TROPHY WINNERS - These young ladies won trophies at Monday night's spring sports banquet at KMHS. Front row, left to right, Keisha Wells, Crissy Johnsonbaugh, Tamy Welch and Tameeka Anderson. Back row, Amanda Burns, Nancy Ely, Elisabeth Tiesinga and April Putnam.

End year with 12-10 record

Cavaliers eliminate KM 8-4

Kings Mountain's Mountaineers saw their hopes of a state playoff berth go down the drain Wednesday night when they fell to East Rutherford's Cavaliers 8-4 in the semi-finals of the Southwestern 3-A Conference baseball tournament at KM's Lancaster Field.

The loss ended the Mountaineers' season at 12-10. They finished in a fourth place tie with Burns and failed to qualify for the state playoffs for just the second time in eight years.

The Cavaliers, who shared the regular season title with Shelby and South Point, went on to defeat South Point 5-4 in Friday's championship game. The Red Raiders advanced with an 18-6 win over Shelby. East, Shelby and South Point are competing this week in the first round of the state tournament.

The Cavaliers jumped on KM starter Brian Lefevers for two runs in the bottom of the first inning and were never headed. Kings Mountain cut the margin to 2-1 in the top of the fourth but East scored five runs in the bottom of the inning to win easily.

The Cavaliers collected 10 hits off Levers a nd KM relief pitcher Sidney Bridges while East starter Brad Harrill limited the Mountaineers to five hits.

A big defensive play on which East left-fielder Marc Hill gunned down Lefevers at the plate prevented Kings Mountain from tying the game in the fourth and allowed the Cavaliers to come in and break the game open in the bottom of the inning.

Kings Mountain collected three of its five hits off Harrill and scored three runs in the top of the seventh on run-scoring doubles by Bridges, Bryan Leftwich and Mike Cobb.

Score by innings:		R-H-E
KM	000 100 0	4-5-1
ER	200 510 x	8-10-3

Brian Lefevers, Sidney Bridges (4) and Kevin Melton, Chris Burns (6); Brad Harrill and Tony Dobbins. W - Harrill. L - Lefevers.

Western North Carolina Golf Tournament set at Apple Valley

A $6,000 purse will be up for grabs in the Western North Carolina Open Golf Tournament June 12-13 at Apple Valley Country Club near Lake Lure.

The format is 36-hole stroke play. Entry fee is $100 and the field is limited to the first 120 applicants.

Applications may be obtained at any golf course that is a member of the Mountains Chapter of the Carolinas PGA. All applications should be received no later than 5 p.m. Wednesday, June 9.

To be eligible to play, applicants must be a resident Professional Member of the Mountain Chapter of the Carolinas PGA or an amateur with a 7.0 handicap index or less who is a resident in the WEstern North Carolinas Chapter.

For resort and accommodations information call (704) 625-3000.

Mail applications to Al Godwin, Director of Golf, Colony Lake Lure Golf Resort, 201 Boulevard of the Mountains, Lake Lure, NC 28746.

THE CITY OF KINGS MOUNTAIN

NORTH CAROLINA

P.O. Box 429 • Kings Mountain, North Carolina 28086 • (704) 734-0333

G. Scott Neisler, Mayor **George A. Wood, City Manager**

I appreciate Gary Joy publishing the State response to my proposal of achieving 8% fund balance this year. An informed citizen is a good citizen. I wanted to provide you with my rebuttal letter and as you will see, the state made many wrong conclusions to my plan.

March 27, 1995

Mr. Robert High
N.C. Department of State Treasurer
Local Government Commission
325 North Salisbury Street
Raleigh, N.C. 27803-1388

Dear Mr. High

I received your letter and memorandum of March 23, 1995, and would like to comment on ten specific areas discussed.

1. On Item #1 of the memo, you said my statement is misleading that counting the $574,849 under spending of the FY 1993-1994 budget, and the $611,723 surpluses built into the FY 1994-1995 budget, the City would have a $1.2 million turnaround. There is nothing misleading about it. I said it would be a turnaround from the FY 1992-93 Audit of $1.2 million, and it will be.

I did not say the $574,849 would be available as a surplus at June 30, 1995. I said the amount in FY 1993-94, coupled with the budgeted surpluses of $611,000 in FY 1994-95 would generate a surplus. That is a big difference.

2. You state that Working Capital in the Utility Funds will be $176,900 less than my proposal projected because you discovered this amount for an accrual of bond interest payable was omitted from the audit. Obviously, I was using the working capital as stated in the audit, and this is the first either I or the City Council has heard about this accounting error. I can't use something I have no knowledge of. This is yet another example of why some council members and I are frustrated: the financial information we are given is often inaccurate. However, let me point out that while this affects working capital, it does not affect the cash projection for June 30, 1995 at all.

3. You spent a considerable amount of time discussing whether the Gas Fund could make the $600,00 transfer to the General Fund, since the actual gas sales were lower than the budgeted gas sales. However, your staff did not consider the other side of the equation, gas purchase. By February 28th, gas sales were at a 56.8% of budget. However, gas purchases were only at 50.4%, a significant savings on the gross margin. The Budget projects the following gross margin on sales:

$5,105,572	Sales
3,735,298	Cost of Gas for those Sales
$1,370,274	Projected Gross Margin (36.7% markup over cost)

The $1,370,274 covers all the other costs to run the gas system and make all the $600,000 transfer to the General Fund, with the exception of a few minor revenue sources which are doing fine.

At February 28th, the actual numbers were as follows:

$2,901,223.06	Sales
1,884,065.73	Cost of Gas for those Sales
1,017,157.30	Actual Gross Margin (53.9% markup over cost)

In other words, the gas system needs to make $1,370,274 on sales after subtracting the cost of the gas. It has already made $1,017,157.30 in the first eight months of the fiscal year, many of which were low usage summer months. It has earned 74.2% of the necessary money in just 66.7% of the fiscal year. And March and April will be very good months while May and June will not. Averaged together, they fairly represent the average usage in the first 8 months. If $1,017,157 was earned in 8 months, then similar results for the last 4 months would generate over $500,000. And what is needed to meet the budget?

$1,370,274	Total Needed to Meet Budgeted Margin
1,017,157	Margin Earned through 2/28/95
353,157	Needed in the last 4 months

Therefore, the last 4 months should earn $500,00 before the City would experience a problem meeting the budgeted earnings. Does your staff really think this is going to happen? And our flex-rate will keep the margin form being a problem as the retail price floats monthly based on the underlying cost of gas. If anything, the Gas Fund is headed for a better than budgeted year in terms of profits, even though the sales may be below what was budgeted. Again, your staff did not factor in the expense side of the equation before concluding that the Gas Fund might be experiencing difficulty. It clearly is not.

Your letter states also that the Electric Fund has budgeted $1,000,000 in transfers to the General Fund, but has only been able to make $641,666 in transfers through January 31st. What is the problem? If you divide the $1,100,000 by 12 months, then multiply by 7 for the 7 months in the fiscal year through January 31st, you get what? $641,666! In other words, your staff expressed concerns about this when the budgeted transfers are being made monthly just as projected.

Since the Electric Fund is able to make the transfers to the General Fund; and the Gas Fund is able to make the transfers as explained above; and the property taxes, prior years' property taxes, local option sales taxes, and the utility franchise taxes are all coming in well ahead of the budgeted revenues according to the February 28th finance report, the General Fund will exceed the budgeted revenues. These are the major sources of the revenues for the General Fund, and all are on course to meet or exceed the budgeted revenue, including the transfers.

4. You have spent a considerable amount of time discussing the Powell Bill, but have taken Mrs. Parsons' word for the low percentage of our Street Department's expenditures (31% and 14% for two months) that she claims were Powell Bill, eligible. But I had talked to several area city mangers in similar-sized cities who said that normally Powell Bill, eligible expenditures in the Street Department would be about 75%! Obviously, we have a major difference of opinion within our City on whether her figures are accurate. If you just look at the list of Street Department functions that are eligible as opposed to those that are ineligible, common sense tells you that her percentages are extremely low for a full year of Street Department activities. Therefore, I still believe we should legitimately reduce our Street Department expenditures by $174,999 in the General Fund and pay them from the Powell Bill Fund if the documentation reflected how the department manpower should be used. We will be reviewing that documentation shortly.

5. You stated that the Inventory component of Working Capital "...would reduce the subsequent year's budget for inventory purchases." Therefore, you reduced Working Capital by $537,698 of Inventory in the Utility Funds. Please review the current Budget, which has this year's and last year's budgeted line items for materials and supplies and tell me where they have been decreased. I never counted it as cash, I counted it as Working Capital, just like the auditor did on Page 31 of the Audit under Segment Information. Therefore, you are understanding the working capital by removing inventory from the Working Capital when it is, in fact, a current asset. My proposal assumes no increase or decrease in Inventory this year.

The City does not operate a central warehouse. All supplies and materials are expense to the individual utility fund as purchased. A physical inventory is made at year end to reflect changes in quantities and prices. The supplies belong to the individual utility fund, not to Warehouse Fund.

6. On page 4 of your memo, you state that the reduction in current capitalized leases and long term debt as a source of working capital is wrong. It is not. Working Capital is defined as current assets minus current liabilities. When the current liability accounts named "Current portion of bonds and notes payable" and "Current portion of obligations under capitalized leases" decrease from one year to the next, as they will from FY 1994-95 to FY 1995-96, the amount of that decrease is a reduction to both current liabilities. A reduction in a current liability account by definition results in an increase in Working Capital.

7. Your discussion of the increase in Capital Outlay spending did not contradict my assertion that the $387,000 increase over the previous year was neither mandated nor necessary. In fact, the amount you stated was mandated, when subtracted from the budgeted amount, leaves far more than the $387,000 increase over last year. Therefore, my point remains valid that since the 4x tax increase and the 8% residential water and sewer rate increase only generated $190,000, and we budgeted $387,000 in budget outlay than the previous year for items not mandated, we could have cut $190,000 of those non-mandated capital outlay items and never implemented those two increases.

8. You stated that the Undesignated Fund Balance used in my proposal is not the same as the State's definition of Fund Balance Available for Appropriation. We have always been under the impression from our auditor that it was the same. Consequently, I would appreciate it if you would mail us an itemized list of the Balance Sheet accounts, and their amounts, that make up the Fund Balance Available for Appropriation figure you used.

9. You state that the budgeted $611,000 of surpluses may materialize, but may not be converted from receivables to cash at June 30, 1995. Virtually all our General Fund revenues are recorded on a ash basis. And those that are not would not have changed much since last year in terms of a year-end accrual. So, those surpluses should be in the form of cash. I pointed out in my proposal that the City had tightened its utility bill collection policy effective in October, 1994. This affects over 80% of our revenues. Those bills not paid on the 25th are cut off by month-end. Cutoff, or the threat of it, results in full payment for almost all accounts, except those given extensions or permanently leaving the system. That is a marked change from our previous policy in which cutoff did not take place until the first of the next month. Consequently, a lot more delinquent accounts receivable were on the books at month-end previously, which are paid in full by month-end. Yet your analysis of the proposal completely left out that fact when you stated that conversion to cash might not take place a month-end on June 30, 1995. To illustrate the significant improvement this policy change has brought, below is the Cash on Hand at month-end, as stated in our finance reports, after all bills due by month-end have been paid.

October, 1994	$ 894,151.94
November, 1994	$1,165,272.67
December, 1994	$ 868,291.42
January, 1995	$1,102,332.90
February, 1995	$1,065,145.10

Let me also point out that the February figure is after the large utility bond payments due March 1st that you expressed concern about had already been paid in full! And the over due utility accounts receivable at month-end have dropped markedly, as our building register will attest.

My proposal is, in fact, extremely conservative when you take this improvement into account. Your concerns about the surpluses not representing cash at June 30, 1995 have not taken this into account.

10. Finally, you letter and memo imply that I do not believe that there are any financial concerns. That is not my position at all.

Our cash flow problem ended at least as early as October, 1994, as the Cash on Hand from the finance reports clearly shows. I maintain that by June 30, 1995 all bills due by June 30, 1995 will be paid, and if no bills are prepaid, we will have over $600,000 in Cash on Hand. This is based upon at least $611,000 in surpluses plus the cash conversion from accounts receivable discussed above. What I have constantly said that we now have a Budget with $611,000 in new cash surpluses built into it every year. You have questioned at length whether those surpluses would be there due to concerns about Gas Funds. But I have clearly demonstrated that the Gas Fund will meet its budgeted profited margins, and therefore make the transfers to the General Fund. All the other funds are doing fine as well, as you stated.

In addition to that $611,000, we have increased capital outlay by $387,000 over the previous year's budget. We can easily reduce the capital outlay back to the levels of previous years, and together with $611,000 surpluses have $998,000 of surpluses built into next year's budget, the following year's budget, and the years after that. What I have said is that we could have cut this capital outlay by $190,000 this year and not put in the tax and utility rate increases.

What I have said even though City Council did impose them this year, they could remove them next year, and the $998,000 would decrease to $808,000. We are paying our bills when due and the $808,000 would be a further significant and rapid improvement in our financial position. We could repeat the $808,000 improvement in financial position every year. I do not consider it unreasonable or irresponsible to build up our cash reserves each and every year by "only" $800,000! That in fact, is the situation we are in, and out latest finance reports clearly prove it.

The taxpayers and the LGC saw a $574,000 improvement in FY 1993-94 at June 30, 1994. You will see at least another $611,000 improvement by June 30, 1995. And the City has the capability of having an $800,000 improvement each and every succeeding year without the 4c tax increase and the 8% residential water and sewer rate increase. Consequently, we have turned the corner and just as I have stated from the beginning, and we are in a position to rapidly increase our cash reserves without these unnecessary tax and utility rate increases.

That has been, and remains my position on the matter.

Sincerely,

G. Scott Neisler

G. Scott Neisler, Mayor

Pd. By Scott Neisler

To date I have received no response to this letter. They have told me they had no time to do it.