Attachment E:
Request For LGC Statement for Municipal Incorporation Petition: Bethlehem

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

DEBBIE TOMASKO
DEPUTY TREASURER

LGC Staff Recommendation Regarding the
Community of Bethlehem's Petition for Incorporation

Background

Section 2 of North Carolina Session Law 2021-124 modified G.S. 120-163(c) to require that a petition filed with the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government include "a statement from the Local Government Commission regarding the proposed municipality's prospects for financial viability and effective fiscal management".

Certain registered voters (hereinafter "the Community") in Alexander County are seeking municipal incorporation of the community of Bethlehem and have requested a statement from the LGC for inclusion in their petition. LGC staff provided the lead petitioner with a list of questions and requested specific information so that a recommendation could be provided to the Commission regarding the requested statement. Communications between LGC staff and the lead petitioner are provided following this report.

Recommendation

Based on a review of the responses and documentation received, LGC staff recommends that the Commission provide the following statement to the Community:

> *Pursuant to N.C.G.S. 120-163(c) and based on the information provided by the Community of Bethlehem, the Commission cannot find that the Community has sufficiently proven that it will employ effective fiscal management practices, and based on the information presented, cannot make a determination as to the Community's prospects for financial viability.*

It is important to note that the Commission's role is limited to providing a statement regarding the proposed municipality's prospects for financial viability and effective fiscal management and **is not** to vote to approve the proposed municipality's budget or its incorporation. In addition, the Commission has no role in determining if any of the other requirements for the petition have been met, or in determining if the requirements for municipal incorporation have been met; these findings are the purview of the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government.

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Basis for Recommendation

A summary of staff observations and concerns follows and is based on the Community's responses to the questions posed by LGC staff and on the documentation provided by the Community. Specifically, staff has concerns including but not limited to the following:

1) The Community's knowledge of the statutory requirements related to a budget ordinance, a key component of fiscal management.

   In response to the request for an initial or draft budget ordinance, the Community provided the spreadsheet found in the "Bethlehem Response" document that follows.

   N.C.G.S. 159-8 establishes the requirements for an annual balanced budget ordinance, with N.C.G.S. 159-13 further defining the form and limitations of a budget ordinance. The document submitted by the Community in response for a sample budget ordinance did not levy a property tax (N.C.G.S. 159-13(a)), and did not make appropriations by department, function, or project (N.C.G.S. 159-13(a)), among other deficiencies.

   The budget included an "Operations, contingency" line item of $902,500 (nearly 30% of the anticipated total tax revenue of $3,032,500). The response stated that "[t]his is the amount of fund balance for the first year that would be maintained as a fund balance for future projects and town improvements once the new government structure is put in place." Pursuant to N.C.G.S 159-13(b)(3), "a contingency appropriation shall not exceed five percent (5%) of the total of all other appropriations in the same fund…". In addition, there is currently no statutory framework for local governments to budget for fund balance. Finally, LGC staff would recommend that funds for future projects be transferred to a capital reserve fund or to a separately adopted capital budget ordinance, both of which provide better management and oversight of these funds.

   Resources to develop a budget ordinance that complies with statutory requirements are available online; beyond the general statutes related to the budget ordinance, resources and sample budget ordinances are provided by the UNC School of Government, and LGC staff offers a "Budgets" module in its Fiscal Training for Governing Boards which is provided free and online.

2) The Community's lack of specificity regarding proposed policies for internal controls.

In response to the question "What policies would be implemented in the first full fiscal year of incorporation to ensure sufficient internal controls are in place for financial management processes?", the following response was received:

   "To insure sufficient internal controls an experienced finance officer will be hired and an accounting system including an automated pre-audit system will be implemented. We would also

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> be contracting with an outside audit agency to ensure that our systems and draft policies are compliant with all state statues and accounting principles."

The lack of specificity in this response concerns LGC staff since internal control policies are essential to establishing effective processes and to safeguarding public funds. Resources and lists of recommended internal control policies are provided by the UNC School of Government and by LGC staff via its "Importance of Internal Controls" module in its Fiscal Training for Governing Boards which is provided free and online.

3) The Community's response regarding the formation of an audit committee.

In response to the question "Would an audit committee be formed?", the following response was received:

> "For the first few years an outside auditor would be used until all systems and personal are comfortable in forming an audit committee. Commissioners and other town personnel will work with the outside auditors or the Local COG to determine best practices and develop appropriate safeguards and processes."

The response noted that "[f]or the first few years an outside auditor would be used…". Pursuant to N.C.G.S. 159-34(a) (Annual independent audit; rules and regulations), "[e]ach unit of local government and public authority shall have its accounts audited as soon as possible **after the close of each fiscal year** [emphasis added] by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts." The response seems to fail to recognize the requirement for an annual independent audit or the purpose of an audit committee. Further, even if an audit committee were not formed, the "auditor shall be selected by and shall report directly to the governing board" (N.C.G.S. 159-34(a)) and it is essential that governing board members are aware of the financial and statutory requirements regarding the audit process and report.

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LGC Staff Request for Information

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

DEBBIE TOMASKO
DEPUTY TREASURER

To: Mr. Don Taylor

From: Debbie Tomasko, Secretary of the Local Government Commission

Re: Request for Statement from the Local Government Commission

Date: January 22, 2025

Mr. Taylor,

I am writing in response to your email to Local Government Commission (LGC) staff on January 15, 2025, and our subsequent discussion on January 16, 2025, regarding your request for a statement from the LGC on the community of Bethlehem's prospects for financial viability and effective fiscal management. This statement is a required component of a petition submitted to the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government pursuant to NC General Statute § 120-163(c).

LGC staff will require documentation and additional information, as specified below, in order to develop a recommendation to the LGC for their consideration of your request.

First, please provide the following documentation:

1) The complete municipal incorporation petition including all components required under statute.
2) An initial or draft budget ordinance.

Additionally, please provide answers to the following questions if the information is not provided in the petition documents:

1) Staffing and Benefits:
    a. Does Bethlehem plan to join the Local Government Employees' Retirement System?
    b. Does Bethlehem plan to offer retiree healthcare?
    c. What form of municipal government is Bethlehem seeking to establish? If a mayor/council, will a town administrator be hired?
    d. Will Bethlehem commit to having their elected officials complete training related to their fiscal management and fiduciary duties under statute within its first year of incorporation? (LGC staff offers free, online fiscal training for elected officials).
    e. What are the plans for staffing/appointing finance positions required under statute?
    f. What local government finance training will be provided to finance staff?
    g. How will requirements for faithful performance bonds be met?

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2) Budget and Revenue:
    a. What is the specific proposed rate of the ad valorem property tax that would be levied in the first fiscal year?
    b. Based on the proposed property tax rate and assessed valuation, what would be the estimated amount of property tax revenue to be collected in the first full fiscal year? Please provide an explanation for how the estimate is calculated.
    c. How would property taxes be collected?
    d. Based on the estimated population, what would be the estimated amount of sales and use tax revenue that would be received in the first full fiscal year?
    e. How would each of the services offered (as identified in the petition for incorporation) be provided (i.e. for each service, would it be provided directly by the town, through contracted services, etc.)?
    f. What would be the approximate annual revenues and expenditures associated with each service (as applicable)?
    g. What level of fund balance available would be maintained? Would a fund balance policy be adopted by the town in the first full fiscal year? If so, what goals would it address?

3) Compliance with Local Government Budget and Fiscal Control Act:
    a. Has the proposed interim governing board read, and do they understand, the requirements of the Local Government Budget and Fiscal Control Act?
    b. What policies would be implemented in the first full fiscal year of incorporation to ensure sufficient internal controls are in place for financial management processes?
    c. How would the pre-audit function be implemented?
    d. What would be the proposed policy to ensure bank reconciliations are completed timely?
    e. Would an audit committee be formed?

Please let me know if you have any questions on the requests above; responses may be emailed to me at Debbie.Tomasko@nctreasurer.com. Please also let us know the timeline for submission of your petition to the Municipal Incorporation Subcommittee. The LGC meets monthly and staff will present the request for a statement at a regularly scheduled meeting.

Sincerely,

Debbie Tomasko
Secretary, Local Government Commission
Deputy Treasurer, State and Local Government Finance Division

Bethlehem Response

To: Debbie Tomasko, Secretary of the Local Government Commission
From: Mr. Don Taylor
Re: Response to Request for Statement from the Local Government Commission
Date: February 5, 2025

Dear Ms. Tomasko,

Per your request, I have attached the official copy of our petition, draft charter, and draft budget proposal. Additionally, our petition signatures have been certified by the Alexander County Board of Elections, and I have included a copy of the certification.

Below, I have provided responses to your additional requests for information. If you require further clarification or additional documentation, please do not hesitate to reach out to me.

Requested Documentation:

1. The complete municipal incorporation petition, including all components required under statute.
2. An initial or draft budget ordinance.

Responses to Additional Questions:

1) Staffing and Benefits:

a) Does Bethlehem plan to join the Local Government Employees' Retirement System?
Answer: Yes, Bethlehem intends to join the Local Government Employees' Retirement System.

b) Does Bethlehem plan to offer retiree healthcare?
Answer: At this time, we do not plan to offer retiree healthcare, as we anticipate employing only three individuals. However, we reserve the right to offer such benefits in the future if deemed necessary or applicable.

c) What form of municipal government is Bethlehem seeking to establish? If a mayor/council system, will a town administrator be hired?
Answer: The Town of Bethlehem will operate under the **Council-Manager** form of government, as outlined in **Part 2, Article 7 of Chapter 160A-146,147** of the North Carolina General Statutes. The Town Council will consist of three (3) members, excluding the Town Manager. Temporary officers will hire an individual to serve as the Town Manager.

d) Will Bethlehem commit to having its elected officials complete training related to their fiscal management and fiduciary duties within its first year of incorporation?
Answer: Yes, Bethlehem is fully committed to ensuring that elected officials complete fiscal management and fiduciary training within the first twelve months of incorporation. We recognize the importance of this training, and we will utilize the free online fiscal training provided by LGC staff.

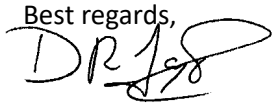
e) What are the plans for staffing/appointing finance positions required under statute?
Answer: The Town Council will appoint a **Town Finance Officer**, who will perform all duties as required by law or as directed by the Town Council. This individual will serve at the pleasure of the Town Council.

f) What local government finance training will be provided to finance staff?
Answer: Bethlehem will ensure that the Town Finance Officer receives all state-mandated training, as well as any additional training necessary for the effective performance of their duties.

g) How will requirements for faithful performance bonds be met?
Answer: All employees required to have individual bonds will be bonded according to statutory requirements. Additionally, remaining government officials will be covered under a blanket bond, which will be funded through the general fund.

Thank you for your time and assistance in reviewing our submission. Please let me know if you have any further questions or require additional clarification.

Best regards,



Don Taylor
[redacted]
Taylorsville, NC 28681
Phone: 828-638-5406
Email: Taylordr61@yahoo.com

PROPOSED CHARTER FOR THE TOWN OF BETHLEHEM, ALEXANDER COUNTY, NORTH CAROLINA.

Section 1. The inhabitants of the area described in Section 2 of this act shall be and constitute a body politic and corporate under the name of the "Town of Bethlehem", and shall have all the power, authority, rights, privileges and immunities conferred upon municipal corporations by the Constitution and general laws of North Carolina, and particularly Chapter 160A, of the General Statutes.

Section. 2. The corporate limits of the Town of Bethlehem in Alexander County, North Carolina shall be as herein described until changed as authorized by law:

"Beginning at the intersection of Antioch Church Road, SR 1002, and the common boundary line between Caldwell County and Alexander County, thence in a generally Eastern direction with Antioch Church Road, SR 1002, to its intersection with NC Highway 127, thence in a Northerly direction with NC Highway 127 to its intersection with Blankenship Road, SR 1152, thence in a general Southeastern direction with Blankenship Road, SR 1152, to its intersection with Teague Town Road, SR 1150, thence in a generally Easterly direction with Teague Town Road, SR 1150, to its intersection with Bowman's Cutover Road, SR 1151, thence in a generally Southern direction with Bowman's Cutover Road, SR 1151, to its intersection with Rink Dam Road, SR 1137, thence with Rink Dam Road, SR 1137, in a generally Southern direction to its intersection with B & T Lane, SR 1191, to its intersection with Emerald Point Drive, thence with Emerald Point Drive to the shoreline in a Western direction to Rink Dam Bridge to the intersection of the center of Middle Little River, thence in a Southerly direction with Middle Little River to its intersection with the Catawba River/Lake Hickory, thence with Catawba River/Lake Hickory in a Westerly direction to the common boundary line between Alexander and Caldwell County, thence with the common boundary line between Alexander and Caldwell County to the intersection of Antioch Church Road, SR 1002, the point and place of beginning.."

Section. 3. The Town of Bethlehem shall have the Council-Manager form of government and the administration thereof shall be provided in Part 2, Article 7 of Chapter 160A-146,147 of the North Carolina General Statutes. The Council shall consist of three (3) members, not including the town Manager. All the qualified voters of the Town shall elect all council candidates.

Section. 4. The municipal elections shall be nonpartisan and decided by a simple plurality, and shall be held and conducted by the county board of elections in accordance with the applicable provisions of Chapter 163 of the General Statutes. The municipal election shall be held on Tuesday after the first Monday in November and every two years thereafter. Of the three Council positions to be filled in the November election following incorporation, the single candidate receiving the highest numbers of votes shall be elected to a term of four years, and the two candidates receiving the two next highest numbers of votes shall be elected to terms of two years. At each subsequent election thereafter, to be held every two years, the number of Council positions to be filled at such election shall be filled for terms of four years.

Section. 5. The councilors elected under this act shall take office at the first regular meeting following their election no later than December and qualify by taking the oath of office. The council shall hold a regular meeting at least once a month, and shall fix the time and place of its regular meetings.

Section. 6. The fiscal affairs of the town shall be governed by Chapter 159 of the General Statutes and all other pertinent provisions of the Constitution and general laws of the State. The territory within the corporate limits, its citizens and property shall be subject to municipal taxes levied by the town for the fiscal year after incorporation, and subsequent years. The town shall obtain from Alexander County, and the County shall provide, upon request, a record of the property within the corporate limits which were listed for taxation as of incorporation.

Section. 7. The first election held pursuant to this act shall be paid for by the county; but the Town of Bethlehem shall reimburse the county for the cost of the election as soon as the town treasury has funds sufficient on hand.

Section. 8. This Charter shall become effective upon incorporation.

Incorporated Town of Bethlehem

Town proposes to provide: Planning and Zoning, Police, Fire and Rescue, and street lighting and potentially Solid Waste Collection and Disposal. **The Town will Focus on preserving our community character.**

Annual Budget $550,000 per year based on $0.05/100 tax

Statistics:	Population	7846 based on 2020 census
	Registered Voters	6612 (ACBOE)
	Geographic Area	23.12 sq mi (google maps)
	Population density	341 people per square mile
	Assed value	$1.1 Billion (AC Tax department
	Degree of Development	Urban Residential (Medium Density)

Area to include Bethlehem voting districts 1 & 2 (see GIS map below)

Google Maps



Alexander County GIS



Additional information will be made available on
@bethlehemzoning and WWW.incorporatebethlehem.com

PETITION FOR MUNICIPAL INCORPORATION (NCGS § 120-163)

The undersigned registered voters of Alexander County, NC, petition for the creation of a municipal incorporation of a city called Bethlehem, on which Donald Taylor, Kelly Sudruth, and Marie Taylor shall serve as interim governing board. Attached to this petition are a map of the city, the proposed charter; a list of proposed services to be provided by the city; a statement of the estimated population, assessed valuation, degree of development, population density, and recommendations as to the form of government and manner of election. The proposed city shall have a budget ordinance with an ad valorem tax levy of at least five cents (5¢) on the one hundred dollar ($100.00) valuation upon all taxable property within its corporate limits. The proposed city will offer four of the following services no later than the first day of the third fiscal year following the effective date of incorporation: (I) police protection; (II) fire protection; (III) solid waste collection or disposal; (IV) water distribution; (V) street maintenance; (VI) street construction or right-of-way acquisition; (VII) street lighting; and (VIII) zoning. [Please see attachments]

IT IS ILLEGAL TO SIGN THE NAME OF ANOTHER PERSON TO A PETITION. (NCGS 163-221).

BOE ONLY	Line No.	Print your name (Must be printed legibly)	Residential street address	ZIP code	Birth date is required (MM/DD/YYYY)	Signature
	1					
	2					
	3					
	4					
	5					
	6					
	7					
	8					
	9					
	10					
	11					
	12					
	13					
	14					
	15					

SUBMIT COMPLETED FORMS TO THE ALEXANDER COUNTY BOARD OF ELECTIONS.

Board of Elections use only

Page _____ of _____ pages Batch No _____ Date received ___/___/_____

ALEXANDER COUNTY BOARD OF ELECTIONS

PO BOX 326
TAYLORSVILLE, NC 28681

Phone: (828) 632-2990 ▪ Fax: (828) 632-1381 ▪ Email: elections@alexandercountync.gov

DONALD TAYLOR
526 TWINS COVE ROAD
TAYLORSVILLE, NC 28681

December 12, 2024

Dear DONALD TAYLOR,

This letter is to inform you of the status of petition BETHLEHEM MUNICIPAL INCORPORATION in ALEXANDER County.

Pursuant to North Carolina law, the entire petition and signatures submitted have been checked against the registration records of the ALEXANDER COUNTY BOARD OF ELECTIONS and that 1,076 names out of 1,250 signatures have been determined to be qualified. The Petition has been CERTIFIED on: 12/12/2024.

Attached is the list of names that have been certified.

Chairman/Director
ALEXANDER COUNTY BOARD OF ELECTIONS

ALEXANDER COUNTY BOARD OF ELECTIONS

PO BOX 326
TAYLORSVILLE, NC 28681

Phone: (828) 632-2990 ▪ Fax: (828) 632-1381 ▪ Email: elections@alexandercountync.gov

DONALD TAYLOR
526 TWINS COVE ROAD
TAYLORSVILLE, NC 28681

December 12, 2024

Dear DONALD TAYLOR,

This letter is to inform you of the status of the petition BETHLEHEM MUNICIPAL INCORPORATION in ALEXANDER County.

Pursuant to North Carolina Law, the petition signatures submitted have been checked against the registration records of the ALEXANDER COUNTY BOARD OF ELECTIONS and that 1,076 names out of 1,250 signatures have been determined to be qualified. The total number of qualified signatures required for certification is 995.

Attached is the list of the names that will be certified.

~~Chairman~~/Director
ALEXANDER COUNTY BOARD OF ELECTIONS

Revenues
General Fund
Sources

Ad valoem taxes	$550,000
Article Distributions	$1,987,500
Other state taxes	$495,000
Beer and Wine	$26,250
Solid Waste and Disposal	$4,500
natural gas	$6,750
Electricity	$337,500
Telecommunications	$60,000
video Proramming	$60,000
Total Tax Revenue	$3,032,500

Appropriations
General Fund
Administraion

salaries and related expenses	$350,000
Professional services	$200,000
Office expenses	$20,000
furnishing and equipement	$10,000
Parks and recreation	$100,000
snow and ice removal	$10,000
Contracted/County Services	$240,000
Public Safety	
Police	$400,000
Fire & EMS	$600,000
street lighting	$120,000
Non Departmental	
Insurance	$80,000
Operations, contingency	$902,500
Total Expenditures	$3,032,500

difference	$0

	salary	25% fringe	total
clerk	$60,000	$15,000	$75,000
finance	$100,000	$25,000	$125,000
town mgr	$120,000	$30,000	$150,000
total	$280,000	$70,000	$350,000

Service	Annual Cost
Tax collection	$50,000
Elections support	$50,000
Inspections	$50,000
Zoning	$90,000
Total	$240,000

LGC Staff Follow-up Request for Information

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

DEBBIE TOMASKO
DEPUTY TREASURER

To: Mr. Don Taylor

From: Debbie Tomasko, Secretary of the Local Government Commission

Re: Request for Statement from the Local Government Commission

Date: March 7, 2025

Mr. Taylor,

Staff of the Local Government Commission (LGC) has received the information you provided to support your request for a statement from the LGC on the community of Bethlehem's prospects for financial viability and effective fiscal management. This statement is a required component of a petition submitted to the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government pursuant to NC General Statute § 120-163(c).

LGC staff has reviewed the information and has found that several items are unclear or lack sufficient detail to assist in making a recommendation to the LGC regarding your request for a statement regarding the proposed town's prospects for financial viability and effective fiscal management pursuant to N.C.G.S. 120-163(c). Please provide responses to the following.

Follow Up Questions to Information Provided by Bethlehem

1. Regarding the answer to Question 1(g) (How will requirements for faithful performance bonds be met?):
   Please provide specific details on the amounts of bonds to be secured, the method by which the bonds would be purchased, and if the requirements of the bond issuer can be met.

2. Regarding the response for the request for a draft budget ordinance:
   a. Please provide the calculation/basis used to determine the amounts of the following line items:
      i. Professional services ($200,000)
      ii. Contracted/county services ($240,000)

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iii. Police ($400,000)
iv. Fire & EMS ($600,000)
v. Street Lighting ($120,000)
vi. Parks and Recreation ($100,000)

b. Please provide the calculation/basis used to determine the amounts of the following line items:
   i. Article distributions ($1,987,500)
   ii. Beer and wine ($26,250)
   iii. Solid waste and disposal ($4,500)
   iv. Natural gas ($6,750)
   v. Electricity ($337,500)
   vi. Telecommunications ($60,000)
   vii. Video programming ($60,000)

c. Please clarify the purpose and components of the "Operations/contingency" line item ($902,500).

LGC Staff Questions Not Answered in the Information Provided by Bethlehem

No answers were provided at all, or were not provided directly, in response to Question 2 (parts a through g) or Question 3 (parts a through e) in the original request from LGC staff. Please provide answers to those questions (provided again below for convenience).

1) Budget and Revenue:
   a. What is the specific proposed rate of the ad valorem property tax that would be levied in the first fiscal year?
   b. Based on the proposed property tax rate and assessed valuation, what would be the estimated amount of property tax revenue to be collected in the first full fiscal year? Please provide an explanation for how the estimate is calculated.
   c. How would property taxes be collected?
   d. Based on the estimated population, what would be the estimated amount of sales and use tax revenue that would be received in the first full fiscal year?
   e. How would each of the services offered (as identified in the petition for incorporation) be provided (i.e. for each service, would it be provided directly by the town, through contracted services, etc.)?
   f. What would be the approximate annual revenues and expenditures associated with each service (as applicable)?
   g. What level of fund balance available would be maintained? Would a fund balance policy be adopted by the town in the first full fiscal year? If so, what goals would it address?

2) Compliance with Local Government Budget and Fiscal Control Act:
    a. Has the proposed interim governing board read, and do they understand, the requirements of the Local Government Budget and Fiscal Control Act?
    b. What policies would be implemented in the first full fiscal year of incorporation to ensure sufficient internal controls are in place for financial management processes?
    c. How would the pre-audit function be implemented?
    d. What would be the proposed policy to ensure bank reconciliations are completed timely?
    e. Would an audit committee be formed?

Please provide responses no later than Thursday, March 20 so that staff may review the information and present a recommendation to the LGC at its April 1, 2025 meeting. Responses may be emailed to me at Debbie.Tomasko@nctreasurer.com.

Sincerely,

Debbie Tomasko
Secretary, Local Government Commission
Deputy Treasurer, State and Local Government Finance Division

Bethlehem Follow-up Response

To: Debbie Tomasko, Secretary of the Local Government Commission
From: Mr. Don Taylor
Re: Response to Request for Statement from the Local Government Commission
Date: March 10, 2025

Dear Ms. Tomasko,

Thank you again for your assistance. Per your request, I have answered all the questions requested by your staff. If they have any additional questions or if you would like me to zoom in to the April 1st meeting to answer any additional questions, please let me know.

If you require further clarification or additional documentation needed prior to April 1st, please do not hesitate to reach out to me directly.

Follow Up Questions to Information Provided by Bethlehem

1. Regarding the answer to Question 1(g) (How will requirements for faithful performance bonds be met?):
   Please provide specific details on the amounts of bonds to be secured, the method by which the bonds would be purchased, and if the requirements of the bond issuer can be met.
   Answer: Based on NC Memorandum #2023-06 and the requirements for Fidelity Bonds and our proposed annual budget, our bond amount would be ~$300,000. When hiring our new finance officer, the commissioners would ensure that they have tendered a faithful performance bond complying with G.S. 159-29(a) prior to starting duties which would require such bonds.

2. Regarding the response for the request for a draft budget ordinance:
   a. Please provide the calculation/basis used to determine the amounts of the following line items:
      i. Professional services ($200,000)
      Answer: estimate of startup costs for government consultants, auditors and COG services
      ii. Contracted/county services ($240,000)
      Answer: County estimates for: inspections, Tax collection, Board of Elections and zoning support
      iii. Police ($400,000)
      Answer: County Sheriff estimates for 1 additional deputy, 2 SRO's for the two schools in the town, and misc support.
      iv. Fire & EMS ($600,000)
      Answer: Town of Bethlehem is the entire Bethlehem fire district and would assume the entire Fire/EMS budget currently at ~$600,000 for 2025
      v. Street Lighting ($120,000)
      Answer: There are three power companies supplying the area to be incorporated by Bethlehem. We have contacted all three companies and they have supplied the street lights currently in the area. However, since they are private lights currently, they were unable to divulge the current costs. We used the current average of $9/month per street light as an estimate for the monthly bill and the rough estimate of the number of lights the town would assume.
      vi. Parks and Recreation ($100,000)
      Answer: Park maintenance would be bid out under contract; however, Bethlehem currently has two parks within its boundaries and this is an operational/maintenance estimate on an annual contract.

   b. Please provide the calculation/basis used to determine the amounts of the following line items:
      i. Article distributions ($1,987,500)

ii. Beer and wine ($26,250)
iii. Solid waste and disposal ($4,500)
iv. Natural gas ($6,750)
v. Electricity ($337,500)
vi. Telecommunications ($60,000)
vii. Video programming ($60,000)

Answer: The "Article" distributions (sales and use tax) above are allocated to local governments based on their population in reference to the population of the county the local government is located in. The Article Distributions are collected from various sales taxes implemented by the state. These rates are set by the statutes and are not available for negotiation.

We estimated the distribution of funds to Bethlehem by observing similarly sized cities within the respective county in North Carolina. As of June 2024, the town of Taylorsville was the only city in Alexander County to receive tax distributions from the state. Taylorsville has a population of about 2,300 while the area of Bethlehem has approximately 7,800. Amounts were redistributed on a per capita basis Generating ~$1.9 M in Sales and Use Tax Distributions. This was also verified by county commissioner estimates.

Item iv – vii tax distributions are more difficult to predict as they depend on the revenue generated from taxes on the consumption of services, which may vary from city to city and is not directly tied to population size. Using the similar town of Taylorsville and similar sized cities in North Carolina as a basis, the above estimates were generated. Upon incorporation a more detailed estimate will be possible.

c. Please clarify the purpose and components of the "Operations/contingency" line item ($902,500).

Answer: This is the amount of fund balance for the first year that would be maintained as a fund balance for future projects and town improvements once the new government structure is put in place.

LGC Staff Questions Not Answered in the Information Provided by Bethlehem

No answers were provided at all, or were not provided directly, in response to Question 2 (parts a through g) or Question 3 (parts a through e) in the original request from LGC staff. Please provide answers to those questions (provided again below for convenience).

1) Budget and Revenue:
   a. What is the specific proposed rate of the ad valorem property tax that would be levied in the first fiscal year?

Answer: The first-year ad valorem taxes would be $0.05/100 as required.

   b. Based on the proposed property tax rate and assessed valuation, what would be the estimated amount of property tax revenue to be collected in the first full fiscal year? Please provide an explanation for how the estimate is calculated.

Answer: Per the Alexander County tax department, the total assessed value of the town of Bethlehem is $1.1 billion. Multiplying the $0.05/100 x $1.1B generates an ad valorem tax of $550,000/year.

   c. How would property taxes be collected?

Answer: The Alexander County tax office will collect the taxes with annual taxes under contract with Bethlehem.

d. Based on the estimated population, what would be the estimated amount of sales and use tax revenue that would be received in the first full fiscal year?

Answer: As per the answer above in question 2.b the sales and use tax estimate is based on the 2024 Taylorsville budget and population. For Bethlehem's per capita distributions we estimate it to be $1.9M.

e. How would each of the services offered (as identified in the petition for incorporation) be provided (i.e. for each service, would it be provided directly by the town, through contracted services, etc.)?

Answer: The town of Bethlehem would be providing 4 services and will be supplied as outlined below.

Fire and EMS: Will be contracted with our current Bethlehem volunteer fire department and EMS. Total estimated amount $600k/year

Zoning: Will be contracted with an outside service i.e. the local COG which is currently working with Alexander County for zoning services. Annual estimated amount would be $90k.

Police: These services will be contracted through the Alexander County Sheriff's department. Estimated annual amounts per the budget is $400k as referenced above.

Street Lighting: This will be administered and paid by the town finance office for an annual total of $120k

f. What would be the approximate annual revenues and expenditures associated with each service (as applicable)?

Answer: See above for annual amounts per service. We are not expecting any revenue for services at this time.

g. What level of fund balance available would be maintained? Would a fund balance policy be adopted by the town in the first full fiscal year? If so, what goals would it address?

Answer: The fund balance maintained the first year would be the line-item Operations and contingency for $902,500. This will address future capital projects needed and determined by the new Town Government and residents.

2) Compliance with Local Government Budget and Fiscal Control Act:

a. Has the proposed interim governing board read, and do they understand, the requirements of the Local Government Budget and Fiscal Control Act?

Answer: Yes the three members of the interim governing board have read the Subchapter III, Article 3 local Government Budget and Fiscal control Act and we understand the requirements and restrictions placed on the financial systems.

b. What policies would be implemented in the first full fiscal year of incorporation to ensure sufficient internal controls are in place for financial management processes?

Answer: To insure sufficient internal controls an experienced finance officer will be hired and an accounting system including an automated pre-audit system will be implemented. We would also be contracting with an outside audit agency to ensure that our systems and draft policies are compliant with all state statues and accounting principles.

c. How would the pre-audit function be implemented?

Answer: Our goal is to simplify the process and utilize an automated pre-audit system linked to our accounting system under the management of our finance officer.

d. What would be the proposed policy to ensure bank reconciliations are completed timely?

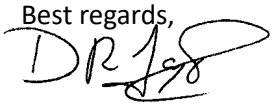
Answer: As a newly formed town and new finance team, proposed draft policy would be for Monthly Bank reconciliations which will be handled by the town finance officer.

e. Would an audit committee be formed?

Answer: For the first few years an outside auditor would be used until all systems and personal are comfortable in forming an audit committee. Commissioners and other town personnel will work with the outside auditors or the Local COG to determine best practices and develop appropriate safeguards and processes.

Thank you for your time and assistance in reviewing our submission. Please let me know if you have any further questions or require additional clarification.

Best regards,



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