

TOWN OF GASTON

“Gateway to Lake Gaston”

Post Office Drawer M
Gaston, NC 27832
252.537.1046

Deborah L. James, Mayor

Tammy Johnson, Finance Town Clerk
Patricia Penn-Jacobs, Commissioner.
Terrance Smith, Commissioner

Donald Conner, Commissioner
Gloria Branch, Commissioner
Kimberly Dickens, Commissioner

June 29, 2026

Local Government Commission
3200 Atlantic Avenue
Raleigh, NC 27604

Re: Appeal of Notice of Noncompliance for Fiscal Years 2023, 2024 and 2025 Audits

To Whom It May Concern:

On behalf of the Town of Gaston (the "Town"), we respectfully submit this appeal requesting that the Local Government Commission refrain from withholding the Town's revenues due to the delayed submission of the Town's Fiscal Year 2023, 2024, and 2025 audits. While the Town acknowledges the importance of timely compliance with North Carolina's audit requirements, the delays were the result of extraordinary circumstances that have required significant time and resources to overcome. Throughout this process, the Town has acted diligently, transparently, and in good faith to correct past deficiencies and restore sound financial management.

The Town's current circumstances stem largely from the findings contained in the North Carolina State Auditor's investigative report issued in August 2021, which identified substantial financial irregularities arising from the actions of the Town's former Clerk, who also served as the Finance Officer. Since the release of that report, the Town has undergone a comprehensive restructuring of its financial operations and leadership. A new Mayor, new members of the Board of Commissioners, a new Town Clerk, and new legal counsel have all been appointed. In addition, the Town retained certified public accountants to reconstruct its financial records and complete the outstanding audits.

One of the most significant obstacles to completing the audits was the condition of the Town's historical financial records. The Town's financial information existed almost entirely in paper form and had not been properly maintained in an electronic accounting

system. This created substantial challenges for any auditor attempting to reconstruct years of financial data. The Town ultimately retained Travis Hardee, CPA, of Strickland Hardee PLLC, to perform the Fiscal Year 2021 audit and subsequent audits. At Mr. Hardee's recommendation, the Town began the extensive process of digitizing years of financial records. Unfortunately, the contractor initially hired to perform that work failed to complete the project, resulting in additional delays. After recovering the records, Mr. Hardee successfully completed the digitization process, allowing the Town to finalize the Fiscal Year 2021 and Fiscal Year 2022 audits and move forward with the remaining years.

Although the Fiscal Year 2023, 2024, and 2025 audits remain outstanding, substantial progress has been made. Mr. Hardee has completed and submitted a draft of the Fiscal Year 2023 audited financial statements, and the Town anticipates that the Fiscal Year 2023 audit will be submitted within days. The remaining audits are actively being completed in succession. The Town has remained in regular communication with its auditors and has continued to devote the necessary resources to ensure these audits are finalized as quickly as possible.

Equally important, the Town has implemented numerous permanent corrective measures designed to prevent these issues from recurring. These measures include:

- Maintaining all financial records electronically to ensure accurate and accessible recordkeeping;
- Strengthening internal financial controls, oversight procedures, and accountability measures;
- Retaining Beverly Stroud, CPA, to provide ongoing accounting and bookkeeping assistance;
- Investing in professional development by enrolling the Town Clerk in municipal operations training;
- Successfully completing the Advancing Municipal Leaders Program through the North Carolina League of Municipalities;
- Completing Southern Software training and additional municipal leadership training for the Town Clerk;
- Working closely with certified public accountant Pam Hurdle through the Advancing Municipal Leaders Program to improve the Town's financial management practices; and
- Receiving ongoing budgeting assistance, governance training, and financial guidance from Joseph Durham of the North Carolina League of Municipalities, who meets with the Town's Board of Commissioners on a regular basis.

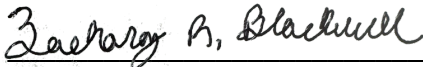
These corrective actions reflect the Town's unwavering commitment to restoring financial integrity, ensuring full compliance with all statutory obligations, and implementing the safeguards necessary to prevent similar issues in the future. The deficiencies that gave rise to these delays are not the result of current neglect or inaction. Rather, they represent the difficult process of correcting significant historical problems inherited by the Town's current leadership.

The withholding of sales tax and other State-distributed revenues at this critical time would significantly impair the Town's ability to provide essential governmental services to its residents. The citizens of Gaston should not bear the consequences of prior administrative failures that the current governing body has worked diligently to correct. Granting this appeal will allow the Town to continue providing necessary public services while completing the remaining audits in an orderly and responsible manner.

For these reasons, the Town respectfully requests that the Local Government Commission grant this appeal, allow additional time for the submission of the Fiscal Year 2023, 2024, and 2025 audits, and refrain from withholding the Town's revenues during this process. The Town remains fully committed to completing all outstanding audits as expeditiously as possible and to maintaining full compliance with all future audit requirements.

We appreciate the Commission's time, consideration, and continued support of the Town's efforts to restore financial stability and accountability. Should the Commission require any additional information, we would welcome the opportunity to provide it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Zachary R. Blackwell". The signature is written in dark ink and is positioned above a horizontal line.

Zachary R. Blackwell, Town Attorney