

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER  
LOCAL GOVERNMENT COMMISSION  
MINUTES  
EMERGENCY MEETING JULY 26, 2021**

The emergency meeting, held in accordance with N.C.G.S. 143-318.12, was called to order at 10:00 a.m. by Chair Dale R. Folwell on the above date. The purpose of the meeting was to discuss an enforcement action against the Town of Spring Lake. The meeting was conducted by use of simultaneous communication using GoToWebinar™ due to the COVID 19 pandemic. Members present virtually were: Chair Folwell, State Auditor Beth Wood, Secretary of State Elaine Marshall, Secretary of Revenue Ronald Penny (who joined at 10:06 a.m.), Joshua Bass, Edward Munn, Viola Harris, and Mike Philbeck.

Members Absent: Scott Padgett.

A quorum was present for the entire meeting.

Other participants present virtually: Sharon Edmundson, Debbie Tomasko, Cindy Aiken, and Ben Garner.

No conflicts of interest were reported.

Sharon Edmundson explained the reason for the emergency meeting, that LGC staff learned that at the Town of Spring Lake's July 26 evening meeting, a closed session has been planned, possibly for the purpose of discussing the State Auditor's investigation of the Town finances. Secretary Edmundson explained that the Town of Spring Lake is out of compliance with G.S. 159-26 and that the LGC staff recommends that the Commission adopt a resolution of enforcement of G.S. 159-181(c) for the Town of Spring Lake, the resolution to take effect only upon the LGC Secretary's determination that one of the listed contingencies has occurred. Mr. Bass made a motion to adopt the following Resolution to Impound the Books and Assume Control of the Financial Affairs of the Town of Spring Lake:

**SEE ATTACHED EXHIBIT 1**

Ms. Harris seconded the motion, which passed by unanimous vote of 7 – 0 (Secretary Penny abstained, not wishing to vote because he joined the meeting after Secretary Edmundson's explanation of the circumstances surrounding the recommended Resolution).

Secretary Marshall made a motion to adjourn the meeting. Mr. Munn seconded the motion which passed by unanimous vote of 8 - 0. The meeting adjourned at 10:10 a.m.

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I, Sharon Edmundson, Secretary of the North Carolina Local Government Commission, CERTIFY that the foregoing is a true and correct extract from minutes of the special meeting of the North Carolina Local Government Commission duly called and held on July 26, 2021.

WITNESS my hand at Raleigh, this 26th day of July 2021.

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Sharon Edmundson, Secretary of the  
Local Government Commission of North Carolina



STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON  
DEPUTY TREASURER

RESOLUTION TO IMPOUND THE BOOKS AND ASSUME CONTROL OF THE FINANCIAL  
AFFAIRS OF THE TOWN OF SPRING LAKE,  
PURSUANT TO N.C. Gen. Stat. § 159-181(c)

WHEREAS, the staff of the Local Government Commission (the "Commission") has advised officials and the Board of Aldermen (the "Board") of the Town of Spring Lake (the "Town") of their responsibilities for improving the financial operations and position of the Town, and for compliance with the budget and fiscal control practices as required by the Local Government Budget and Fiscal Control Act (Chapter 159, Article 3, of the General Statutes of North Carolina) (N.C.G.S.); and

WHEREAS, the Town has failed to comply with the provisions of N.C.G.S. § 159-8 in prior fiscal years by permitting the expenditure of moneys not included in the adopted General Fund budget ordinance; and

WHEREAS, the staff of the Commission has advised officials and the Board of the Town that the Town has allowed its General Fund to fall into a deficit position; and

WHEREAS, the staff of the Commission has advised and warned officials and the Board of the Town of circumstances for which the Commission may intervene with regard to a municipality that fails or refuses to improve the financial operations of the Town, fails to comply with budget and fiscal control laws, or is in danger of defaulting on future debt service payments; and

WHEREAS, under N.C.G.S. § 159-181(c) after notice and warning to the Town, the Commission may assume full control of all financial affairs of any unit of government that willfully or negligently fails or refuses to comply with the provisions of N.C.G.S. Chapter 159, or in the opinion of the Commission, will default on a future debt service payment if its financial policies and practices are not improved;

WHEREAS, as of July 26, 2021, the Town willfully and negligently continues to be out of compliance with the provisions of N.C.G.S. Chapter 159, as follows:

The Town is not in compliance with N.C.G.S. § 159-26, which states that each local government or public authority shall establish and maintain an accounting system designed to show in detail its assets, liabilities, equities, revenues, and expenditures; and

WHEREAS, the staff of the Commission recommends that the Commission exercise its authority under N.C.G.S. Section 159-181(c) to impound the books and records and assume control of the financial affairs of the Town; and

WHEREAS, the Commission does not take this authority lightly, has no desire to take control of the Town's finances and operations, and only does so as a measure of last resort following a long course of notice and warning to the Town to take the necessary corrective action;

NOW THEREFORE, BE IT RESOLVED, pursuant to the authority recited herein, that the Commission assumes full control of all financial affairs of the Town and directs its Secretary to take the following actions as deemed necessary:

1. To impound the books and records of the Town, assume control of the finances of the Town and oversee and direct all its financial affairs as set out in N.C.G.S. Chapter 159 and the rules of the Commission; and
2. To deliver to the Town, its officers, and Board of Aldermen this resolution from the Commission pursuant to the provisions of N.C.G.S. Chapter 159; and
3. To report to the Commission on the matters listed above and on the Town's readiness to comply with the requirements of N.C.G.S. Chapter 159 in order to provide a recommendation and time schedule for restoring the Town to fiscal health and returning to the Town control of its financial affairs.
4. This Resolution shall take effect only in the event the Secretary of the Commission, determines, in her judgment, that the Town has committed previously unknown or undiscovered breaches, or commits after the date of this Resolution additional breaches, of its Fiscal Accountability Agreement dated April 27, 2021, and revised July 9, 2021; takes or has taken action that impedes the investigation being conducted by the Office of State Auditor; or fails to promptly provide information requested by the staff to the Local Government Commission.

I, Sharon G. Edmundson, 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 July 26, 2021.

WITNESS my hand this 26th day of July 2021.

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Sharon G. Edmundson, Secretary  
North Carolina Local Government Commission