Attachment E

Update on LGC Financial Control
of the Town of Rowland

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

DENISE H. CANADA
DIVISION DIRECTOR

To: Local Government Commission Members

From: Denise Canada, Secretary, Local Government Commission

Date: October 30, 2026

Re: Updates on Financial Control of the Town of Rowland

Since the Commission's October vote to assume financial control of the Town of Rowland, LGC staff have taken immediate steps to secure the Town's financial operations. This memo summarizes our actions to date and outlines next steps, including a vote that will take place on the attached resolution at your November 3, 2026 meeting.

Staff Actions To Date

More than six LGC staff are supporting the Town of Rowland's financial operations. The team includes Kendra Boyle and Kim Denton, whom the Commission appointed in October as the Town's Finance Officer and Deputy Finance Officer, respectively. Over the past month, the project team has:

- Obtained appropriate financial surety bonds
- Obtained access to the Town's bank accounts and financial records and established LGC control over financial transactions
- Conducted multiple site visits
- Processed payroll and urgent accounts payable items to maintain basic operations
- Coordinated with multiple other state agencies, including the Department of Environmental Quality, the North Carolina Alcoholic Beverage Control Commission (NC ABC), and the Office of State Budget and Management
- Contracted with outside professionals to supplement the work of LGC staff. These costs will be paid with State funds earmarked to support LGC staff working with units under financial control. Contracted staff include:
    - An experienced local government manager to provide interim Town Administrator services
    - A CPA firm to provide financial and payroll services

Currently, the team is working to:

- Analyze the Town's financial obligations and develop cash-flow projections to support a recommendation on whether the Town can be financially rehabilitated
- Contract with outside legal counsel to supplement LGC staff.

- Maintain the Town's current operations, including paying staff, suppliers, and vendors
- Determine the future of the Town's Alcoholic Beverage Control (ABC) board and store in the event of town dissolution
- Obtain information from Town staff and officials, including contracts, insurance policies, unit policies, and board meeting minutes
- Identify an entity that could provide water and sewer services to residents in the event of dissolution. This work includes determining the status of multiple grant- and loan-funded projects and determining how the Town's $476,200 sanitary sewer loan would be addressed.

Next Steps and Requested Commission Action

LGC staff will continue to conduct in-person site visits and communicate electronically to address issues and maintain unit operations. By your December meeting, I hope to have a recommendation for you as to whether the Town can be financially rehabilitated or whether it should be dissolved.

To complete this assessment and make a recommendation, I am asking you to vote yes on the attached resolution. A "yes" vote would mean that:

- The Town should enter the statutory process for assessing whether it can be financially rehabilitated.
- The Commission finds that preparing the required report on the Town's services would present a substantial hardship for the Town and directs LGC staff to prepare it on the Town's behalf.

A "yes" vote would not determine whether the Town can be financially rehabilitated or should be dissolved. A "no" vote would mean the Town would not be placed in this statutory process through this resolution. The Commission's existing financial control under Chapter 159 would remain in place.

Please let me know what questions you may have about the Town of Rowland. I'll be happy to discuss before your meeting on Tuesday or during the meeting.

Resolution Determining Town of Rowland
Subject to Financial Rehabilitation for Unsustainable Cities Following Review of Criteria;
Finding of Hardship for Services Report Preparation under G.S. 160A-833

WHEREAS, Chapter 160A of the North Carolina General Statutes ("G.S.") Section 160A-83l(a) requires that the Local Government Commission (the "Commission") establish criteria for evaluating whether a city under its financial control can be rehabilitated;

WHEREAS, the Commission adopted "Criteria for Evaluating a City for Financial Rehabilitation" (the "Criteria") at its November 2, 2021 meeting; and later modified the Criteria at its February 1, 2022 meeting by adding two additional Criteria, resulting in eight (8) total Criteria to apply; and

WHEREAS, pursuant to G.S. 160A-83l(b) the Commission staff have applied these Criteria to the Town of Rowland and offer these results for the Commission's consideration:

I. Review of Criteria

1) Population Trend[1]

Criteria Description: At least a five-year trend in the city's population, and population projections for the city's dominant county. A declining trend in population can signal potential difficulty in generating sufficient revenue to support and maintain the city's operations. Both a five-year historic trend of the city's population and the 10-year population growth projection for the county in which the city is predominantly located will be considered.

Results:

Town of Rowland 5-Year Historic Population Trend

Year	Population
2021	879
2022	880
2023	882
2024	888
2025	888

[1] Sources: N.C. Office of State Budget and Management State Demographer 2025 Standard Population Estimates. Last accessed Oct. 20, 2026 https://demography.osbm.nc.gov/explore/assets/2025-standard-population-estimates/export/?search=rowland&page=1.

N.C. Office of State Budget and Management, State Demographer, Population Summary, State and County Populations, 2020 – 2060. Last accessed Oct. 20, 2026 https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/countystate-population-projections/population-summary.

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Robeson County 10-Year Population Growth Projections

Year	Population
2020	115,743
2030	121,244

2) Property Valuation Trend[2]

Criteria Description: Trend in the city's valuation of taxable property based on the three most recent municipal valuations performed by the county(ies) in which the city is located. Property tax revenue typically accounts for a significant percentage of a city's revenues, and a pattern of declining valuations can signal potential difficulty in generating sufficient revenue to support and maintain the city's operations. Although declining valuations may be offset by an increase in the municipal tax rate, such an increase is likely to be untenable in a city facing fiscal and economic distress. Taxation is governed by N.C.G.S. Chapter 105—Taxation.

Results:

Town of Rowland Property Valuations in Years of Robeson County Revaluations & Municipal Rate

Fiscal Year	Valuation	Municipal Rate (per $100)
2010	$45,394,572	0.7600 (FY 2010-2011)
2018	$49,853,999	0.7900 (FY 2018-2019)
2024	$64,882,969	0.8300 (FY 2024-2025)

3) Fund Balance Available[3]

Criteria Description: Five-year trend in the city's General Fund, fund balance available as a percent of expenditures and transfers. "Fund balance available" represents financial reserves on hand that are available for appropriation to prevent the city from experiencing cash flow issues. A pattern of declining fund balance available, or a fund balance available that repeatedly falls significantly below its peer group average, signals the potential for cash flow issues.

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[2] Sources: N.C. Office of State Budget and Management, State Demographer, Population Summary, State and County Populations, 2020 – 2060. Last accessed Oct. 20, 2026 https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/countystate-population-projections/population-summary.

Robeson County's last three property revaluations occurred in 2010, 2018 and 2024, according to the North Carolina Department of Revenue, Local Government Division's 2025 Annual Report.

[3] Source: Unit data submitted with the Annual Financial Information Report (AFIR). A "Five-Year Comparison of Financial Data by Unit" report was generated from the Commission's AFIR database which is available at https://logos.nctreasurer.gov/Reporting/Report/External.

Results:

• The table below shows General Fund "fund balance available" as a percentage of expenditures and transfers, excluding Powell Bill funds.

• For units with General Fund budgets in the same size range as the Town of Rowland (i.e., between $1 million and $9.99 million), LGC staff have established 34% as the minimum adequate level.

Town of Rowland 5-Year Trend of General Fund, Fund Balance as a % of Expenditures & Transfers

Fiscal Year	Percent
2021	35.29%
2022	35.50%
2023	12.11%
2024	- 8.24%
2025	-16.48%

4) Timely Compliance with Annual Audit Requirement:

Criteria Description: Five-year trend in submitting an annual audit report required by G.S. 159-34(a) by the due date established by Commission staff. A pattern of failing to comply with this statutory requirement and not submitting an annual audit by the due date signals fiscal management weaknesses and an inability to provide effective oversight of public funds.

Results:

Town of Rowland 5-Year Trend in Submitting Annual Audit Report

Fiscal Year	**Due Date**	**Submission Date**	**Months Overdue**
2021	October 31, 2021	2/22/2022	~ 3 months
2022	October 31, 2022	2/2/2023	~ 3 months
2023	October 31, 2023	5/9/2024	~ 6 months
2024	October 31, 2024	5/6/2025	~ 6 months
2025	December 31, 2025	6/25/2026	~ 5 months

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5) Compliance with the Local Government Budget and Fiscal Control Act[4]

Criteria Description: Five-year trend in compliance with G.S. Chapter 159, Article 3, titled "The Local Government Budget and Fiscal Control Act" ("LGBFCA"). Recurring significant deficiencies or material weaknesses, as identified by the city's independent auditor in the city's audited financial statements, or other failures to comply with the provisions of the LGBFCA, may signal failure by the city's staff to meet basic financial management standards and requirements.

Results:

The table below provides a summary of the financial statement findings and significant deficiencies and noncompliance violations identified in the last five fiscal year audit reports for the Town of Rowland. Appendix A to this resolution provides additional details on each of the violations listed below.

Violation Summary	Years
Excess Expenditures over Appropriation	FY 2021, 2022, 2023, 2024, 2025
Failing to Adopt Project Ordinance	FY 2024, 2025
Late Audit Filing	FY 2024, 2025
Segregation of Duties	FY 2024, 2025
Use of Restricted Grant Money for Unauthorized Purposes	FY 2024, 2025
Untimely Submission of Required Quarterly Grant Reports	FY 2024

- In the FY 2024 and FY 2025 audit reports the auditor noted "substantial doubt about the town's ability to continue as a going concern" given the Town's significant financial distress and utilization of restricted grant funds received from the North Carolina Office of State Budget and Management to finance current operations.

6) Governance[5]

Criteria Description: Trend in engagement in city governance as measured by long-term vacancies on the governing board or lack of declared candidates for governing board seats during municipal elections, or results of investigations of the city related to fiscal management by North Carolina oversight agencies, including the Office of State Auditor, and law enforcement. A fully seated governing board and a demonstrated ability by the governing board to provide appropriate governance and oversight of public funds is essential to the continued operations of a municipality.

[4] Source: Annual audited financial statements submitted by the city to the Commission and other city financial records.

[5] Source: Governing body history derived from the city or the N.C. State Board of Elections. Investigation history derived from publicly available materials from oversight agencies and law enforcement

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Engagement in City Governance

- Rowland is a mayor-council form of government
- The mayor is elected.
- There are four governing board members (Commissioners)

Year	Total candidates for Mayor	Total Votes Cast for Mayor	Total Candidates for Commissioner Seats	Total Votes Cast for Commissioner Seats
2019	1 candidate 3 write-ins	98	2 seats open: • two candidates • two write-ins	162
2021	0 candidates 3 write-ins	235	2 seats open: • four candidates • no write-in	408
2023	1 candidate 1 write-in	166	2 seats open: • three candidates • one write-in (elected)	339
2025	1 candidate	88	2 seats open: • two candidates	120

7) Water/Sewer Fund Quick Ratio[6]

Criteria Description: Five-year trend in the water/sewer fund's quick ratio. The quick ratio is a measure of a water/sewer fund's total quick assets (not to include inventories or prepaid items) divided by total current liabilities and is an indication of the system's ability to pay its current bills, thereby providing a measure of short-term liquidity.

A quick ratio of less than 1.0:

- Indicates that current liabilities are greater than unrestricted cash and investments plus accounts receivable.
- Could indicate that the fund may have difficulty meeting expenses. If this pattern continues, the fund may not be financially sustainable.

Town of Rowland 5-Year Trend in Water/Sewer Fund's Quick Ratio

Fiscal Year	Quick Ratio
2021	1.93
2022	2.06
2023	1.42
2024	1.58
2025	1.42

[6] Source: Water/sewer financial data submitted by cities with their audited financial statements.

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8) Water Sewer Fund Operating Income Excluding Depreciation and Including Debt Principal Payments

Criteria Description: Five-year trend in the water/sewer fund's operating income excluding depreciation and including debt principal payments, providing an indication of the system's ability to cover operating outflows with current rate structures.

Source: Water/sewer financial data submitted by cities with their audited financial statements.

Town of Rowland 5-Year Trend in Water/Sewer Fund's Operating Income Excluding Depreciation/Including Debt Principal Payments

Fiscal Year	Water/Sewer Net Operating Income
2021	($100,447)
2022	($58,953)
2023	($114,442)
2024	($51,641)
2025	($54,387)

WHEREAS, based on the results of applying these criteria, Commission staff recommend that the Commission identify the Town of Rowland as being subject to G.S. Chapter 160A, Article 32 "Transitions for Unsustainable Cities", Part 2 ("Transition Initiation By Local Government Commission") pursuant to N.C.G.S. § 160A-83l(b);

II. Finding of Hardship in Preparing the Services Report

WHEREAS, when a city is found to be subject to Part 2 of Chapter 160A, Article 32, G.S. 160A-833(b) requires the city to prepare a report for citizens and the Commission on the status of any services provided by that city, including the costs and revenue from those services and the time period the service has been provided (the "Services Report") for the five most recent fiscal years; and

WHEREAS, the Services Report is due to the Commission within 90 days of the city being found to be subject to Part 2 of Chapter 160A, Article 32; and

WHEREAS, under G.S. 160A-833(d) the Commission may determine that preparing the Services Report presents a substantial hardship on the city, and in that case the Commission may prepare the report on behalf of the city;

PROPOSED

NOW THEREFORE, BE IT RESOLVED by the Commission, pursuant to its authority stated above, that the Commission:

1. Has determined that the Town of Rowland shall be subject to Part 2 ("Transition Initiation by Local Government Commission") of Article 32 ("Transitions for Unsustainable Cities") of G.S. Chapter 160A;

2. Directs Commission staff to notify the mayor, council, and city finance officer of the Town of Rowland within 10 days of this Resolution of the Commission's determination pursuant to N.C.G.S. § 160A-83l(c).

3. Finds that the preparation of the Services Report required by G.S. 160A-833(b) would present a substantial hardship on the Town of Rowland due to limited staff and resources and that Commission staff should prepare the required report.

* * * * * * * * * *

I, Denise H. Canada, Secretary of the North Carolina Local Government Commission, DO HEREBY CERTIFY that the foregoing is a true and correct copy of the Resolution adopted by the North Carolina Local Government Commission at its meeting held on November 3, 2026.

WITNESS my hand this 3rd day of November 2026.

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Denise H. Canada, Secretary
North Carolina Local Government Commission

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Appendix A – Town of Rowland

This appendix contains information for the Town of Rowland of financial statement findings of significant deficiencies and noncompliance issues as cited within the annual audit reports from FY 2021 to FY 2025. This information is provided in consideration of criteria No. 5 as follows:

5) Compliance with the Local Government Budget and Fiscal Control Act

Description: Five-year trend in compliance with G.S. Chapter 159, Article 3, titled "The Local Government Budget and Fiscal Control Act" ("LGBFCA"). Recurring significant deficiencies or material weaknesses, as identified by the city's independent auditor in the city's audited financial statements, or other failures to comply with the provisions of the LGBFCA, may signal failure by the city's staff to meet basic financial management standards and requirements.

Financial Statement Findings Significant Deficiency / Noncompliance

FY 2021
Finding: 2021 – 001 Excess Expenditures over Appropriations **Criteria:** G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. **Condition:** The Finance Officer underestimated department expenditures when preparing budget amendments. **Effect:** Money was spent that had not been appropriated. **Cause:** Money was spent that had not been formally appropriated in the current fiscal year. **Recommendation:** Institute a process to ensure that only those amounts appropriated are actually spent.

FY 2022
Finding: 2022 – 001 Excess Expenditures over Appropriations **Criteria:** G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. **Condition:** The Finance Officer underestimated department expenditures when preparing budget amendments. **Effect:** Money was spent that had not been appropriated. **Cause:** Money was spent that had not been formally appropriated in the current fiscal year. **Recommendation:** Institute a process to ensure that only those amounts appropriated are actually spent.

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FY 2023

Finding: 2023 – 001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town expended more than appropriated in the annual budget ordinance in the General Fund, Water and Sewer Fund, and two project funds. The amount of expenditures that exceeded appropriations in the General Fund were $72,431 in the public safety line item. The amount of expenditures that exceeded appropriations in the Water and Sewer Fund were $6,308, in the Sewer department line item. Two project funds, Police Equipment Project Fund and Ballpark Renovation Fund, exceeded appropriations by $20,112 and $11,100, respectively. Management should closely monitor the budget versus actual statements to ensure actual expenditures are within budgetary constraints.

Effect: Money was spent that had not been appropriated.

Cause: Money was spent that had not been formally appropriated in the current fiscal year.

Recommendation: Institute a process to ensure that only those amounts appropriated are actually spent.

FY 2024

Finding: 2024 – 001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) requires all moneys received and expended by a local government or public authority to be included in the budget ordinance.

Condition: The Town exceeded appropriations in the General Fund: General Government by $31,895, Public Safety by $51,110, Environmental Protection by $14,381, and Transportation by $32,232. The Water and Sewer Fund exceeded appropriations by $6,308 in the Sewer department. The Police Equipment Project Fund and Ballpark Renovation Fund exceeded appropriations by $20,112 and $11,100, respectively.

Effect: Money was spent that had not been appropriated.

Cause: The Town did not maintain sufficient budgetary controls to ensure expenditures remained within approved limits.

Recommendation: Institute a process to ensure that only amounts appropriated are spent.

Finding: 2024 – 002 Project Ordinance

Criteria: N.C. General Statute 159-13.2(f) requires the annual budget to include information about grant and capital projects expected to be authorized during the budget year and previously authorized projects with appropriations available for expenditure.

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Condition: The Town did not prepare or adopt project ordinances for the Ballpark Renovation Fund, Police Overtime Grant Fund, Police Projects Fund, Police Grant LISC Fund, or Downtown Redevelopment Grant Fund.

Effect: The Town violated a North Carolina statute and used the Final Capital Budget submitted to the Local Government Commission as a substitute for adopting project ordinances.

Cause: The Town did not prepare project ordinances for governing board approval for the listed funds.

Recommendation: The Town should adopt project ordinances for the Ballpark Renovation Fund, Police Overtime Grant Fund, Police Projects Fund, Police Grant LISC Fund, and Downtown Redevelopment Grant Fund.

Finding: 2024 – 003 Late Audit

Criteria: N.C. Gen. Stat. § 159-34(a) requires the Town's accounts to be audited as soon as possible after each fiscal year closes. The audit was due October 31, 2024; the separate OSBM audit deadline was March 31, 2025.

Condition: The June 30, 2024 audit was submitted on May 6, 2025, after both deadlines.

Effect: The governing body, management, and other agencies did not receive the audit results in a timely manner. Delayed audit findings, management letter comments, or negative financial trends may delay corrective action.

Cause: Staffing challenges delayed preparation. The Grant Manager and Billing Clerk had extended absences due to health issues, and the newly appointed Deputy Finance Officer had to support Town operations.

Recommendation: The Town should make the necessary adjustments to meet the October 31 audit deadline.

Finding: 2024 – 004 Segregation of Duties

Criteria: Segregation of duties provides checks and balances to reduce the possibility of misstatements resulting from errors, dishonesty, carelessness, distraction, or fatigue.

Condition: The Town has a limited number of accounting personnel, which limits the effectiveness of controls because duties cannot be fully segregated.

Effect: Potential misstatement of the financial statements.

Cause: The Town has a limited number of accounting personnel, which limits the effectiveness of controls because duties cannot be fully segregated.

Recommendation: The board should keep in mind that internal controls are limited by the size of the Town's staff.

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Finding: 2024 – 005 Use of Restricted Grant Money for Unauthorized Purposes

Criteria: Grant agreements and applicable federal and state regulations require grant funds to be used only for the purposes specified in the award documentation.

Condition: The Town spent $65,575 in restricted Downtown Redevelopment Grant funds awarded by OSBM on activities outside the approved project scope.

Effect: Potential repayment obligations, loss of eligibility for current and future grants, financial penalties, and increased grantor scrutiny.

Cause: Cash-flow shortages and insufficient General Fund reserves created pressure to cover operating needs. The Town redirected restricted funds without adequate controls to ensure compliance with grant requirements.

Recommendation: The Town should stop using restricted grant funds for unauthorized purposes and restore the diverted amount to the appropriate grant accounts.

Finding: 2024 – 006 Untimely Submission of Required Quarterly Grant Reports

Criteria: OSBM requires recipients of state grant funds to submit quarterly reports by the 10th day after each calendar quarter.

Condition: After receiving state grant funds in April 2024, the Town did not submit required quarterly reports to OSBM by the applicable deadlines. The first report, for the quarter ending June 30, 2024, was due July 10, 2024; applicable reports had not been submitted timely as of the audit.

Effect: Noncompliance may jeopardize current and future state funding eligibility and limits OSBM's ability to monitor use of state funds and project progress.

Cause: The Town lacked procedures to track grant reporting deadlines, a grant-management calendar, and assigned responsibility for tracking and submitting quarterly reports.

Recommendation: The Town should establish internal controls for grant reporting, assign responsibility, create a compliance calendar with reminders, and review reports for timely and accurate submission.

FY 2025

Finding: 2025 – 001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town incurred expenditures in excess of authorized appropriations in several funds during the fiscal year ended June 30, 2025. In the General Fund, expenditures exceeded budgeted appropriations in Restricted Intergovernmental activities by $457,157, General Government by $35,941, Public Safety by $58,135, Environmental Protection by $16,944, and Transportation by $518,996. In addition, expenditures in the Police Grant LISC Fund exceeded the final budget by approximately $150,000. Expenditures also exceeded authorized

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appropriations in the Sewer Capital Project Fund by $462,000, the Water Capital Project Fund by $219,725, and the AIA Water Capital Project Fund by $137,000.

Effect: Money was spent that had not been appropriated

Cause: The Town did not maintain sufficient budgetary controls to ensure expenditures remained within approved limits.

Recommendation: Institute a process to ensure that only those amounts appropriated are actually spent.

Finding: 2025 – 002 Project Ordinance

Criteria: N.C. General Statute 159-13.2 (f) states that each year the budget officer shall include in the budget information in such detail as he or the governing board may require concerning each grant project or capital project (i) expected to be authorized by project ordinance during the budget year and (ii) authorized by previously adopted project ordinances which will have appropriations available for expenditure during the budget year.

Condition: The Town did not prepare or adopt project ordinances for the Police LISC Grant Fund.

Effect: The Town violated the N.C. General Statute. The Town used the Final Capital Budget submitted to the Local Government Commission as a substitute for not having adopted a project ordinance for the Police LISC Grant Fund.

Cause: The Town did not prepare a project ordinance for the Governing Board's approval for the Police LISC Grant fund

Recommendation: The Town should adopt a project ordinance for the Police LISC Grant Fund.

Finding: 2025 – 003 Late Audit

Criteria: N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The October 31 deadline includes a grace period from November 1 to December 1, in which there are no additional documents or notifications needed.

Recipients and Sub-recipients receiving $500,000 of or more of funds from the N.C. Office of State Budget and Management (OSBM) shall have an audit prepared and completed in accordance with Generally Accepted Government Auditing Standards, also known as the Yellow Book. The audit report must be provided to the Agency no later than nine months after the end of the recipient's fiscal year (March 31).

Condition: The June 30, 2025 audit which was due December 31, 2025 (and March 31, 2026 for the OSBM), was submitted late on June 12, 2026.

Effect: The governing body of the Board, management, and other cognitive agencies did not

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receive the results of the audit in a timely manner. Particularly in situations where the independent audit identifies any of the following: 1) findings 2) management letter comments for improvements 3) negative financial trends that need to disclose and addressed, a late audit would potentially delay timely and appropriate corrective actions.

Cause: The delay in the submission of the Town of Rowland's audit was primarily due to internal staffing challenges during the audit preparation period. In the Fall, both the Town's Grant Manager and Billing Clerk experienced significant health issues, resulting in their extended absence. Concurrently, the newly appointed Deputy Finance Officer, who intended to assist the Finance Officer, was required to focus on supporting the overall operations of the Town Office. Consequently, the Town was unable to complete and submit the required audit materials within the original timeframe.

Recommendation: The Town should make the necessary adjustments to meet the December 31 audit deadline.

Finding: 2025 – 004 Segregation of Duties

Criteria: Segregation of duties provide checks and balances to reduce possibilities for misstatements resulting from errors in judgements, dishonesty, personal carelessness, distraction, and fatigue.

Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect: Potential misstatement of financial statements

Cause: The town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Recommendation: The board should keep in mind that internal controls are limited due to the size of the Town's staff.

Finding: 2025 – 005[7] Use of Restricted Grant Money for Unauthorized Purposes

Criteria: Grant agreements and applicable federal and state regulations stipulate that grant funds must be used solely for the specific purposes outlined in the grant award documentation. Proper use of restricted funds is necessary to maintain compliance with grantor requirements.

Condition: The Town expended $136,218 during the current fiscal year and $65,575 during the prior fiscal year from the Downtown Redevelopment Grant awarded by the Office of State Budget and Management for activities that were not included in, or otherwise supported by, the approved grant project scope.

[7] The FY 2025 audit report for the Town of Rowland labeled this finding as "2024-005" in the audit report.

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Effect: Potential repayment obligations, loss of eligibility for current and future grant opportunities, financial penalties, and increased scrutiny from grant agencies.

Cause: The Town experienced significant cash flow shortages and insufficient general fund reserves, which created pressure to cover immediate operational need. Due to these financial constraints and a lack of strong internal controls, management inappropriately redirected restricted grant funds to meet short-term obligations without ensuring compliance with grant requirements.

Recommendation: The Town immediately cease the use of restricted grant funds for any unauthorized purposed and fully restore diverted amount to the appropriate grant accounts.

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