficiencies within its finance operations prior to the current administration.

The previous finance officer was also serving as a commissioner and had no professional finance or governmental accounting experience. In addition, the individual performing day-to-day financial responsibilities was not adequately trained in municipal finance and performed much of the work remotely, limiting oversight, accountability, and timely access to financial records.

Recognizing the need for experienced financial leadership, the current Board terminated the previous employee and hired a qualified and experienced finance professional who works onsite in Town Hall. This change has significantly improved accountability, organization of financial records, communication with auditors, and the Town's ability to move toward compliance.

Auditor Issues

The Town's previous independent auditor declined to perform another audit engagement due to the condition of the Town's financial records, describing the finances as "messy." As a result, the Town faced challenges in securing a new auditor despite its efforts.

To address this issue, the current Board approved contracting with **Beverly Stroud**, an experienced local government finance professional, to assist with audit preparation and financial organization. Ms. Stroud successfully secured the services of the Town's current independent auditor, S. Preston Douglas and Associates, LLP and has worked closely with him to reconstruct records, organize documentation, prepare schedules, and facilitate completion of the outstanding audits.

The delays experienced are largely attributable to the extensive work required to reconstruct incomplete records and prepare financial information that should have been maintained by the previous administration. The Town has cooperated fully with the auditor by providing requested documentation, locating historical records, and responding promptly to all requests for information. The 2022-2023 audit is currently underway and the NC League of Municipalities AIM program will cover the cost of this audit. The remaining audits are included in the 2026-2027 budget that has been approved. We will quickly continue the audit process until all outstanding audits are completed hopefully within the next year. However, due to the budget including these audits, several other items have been removed to guarantee the availability of funds. Continued withholding of the sales tax does present a burden to the current budget as well as other opportunities to provide other services to the citizens of Elm City such as direct sheriff patrol and hiring other personnel.

Suspected Fraud or Other Criminal Activity

While the report issued by the Office of the State Auditor did **not** identify fraudulent activity, the Town is conducting an ongoing internal investigation involving suspected manipulation of water utility billing records under the previous administration.

The Town continues to cooperate fully with any appropriate authorities while simultaneously strengthening internal controls to reduce the likelihood of similar issues occurring in the future.

Other Circumstances Contributing to the Delays

Several extraordinary circumstances contributed to the Town's inability to submit annual audits in a timely manner.

The previous administration failed to respond promptly to auditor requests, did not maintain adequate supporting documentation or receipts for expenditures, and failed to move the overdue audits forward. When the current administration assumed office, many

financial records, receipts, billing documentation, and supporting materials first had to be located, organized, and reconciled before meaningful audit work could begin.

Because none of the prior Mayor or Commissioners remained in office after December 2025, the current Board inherited longstanding deficiencies that required extensive reconstruction of financial information before the independent auditor could proceed.

Corrective Actions Taken

During the twelve months preceding the Notice of Noncompliance, the Town has taken significant actions to improve financial management and return the Town to compliance.

These actions include:

- Hiring a qualified, experienced onsite finance professional to oversee financial operations.
- Contracting with **Beverly Stroud** to assist with financial statement preparation, audit coordination, and reconstruction of accounting records.
- Successfully procuring an independent auditor and working collaboratively to complete the outstanding audits.
- Organizing and reconstructing financial documentation that had not been properly maintained by the previous administration.
- Working closely with the auditor to provide requested records and expedite completion of all outstanding audit reports.
- Seeking technical assistance through the **North Carolina League of Municipalities**.

In addition, Mayor **Gil Wheeler**, Finance Officer **Amy Stack**, and Commissioner **Linda D. O'Boyle** have actively participated in technical assistance opportunities offered by the League. Specifically:

- The Town has worked with **Richard Marvin**, serving as the Town's League of Municipalities mentor, to improve financial management practices and has attended one to two mentoring sessions each month.
- Amy Stack and Commissioner O'Boyle attended every in-person and webinar session offered through the **Advancing Municipal Leaders (AIM)** program.

- Town leadership has remained actively engaged in training and technical assistance to strengthen internal controls, budgeting, financial reporting, and compliance with North Carolina local government finance laws.

Three or More Missing Audit Reports

The Town understands that missing three or more fiscal years of audits generally results in a recommendation for denial unless extraordinary circumstances exist.

We respectfully submit that the circumstances inherited by the current governing board constitute extraordinary circumstances. The current administration did not create the deficiencies that resulted in the missing audits. Rather, it inherited years of incomplete financial records, inadequate staffing, insufficient documentation, and delayed audit preparation.

Since taking office, the Board has demonstrated a strong commitment to correcting these issues by replacing unqualified financial personnel, engaging outside expertise, securing an independent auditor, organizing financial records, participating in extensive training, strengthening internal controls, and dedicating significant resources toward bringing the Town into full compliance.

The current Board has consistently demonstrated transparency, cooperation, and good-faith efforts to resolve longstanding deficiencies despite inheriting significant challenges.

Request for Relief

The Town of Elm City respectfully requests that the Local Government Commission consider the extraordinary circumstances described above and grant this appeal for waiver of the Notice of Noncompliance.

The current governing board is fully committed to restoring public confidence, completing all outstanding audit reports as quickly as possible, maintaining compliance with all future audit requirements, and implementing sound financial management practices that will ensure these circumstances are not repeated.

We appreciate the Local Government Commission's consideration of this request and thank you for your continued guidance and assistance as the Town works diligently toward full compliance.

Respectfully submitted,

Gil Wheeler

Mayor, Town of Elm City

Amy Stack

Finance Officer

Linda D. O'Boyle

Commissioner

On behalf of the Town of Elm City Board of Commissioners