Attachment F

Update on LGC Financial Control of the Town of Ronda

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 Ronda

Since your vote in October to assume financial control of the Town of Ronda, 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 Ronda'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 Department of Transportation, and the Office of State Budget and Management
- Coordinated with multiple other local governments, including Wilkes County and the Town of Elkin

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 vendors, including legal counsel, to supplement LGC staff. These costs will be paid with State funds earmarked to support LGC staff working with units under financial control
- Maintain the Town's current operations, including paying staff, suppliers, and vendors
- 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 $188,649.60 State Revolving Fund 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 Ronda. I'll be happy to discuss before your meeting on Tuesday or during the meeting.

Resolution Determining the Town of Ronda 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; and

WHEREAS, pursuant to G.S. 160A-83l(b), the Commission staff have applied these Criteria to the Town of Ronda 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 Ronda 5-Year Historic Population Trend

Year	Population
2021	437
2022	440
2023	443
2024	449
2025	452

[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/view/?search=ronda&page=1&refine=muniname2%3ARonda&orderBy=year+ASC.

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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Wilkes County 10-Year Population Growth Projections

Year	Population
2020	65,548
2030	65,426

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 Ronda Property Valuations in Years of Wilkes County Revaluations & Municipal Rate

Year	Valuation	Municipal Rate (per $100)
2013	$16,306,866	0.4000 (FY 2013-2014)
2019	$17,453,636	0.3500 (FY 2019-2020)
2025	$38,568,871	0.2500 (FY 2025-2026)

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: North Carolina Department of Revenue, Municipal Valuations, Levies and Tax Rates (LG54), *see* https://www.ncdor.gov/news/local-government/reports-statistics-property-tax-rates/municipal-valuations-levies-and-tax-rates-lg54 (last accessed October 23, 2026).

Wilkes County's last three property revaluations occurred in 2013, 2019 and 2025, 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 Ronda (i.e., between $100,001 and $999,999), LGC staff have established 71% as the minimum adequate level.

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

Fiscal Year	Percent
2021	93.74%
2022	88.15%
2023	51.18%
2024	85.58%
2025	39.84%

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 Ronda 5-Year Trend in Submitting Annual Audit Report

Fiscal Year	**Due Date**	**Submission Date**	**Months Overdue**
2021	October 31, 2021	October 12, 2022	~ 12 months
2022	October 31, 2022	December 22, 2022	~ 2 months
2023	October 31, 2023	April 4, 2025	~ 17 months
2024	October 31, 2024	May 30, 2025	~ 7 months
2025	December 31, 2025	May 29, 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 summarizes findings and significant deficiencies and noncompliance violations identified in the last five fiscal year audit reports for the Town of Ronda. Appendix A to this resolution provides additional details on each violation listed below.

Violation Summary	Years
Late Audit Filing	FY 2021, 2023, 2024, 2025*
Excess Expenditures over Appropriations	FY 2022, 2023, 2024, 2025
Deficit in Net Position – Water and Sewer Fund	FY 2023

* Although the Town's FY 2022 audit was filed late, as noted under Criteria 4, the auditor did not include this fact as a finding in the FY 2022 audit.

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.

Results:

General Information

- The Town of Ronda is a mayor-council form of government
- The mayor is elected.
- There are five governing board members (Commissioners)

[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

Year	Total candidates for Mayor	Total Votes Cast for Mayor	Total Candidates for Commissioner Seats	Total Votes Cast for Commissioner Seats
2017	Not on ballot	N/A	3 seats open: • three candidates • two write-ins (both elected)	225
2020*	2 candidates	191	2 seats open: • four candidates • no write-in	297
2022	Not on ballot	N/A	3 seats open: • 8 candidates • no write-in	388
2024	2 candidates	189	2 seats open: • five candidates • two write-ins	317

* S.L. 2019-27 shifted the election cycle from odd to even years.

Mayor Position

- The position of mayor is currently vacant. The next election is November 3, 2026.
- Between April 2025 and June 2026, the town experienced three mayoral resignations:
  - April 30, 2025
  - December 30, 2025
  - June 5, 2026

Commissioner Positions

- One commissioner resigned April 30, 2025 and a new commissioner was appointed.

Investigations

- The Office of the State Auditor issued an investigative report on October 5, 2026 on the Town of Ronda with the following findings:
  - The Town's financial activity shows a significant and deteriorating financial position.
  - Available financial information indicates that recurring expenditures have consistently exceeded recurring revenues.
  - The Town has significant outstanding financial obligations, including past due invoices.
  - The Town lacks sufficient cash resources to meet ongoing operational needs without financial assistance or reduction in expenditures.
  - The Town has relied on transfers from its investment account and on the potential temporary availability of grant proceeds to continue paying routine expenses.
  - The Town's investment account has been substantially depleted.
  - The Town has requested a $50,000 loan from Wilkes County to help address the current cash-flow crisis.

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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 Ronda 5-Year Trend in Water/Sewer Fund's Quick Ratio

Fiscal Year	**Quick Ratio**
2021	1.58
2022	0.80
2023	0.61
2024	0.51
2025	0.34

8) Water Sewer Fund Operating Income Excluding Depreciation and Including Debt Principal Payments[7]

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.

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

Fiscal Year	**Water/Sewer Net Operating Income**
2021	$5,592
2022	($72,278)
2023	($75,011)
2024	($163,521)
2025	($224,973)

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

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WHEREAS, based on the results of applying these criteria, Commission staff recommend that the Commission identify the Town of Ronda 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;

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

1. Has determined that the Town of Ronda 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 Ronda within 10 days of this Resolution of the Commission's determination pursuant to 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 Ronda 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.

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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 Ronda

This appendix contains information for the Town of Ronda of financial statement findings of significant deficiencies and noncompliance issues 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

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.

Financial Statement Findings Significant Deficiency / Noncompliance

FY 2021
Noncompliance with North Carolina General Statutes (Late audit)
All units of local government and public authorities in North Carolina are required by North Carolina General Statute 159-34 to have their accounts audited annually and to submit the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year. For the fiscal year ended June 30, 2021, the audit was not performed until 2022. The Town officials are working with the current auditing firm to catch up the late audits and file them with the Secretary of the Local Government Commission as required by General Statute 159-34.

FY 2022
Excess Expenditures over Appropriations
For the fiscal year ended June 30, 2022, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriation made by the governing board by $40,949. This over expenditure occurred because of unplanned increases in the cost of purchased water from another entity. Management and the Board will monitor expenditures more closely to ensure compliance in future years.

FY 2023
Excess Expenditures over Appropriations
For the fiscal year ended June 30, 2023, the following expenditures exceeded the authorized appropriation made by the governing board: General Fund – general government administration by $79,734; General Fund – environmental protection by $17,965; and Water and Sewer Fund – debt

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service by $31,441. Over-expenditure in general government administration occurred because of professional fees paid to catch the Town's audits up for the past three years. Over-expenditure in environmental protection occurred because supplies used to treat solid waste of the Town was higher than expected for the current year. Over-expenditure in the debt service occurred because the Town did not allocate part of the budget toward debt service payments for the Water and Sewer Fund. Management and the Board will monitor expenditures more closely and adjust adopted budgets for unusual increases to ensure compliance in future years.

Noncompliance with North Carolina General Statutes (Late audit)

All units of local government and public authorities in North Carolina are required by North Carolina General Statute 159-34 to have their accounts audited annually and to submit the audit report to the Secretary of the Local Government Commission as soon as possible after the close of the fiscal year. For the fiscal year ended June 30, 2023, the audit was not performed until 2024. The Town officials are working with the current auditing firm to catch up the late audits and file them with the Secretary of the Local Government Commission as required by General Statute 159-34.

Deficit in Net Position

At year end, the Town's water and sewer enterprise fund has a deficit in unrestricted net position in the amount of $20,300 due to operating expenditures exceeding operating revenues for the year. The Town is looking into increasing service charges at a level sufficient enough to cover operating expenditures without support from the general fund.

FY 2024

Finding: 2024-001 (Excess of Expenditures over Appropriations)
Material Noncompliance:

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town's expenditures exceeded the authorized appropriation made by the governing board for the following: General Fund – environmental protection by $58,226; and Water and Sewer Fund by $23,514.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: Over-expenditure in environmental protection occurred because supplies used to treat solid waste of the Town and the trash and recycling services were not adequately budgeted for the current year. Over-expenditure in the Water and Sewer Fund occurred because the Town did not budget for unexpected repair and maintenance expenses for the Town's water lines.

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Recommendation: Before an obligation is incurred that will exceed the amount that was approved in the budget ordinance, the Town should adopt an amendment to the budget to cover such amounts and ensure funds are available to cover the extra obligations.

Finding: 2024-002 (Late Audit)
Material Noncompliance:

Criteria: G.S. 159-34 states that all units of local government and public authorities of North Carolina are required to have their accounts audited annually and to submit the audit report to the Secretary of the Local Government Commissions as soon as possible after the close of the fiscal year.

Condition: For the fiscal year ended June 30, 2024, the audit was not performed until 2025.

Effect: Financial information necessary for the Town officials necessary to make informed decisions about the Town's finances are not current.

Cause: Certain information needed to complete the audit was not obtained by the Town in a timely manner in order to have the financial information ready for the audit within a reasonable time period.

Recommendation: Continue working with the current auditing firm to catch up the late audits and file them with the Secretary of the Local Government Commission as required by General Statute 159-34.

FY 2025

Finding: 2025-001 (Excess of Expenditures over Appropriations)
Material Noncompliance:

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town's expenditures exceeded the authorized appropriation made by the governing board for the following: General Fund – environmental protection by $19,675; and Water and Sewer Fund by $202,718.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: Over-expenditure in environmental protection occurred because supplies used to treat solid waste of the Town and the trash and recycling services were not adequately budgeted for the current year. Over-expenditure in the Water and Sewer Fund occurred because the Town did not budget for unexpected repair and maintenance expenses for the Town's water lines.

PROPOSED

Recommendation: Before an obligation is incurred that will exceed the amount that was approved in the budget ordinance, the Town should adopt an amendment to the budget to cover such amounts and ensure funds are available to cover the extra obligations.

Finding: 2025-002 (Late audit)
Material Noncompliance:

Criteria: G.S. 159-34 states that all units of local government and public authorities of North Carolina are required to have their accounts audited annually and to submit the audit report to the Secretary of the Local Government Commissions as soon as possible after the close of the fiscal year.

Condition: For the fiscal year ended June 30, 2025, the audit was not performed until 2026.

Effect: Financial information necessary for the Town officials necessary to make informed decisions about the Town's finances are not current.

Cause: Certain information needed to complete the audit was not obtained by the Town in a timely manner in order to have the financial information ready for the audit within a reasonable time period.

Recommendation: Continue working with the current auditing firm to catch up the late audits and file them with the Secretary of the Local Government Commission as required by General Statute 159-34.

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