

Town of Knightdale North Carolina



**Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2018**



TOWN OF KNIGHTDALE
NORTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY

KIMBERLY KENNY
FINANCE OFFICER



July 4, 2014 Independence Day Celebration at Knightdale Station Park

MAYOR AND TOWN COUNCIL MEMBERS
As of June 30, 2018



Mayor James Roberson
Term 2015-2019



Mayor Pro Tem Randy Young
Term 2017-2021



Councilor Pete Mangum
Term 2015-2019



Councilor Dustin Tripp
Term 2015-2019



Councilor Jessica Day
Term 2017-2021



Councilor Mark Swan
Term 2017-2021

Individual contact information is available at www.knightdalenc.gov



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For the Fiscal Year Ended June 30, 2018

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This section, which is unaudited, introduces the reader to the report and to the Town. It includes the letter of transmittal, descriptions of boards, a map of Knightdale and the State of North Carolina, as well as other information regarding the Town of Knightdale.

INTRODUCTORY SECTION



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November 19, 2018

The Honorable Mayor James Roberson,
Members of the Town Council and Citizens of the
Town of Knightdale
950 Steeple Square Court
Knightdale, North Carolina 27545

Town Council:

We are pleased to present the **Comprehensive Annual Financial Report** (CAFR) of the Town of Knightdale, North Carolina, for the fiscal year ended June 30, 2018. The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm of Joyce and Company, CPA, and that firm's unmodified opinion is included in the Financial Section of this report. The report, however, is presented by the Town of Knightdale, which is responsible for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs have been included.

This report consists of management's representations concerning the finances of the Town of Knightdale. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Knightdale has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Knightdale's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town of Knightdale's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The **Comprehensive Annual Financial Report** is divided into four sections: the **Introductory, Financial, Statistical, and Compliance Sections**. The **Introductory Section**, which is unaudited, contains this letter of transmittal and information about the Town's organization and principal officials. The **Financial Section** is composed of the independent auditors' report, management's discussion and analysis, the basic financial statements, and the combining and individual fund financial statements and schedules required by the State of North Carolina. The basic financial statements are often issued separately for securities offerings or widespread distribution and are frequently referred to as "liftable" basic financial statements. The **Statistical Section**, which is unaudited, contains fiscal and economic data designed to provide a more complete understanding of the Town. Many tables in this section present financial data for the past ten years. Finally, the **Compliance Section** presents reports and schedules required by the Federal and State Single Audit Acts, which are discussed in a later paragraph.

Reporting Entity

The financial reporting entity includes all the funds of the primary government (Town of Knightdale), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the primary government. The Town of Knightdale is not financially accountable for any other entity. Therefore, these financial statements do not include any blended or discretely presented component units.

MAJOR INITIATIVES / CAPITAL PROJECTS IN FISCAL YEAR 2018**Street and Sidewalk Improvements**

The Town of Knightdale expended Powell Bill funds of \$918,236 during fiscal year 2018 for street and sidewalk repairs and maintenance with \$715,761 spent for resurfacing during the fiscal year. Included in expenditures for the fiscal year were \$141,911 for equipment and \$2,948 for completion of a pavement survey for the entire Town started during fiscal year 2017. The Town anticipates spending approximately \$247,500 of Powell Bill funds in fiscal year 2019, which will be directed to residential street resurfacing to be determined, based on need and the results of the pavement survey. All street and sidewalk improvement projects including any related grants were completed and closed as of June 30, 2018, however, the Town has been approved for grant funding to extend the Mingo Creek Greenway with design that began in fiscal year 2018, right of way acquisition in fiscal year 2019, and is expected to be completed in fiscal year 2020.

Knightdale Station Park

On July 14, 2010, the Town of Knightdale acquired approximately 73 acres of land near downtown Knightdale for the construction of a new park. The park includes multi-purpose athletic fields, a plaza, walking trails, playground, and dog park. The land acquisition was financed with Build America Bonds of \$2,821,500, payable in ten annual installments of \$282,150, plus interest at 3.08% (net of Build America Bonds interest rebate), beginning on July 14, 2011. The outstanding debt for land acquisition costs was prepaid in full during fiscal year 2018. Construction of Phase I of the park was completed at a cost of \$5,595,554. This project was financed by an installment purchase agreement of \$5,000,000 with SunTrust Bank payable in 15 annual payments of \$333,333 plus interest at 2.33% beginning July 14, 2013. On November 6, 2012, Knightdale citizens approved a Parks and Recreation Facility Bond Referendum not to exceed \$3,000,000 to finance construction of Phase II. The bond referendum also approves an increase in the property tax rate not to exceed 2 cents per \$100 of assessed property value to cover debt service payments on the bonds. The bonds were sold in a private sale to SunTrust Bank on July 19, 2013 and are payable in 15 annual installments of \$200,000 plus interest at 1.97% per annum beginning July 19, 2014. Knightdale Station Park Grand Opening was held on September 19, 2013.

During fiscal year 2014 the Town of Knightdale received approval for a grant of \$400,000 from the State of North Carolina Parks and Recreation Trust Fund for further improvements to Knightdale Station Park. The second phase of the park project was substantially completed during fiscal year 2015 with total annual expenditures of \$1,080,940. Expenditures of \$97,806 were incurred during fiscal year 2016 for completion of Phase II including the purchase of a temporary stage. Phase III continued in fiscal year 2017 with expenditures of \$166,422 to include a water misting feature and additional design costs. Phase III continued into fiscal year 2018 with expenditures of \$1,013,271 to include a stage/amphitheater, additional parking, and infrastructure improvements for the development of five lots. Completion of Phase III is expected by November 2018.

ECONOMIC CONDITION AND OUTLOOK

Local

The Town of Knightdale is located in Wake County just seven miles east of Raleigh, the State Capital of North Carolina. This area of the state is often referred to as the Triangle and is home to the Research Triangle Park, lands set aside for technological and research oriented companies. The Town of Knightdale's economy benefits from its proximity to the City of Raleigh and the Research Triangle Park. The Triangle area which includes Raleigh, Durham, Chapel Hill and surrounding communities is considered one of the best places to live and work in the United States. The Triangle is home to Duke University, North Carolina State University, the University of North Carolina and Wake Technical Community College.

The estimated population of Wake County was 1,072,203 in 2017. The population has grown by 24% over the past decade. State demographic projections, published by the North Carolina Office of Budget and Management indicate that the Wake County population is expected to increase 20% over the next seven years, to 1,232,612 residents in the year 2025. As of June 2018, this area of the state had an unemployment rate of 3.6% compared to the statewide rate of 4.2%. The median income for a family is \$67,167. Knightdale was recognized as one of the ten the fastest growing towns in North Carolina based on 2010 to 2016 census estimates. The Town's population is 15,849, which represents a 37.5% growth rate over the last seven years. This is the population amount used by the State Office of Budget and Management for distribution of per capita revenues and other official benchmarks. Based on historical growth trends, Knightdale's population is projected to grow to almost 32,502 by 2035. Although rapid growth is not expected every year, the Town does anticipate population growth to continue for the foreseeable future.

In calendar year 2017, the Town Development Services Department issued 367 combined residential and commercial building permits; representing a total value of \$89.6 million in construction. The average sales price for homes in Knightdale has increased by 5.8% over the past five years with the 2017 average price reaching \$187,450. Knightdale Developers, LLC continues construction on one of the newest subdivisions in Knightdale which is adjacent to Knightdale Station Park. This community includes a YMCA and a private school, and will have approximately 800 new homes when completed. Construction on Knightdale's newest neighborhood, Glenmere, began during fiscal year 2015 and continues progress in phases. Hinton Oaks Business Park, a major new industrial park adjacent to I-540, began construction in fiscal year 2016. The 48 acre park has two 120,000 square foot buildings of total office space constructed with eighty percent occupancy and construction was completed on an adjacent 110 guest room hotel which opened in fiscal year 2018. Construction of the first 150,000 square foot industrial offices at Eastgate Industrial Park was completed in fiscal year 2018. Refer to the Commercial Activity table in the Statistical Section for further details. Knightdale's corporate limits consist of approximately 7.43 square miles, or 4,755 acres, 640 acres per square mile, while the extraterritorial jurisdiction covers 17.76 square miles, or 11,366 acres.

State

North Carolina's economy continues to improve. The unemployment rate statewide is 4.2% compared to 4.2% in 2017. The economic recovery in North Carolina had lagged behind the national economy due to the loss of manufacturing jobs during the past recession but the state's aggregate growth rate has exceeded the national growth rate for the past three years. The State Legislature repealed the local privilege license tax for fiscal years beginning after July 1,

2015. The Town of Knightdale received \$69,867 in privilege license revenue for fiscal year 2015 compared to only \$363, \$210, and \$1075 in fiscal years 2016, 2017, and 2018 respectively. The loss of this revenue was more than offset by growth in sales tax revenues both from expanding the tax base and improvements in the overall economy.

National

The national economy continues a long and often sluggish recovery from the recession of 2008 to 2010. Unemployment nationwide has dropped to 4.0%. Sales of home have continued to improve in 2018 as compared to 2017 and home prices are also showing an upward trend nationwide. Auto sales on the other hand declined again during fiscal year 2018 after peaking in 2016. The stock market has recovered from the recession of 2008, with the DOW Jones Industrial Average exceeding 26,000 during 2018.

A full summary of the State and national economy is far beyond the scope of this document.

COMPLIANCE AUDIT

As a recipient of federal, state and county assistance, the Town also is responsible for implementing and maintaining an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Administrative Services Departmental staff of the Town. As a part of the Town's compliance audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Town has complied with applicable laws and regulations. The auditor's procedures testing the Town's compliance with applicable financial laws and regulations and the Town's internal control system for the fiscal year ended June 30, 2018, resulted in no instances of material weaknesses in the internal control structure.

FUND BALANCE POLICY

The Town Council of the Town of Knightdale has determined that the Town should strive to maintain an unrestricted fund balance of 25% of expenditures and interfund transfers at the close of each fiscal year in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. Available fund balance at year end less restricted cash in excess of 40% of expenditures and interfund transfers will be transferred to the General Capital Project - Capital Reserve Fund in the following fiscal year. In addition, the Town transfers the equivalent of \$0.02 of the total \$0.43 tax levy to the General Capital Project - Capital Reserve Fund each year to be set aside for future capital projects and starting in fiscal year 2017 an additional one-half cent to be used on park and recreation maintenance. For fiscal year 2018, the Town transferred \$411,256 from the General Fund to the General Capital Project – Capital Reserve Fund. Certain other revenues received from developers and motor vehicle licenses are also set aside in this fund for future capital improvements to streets, sidewalks and recreational facilities. The Town of Knightdale transferred \$1,460,370 from the Capital Reserve Fund to the General Fund and Capital Projects Funds during fiscal year 2018 the payment of debt service and capital expenditures. Over the past several years, the Town has accumulated a reserve of \$2,348,067 in the General Capital Projects – Capital Reserve Fund. Of this amount, \$798,715 is appropriated for capital projects in the fiscal year 2019 budget ordinance.

AWARDS AND OTHER INFORMATION

Independent Audit. The General Statutes of North Carolina require an independent financial audit of all local government units and public authorities in the State. Joyce and Company, CPA, the Town's independent certified public accountants, have examined the financial records of the Town and their opinion has been included in this report. Their examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, as they considered necessary in the circumstances. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the audit requirements of Government Auditing Standards and Single Audit requirements are included in the compliance section.

Management's Discussion and Analysis. The Management's discussion and analysis, contained on pages 21-33, contain more detailed information regarding the Town of Knightdale's financial statements.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Knightdale for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This is the twenty-sixth (26th) such certificate the Town has received. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is the highest form of recognition awarded in the field of governmental reporting. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

A copy of the Fiscal Year 2019 budget should be considered a companion document to the Comprehensive Annual Financial Report. The 2018-19 budget may be viewed through the town web site, listed below.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service and cooperation of Joyce and Company, CPA and the Town of Knightdale's Administrative Services Department. We would like to extend a special thanks to Joyce and Company, CPA. All typesetting and page layout for this document was prepared using the Town's desktop publishing system.

Use Of the Report. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with our past practice, have made available a copy of this report to each of you, the various town departments, and bond rating agencies, the Local Government Commission, and such other financial institutions that have expressed an interest in the Town of Knightdale's financial affairs. A copy of this report is also being placed in the East Regional Library (Knightdale's branch of the Wake County public libraries) and the Knightdale Chamber of Commerce. The report may also be viewed from the Town's web site www.knightdalenc.gov.

Bill Summers
Bill Summers
Town Manager

Kimberly N. Kenny
Kimberly N. Kenny
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Knightdale
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

**TOWN OF KNIGHTDALE, NORTH CAROLINA
KEY ADMINISTRATIVE POSITIONS**

as of June 30, 2018

Bill Summers
Town Manager

Phillip Bunton
Public Works Director

Chad Sary
Assistant Town Manager

Timothy Guffey
Fire Chief

Suzanne Yeatts
Administrative Services Director

Chris Hills
Development Services Director

Lawrence Capps
Police Chief

Kim Kenny
Finance Officer

Robbie Worrell
Parks & Recreation Director

TOWN OF KNIGHTDALE, NORTH CAROLINA BOARDS & COMMITTEES

Note the following boards are presented in summary only. For more information, please visit www.knightdalenc.gov

LAND USE REVIEW BOARD

- ❖ The Town Council appoints the Land Use Review Board members.
- ❖ The board develops plans for the orderly growth and development of Knightdale and its environs. Such plans set forth goals, objectives and policies designed to manage the quantity, type, cost, location, timing and quality of development and redevelopment in the Knightdale community. The board seeks to coordinate the activities of individuals and public or private agencies and organizations whose plans, activities and programs bear on the general development of the community, and formulates and recommends to the Town Council the adoption or amendment of ordinances that, in the opinion of the board will serve to promote the orderly development of the community in accordance with the comprehensive plan. The board reviews and makes recommendations to the Town Council on proposed plats of land subdivision, applications for special use permits, and proposed amendments to the zoning map, Unified Development Ordinance, Comprehensive Plan and Town Code of Ordinances; and conducts public hearings and hearings giving reasonable notice to the public thereof.
- ❖ The board initiates, promotes and assists in the implementation of programs for general community beautification within the town's planning jurisdiction; provides leadership and guidance in matters of community design and appearance to individuals and public or private agencies and organizations; and formulates and recommends to the Town Council the adoption or amendment of ordinances that will serve to enhance the appearance of the community.
- ❖ The board strives to conserve the town's natural beauty and visual character and charm by insuring that structures, signs and other improvements are properly related to their sites, and to surrounding sites and structures, with due regard to the aesthetic qualities of the natural terrain and landscaping, and that proper attention is given to the exterior appearance of structures, signs and other improvements.
- ❖ The board hears and decides appeals from any order, decision, requirement, or interpretation made by the land use administrator, applications for variances, questions involving interpretation of the zoning map and any other matters the board is required to act upon.

**TOWN OF KNIGHTDALE, NORTH CAROLINA
BOARDS & COMMITTEES (Continued)**

PARKS AND RECREATION ADVISORY BOARD

- ❖ The Town Council appoints the Parks and Recreation Advisory Board members.
- ❖ The board serves in an advisory capacity to the Knightdale Parks and Recreation Department and the Knightdale Town Council regarding issues relating to the planning and coordination of recreational programs, parks and activities for the Knightdale community.

OLD TOWN ADVISORY BOARD

- ❖ The Town Council appoints the Old Town Advisory Board members.
- ❖ The board serves in an advisory capacity to the Knightdale Development Services Department and Knightdale Town Council regarding issues affecting the downtown part of Knightdale.

FINANCE COMMITTEE

- ❖ The Town Council appoints the Finance Committee members.
- ❖ The committee was established to assist the Town Council and Town Manager in meeting the various fiscal responsibilities of a municipal government in North Carolina.

PLANNING AND ENGINEERING COMMITTEE

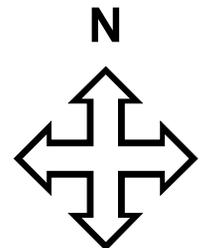
- ❖ The Town Council appoints the Planning and Engineering Committee members.
- ❖ The committee was established to proactively address the various planning and engineering needs facing the Town.

It is important to note that at different times during the year, the Town Council may determine that a board or committee should be formed to study a specific project or issue. Such body would work on the specific item and once the recommendation has been made, the group would dissolve.

TOWN OF KNIGHTDALE



NORTH CAROLINA



HISTORY & DESCRIPTION OF THE TOWN OF KNIGHTDALE

As an incorporated town, Knightdale is a relative newcomer to Wake County and North Carolina history. However, the Knightdale community, which is an area that extends beyond the present day extraterritorial jurisdiction or ETJ, has a recorded heritage that dates back to the colonial era in American history. The following is intended to be general background information. Those seeking a more detailed history of Knightdale should contact the Knightdale Historical Society (www.knightdalehistoric.com).

In the year 1700, the Lords Proprietor of the Colony, wishing to know what lay in the interior of the land that was called Carolina, hired a young man named John Lawson to explore this vast unknown land. Starting in an area near present day Charleston, South Carolina, Lawson began a trek that covered roughly 1,000 miles through the heart of the Carolina Colony. According to his diary, which was published in England in 1709, Lawson passed through this area sometime in February of 1701. His diary records a meeting with fierce Tuscarora Indians on the banks of the Neuse River.

Somehow, an accord was reached with the Tuscarora which allowed Lawson to continue his exploration. Lawson is thought to be the first European to explore this part of North Carolina.

During the eighteenth century, people began to be interested in acquiring land in this new frontier. After receiving the report from Lawson, the King of England decided that the time had come to apportion these lands to willing settlers. Around 1730, John Hinton left his home and headed west, finally settling in what would one day be called Knightdale. This hardy woodsman erected the first dwelling built by a white man in the Knightdale area. Although the land that was granted to Hinton extended to what is now Clayton, North Carolina, Hinton settled in an area near the Neuse River, not far from where Hodge Road and Old Faison Road now intersect.

In time more settlers became attracted to this area. As more people moved here, the need for some sort of local government arose. The colonial government appointed Hinton to be the Justice of the Peace for Craven County--Hinton's land at this time was in Craven County. After forming Johnston County out of Craven County in the 1750's, the colonial government looked to Hinton to organize a militia. Given the rank of colonel, Hinton formed a small band of militiamen to serve at the wishes of the royal governor in New Bern, North Carolina. Aside from serving as the local police, this militia saw no action until after the County had been divided again. In 1771, Wake County was carved out of Johnston County.

When the American Revolution began, Hinton switched his allegiances to the patriot side. Hinton was called on again to serve as a military leader. Hinton played a key role in the first battle of the American Revolution fought on North Carolina soil. This battle of Moore's Creek Bridge was fought in February of 1776. Not long after the battle, Hinton was chosen as a delegate to the Fourth Provincial Congress. This Congress passed a resolution known as the Halifax Resolve. Thomas Jefferson used this document as part of the basis for the Declaration of Independence. Thus, the area that we plan for today played a role in the formation of our nation. Three of the seven Hinton plantations in the Knightdale area are still intact.

HISTORY & DESCRIPTION OF THE TOWN OF KNIGHTDALE (Continued)

These plantations were The Oaks, Midway, and Beaver Dam.

After independence, the people of this area went about making a living on the land. Local farmers successfully grew tobacco and cotton. Although not as prominent in this area as the Deep South, slavery nonetheless had a foothold in the Knightdale area. Many of these slaves are buried in unmarked grave plots throughout the Knightdale area. Although documentation of gravesites has been lost, the burials remain a significant part of the Knightdale landscape.

As the long and devastating Civil War ended in 1865, many armies traversed this area. The Clay Hill and Midway Plantations saw the greatest damage. According to family tradition, the Hinton's actually buried some of their family treasure to keep it out of the hands of the Union forces. After the Civil War, the residents of this area began to rebuild. During this time, the City of Raleigh saw a tremendous population boom. As a result, Wake County redrew the map of the county and divided it into Townships. The area that became Knightdale was located in St. Matthew's Township, where it still is today. More and more people also found their way to this area.

RECENT HISTORY

The Town of Knightdale came about as people began to congregate in an area within the St. Matthew's Township of Wake County, North Carolina. For many years the area was a crossroads served only by a post office. Most of the people in the area were farmers who grew a variety of crops. Although many farmers grew corn and other vegetables, the gold leaf, tobacco, reigned supreme as the area's main cash crop. Tobacco helped to unite the little hamlet, bringing people together in a common bond.

Near the end of the nineteenth century, many citizens of this area saw the need to establish a town. One of these people was Mr. Henry Haywood Knight. Mr. Knight donated some of his vast land holdings in the area to the Norfolk and Southern Railroad Company in the hopes that a railroad would come to the area. The railroad would provide freight and passenger service, and would facilitate the incorporation of the community. Mr. Knight did not live to see the railroad in Knightdale. Not long after his death in 1904, the railroad finally came to the community that would bear his name.

After the coming of the railroad and the depot, life and commerce in this area began to move at a faster pace. The railroad moved timber and farm products to the market and moved people to Raleigh. As the need for more railroad workers increased, Norfolk and Southern moved many families into the community to take care of the railroad. Many of the older homes in Knightdale were built specifically for the use of railroad workers and their families. The railroad stationmaster's house still exists today along the tracks on Railroad Street.

HISTORY & DESCRIPTION OF THE TOWN OF KNIGHTDALE (Continued)

As the community grew so did the demand for services. Knightdale's first medical doctor, James Roberts Hester, moved to the community in 1910. The new town also had the need for dry goods and hardware. To fill this need, families, like the Robertson's who opened a store on First Avenue, built businesses along the primary streets in town. From these stores people bought and sold goods. Along this same time, a bank opened its doors. As a result of the increased activity, Knightdale received its articles of official incorporation from the North Carolina Legislature on March 9, 1927. The first Mayor was Bennett L. Wall. The aldermen were N.G. House, J.F. Keith, L.A. Doub, J.T. Ramsey, and C.L. Robertson.

After incorporation, many businesses moved into town, including a farmer's cooperative, a barbershop, and several small grills. Robertson's remained the anchor of the business community. Despite the growth, Knightdale continued to suffer from not having a municipal water system. This shortfall came to a head in 1940. In the early morning hours of February 7, 1940, a fire swept through downtown Knightdale.

Virtually the entire town turned out to fight the flames that engulfed Robertson's and threatened the entire downtown business district. The citizens formed bucket brigades to try to halt the fire, but to no avail. The fire was not brought under control until trained firefighters arrived from Raleigh with an adequate water supply. This effort arrived too late to save Robertson's and several other businesses and homes. Soon after the fire, the people of Knightdale went about rebuilding their once proud downtown business district.

Helped along by the baby boom following World War II, the population of Knightdale grew at a steady pace, but Knightdale retained its small town atmosphere. The corner drugstore, the bank, and the barbershop on First Avenue not only served as places of business, but places for social gatherings. Movies were often shown on the wall of the old bank building, which is located at the intersection of First Avenue and Main Street. In 1952 a municipal water system was installed. The Knightdale Volunteer Fire Department was established in 1953.

As the importance of the railroad diminished in the lives of the people of Knightdale, the importance of the car increased. Since the 1960's, new businesses in Knightdale have located along major roadways, primarily U.S. 64, which was widened to four lanes in 1970's. Between 1990 and 2000 Knightdale's population increased from 1,884 to more than 5,958 residents, making it the thirteenth fastest growing town in North Carolina in that time frame. Although Knightdale's current population has grown to an estimated 13,102, the people and events in Knightdale's history have left a lasting imprint in the cultural, architectural, and physical landscape of this area.

HISTORY & DESCRIPTION OF THE TOWN OF KNIGHTDALE (Continued)

OTHER INFORMATION

In May 2006, the Town of Knightdale and the City of Raleigh merged the two municipal water and wastewater systems in order to stabilize water and sewer rates for the citizens of Knightdale and to further ensure the supply of water to the Town. In exchange for taking title to the assets of Knightdale's utility system, the City of Raleigh agreed to fund an expansion of the Knightdale utility system. The estimated cost of the infrastructure expansion and upgrades is approximately \$25 million over a three year period. The utility funds presented in these financial statements exist to coordinate the collection of fees due to the City of Raleigh and the completion of a capital project. Other utilities provided throughout the Town are natural gas, electricity, telephone, television, and internet by investor owned utilities.

The Town, in conjunction with other civic organizations, offers the youth an opportunity to participate in basketball, baseball, football and soccer. Knightdale Community Park and Harper Park consists of lighted tennis courts and playground equipment. Five elementary schools, one middle school and two high schools are located in the community. The Parks & Recreation Department also hosts an annual Easter Egg Hunt, an Arbor Day Festival, Community Day, July 4th Celebration and the Christmas Parade. In July 2010, the Town purchased 73 acres of land adjacent to the historic downtown business district for the construction of a new park for the citizens of Knightdale. The grand opening of Knightdale Station Park was held on September 19, 2013. Phase II of the park was during 2015 and Phase III is underway. The Mingo Creek Greenway was completed during 2014. This paved bicycle and walking trail connects Knightdale to trails in Raleigh and other communities in Wake County. An extension of the Greenway to Knightdale Station Park is currently in the design phase. The Knightdale Pool is also popular with the residents during the summer months. This location also contains a club house that may be rented for events.

The Town adopted the Council-Manager form of government in 1979. Legislative and policy making authority rests with a Mayor and a five member Town Council. The Mayor is elected every four years and the Council Members serve four year staggered terms. Elections are non-partisan and held during odd numbered years. The Town Council and Mayor appoint the Town Manager to carry out its policies, as well as to manage and direct the daily operation of the Town.

DEMOGRAPHICS

The Town of Knightdale is located in eastern Wake County. The Town's population is 15,849 per the latest State Office of Budget and Management estimate, while Wake County has an estimated population of 1,072,203. In 2017 the median family income in Knightdale was projected to be \$67,167. The Wake County unemployment rate as of June 2018 was 3.4%. The average temperature is 60 degrees and the annual rainfall is 45 inches. The Town's land area consists of 6.90 square miles. The Town of Knightdale maintains 56.3 miles of hard-surface streets in the city limits according to the Town Public Works Department.

TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT

ADMINISTRATION

The Administration Department, under the Council-Manager form of government, supports the role of the Town Manager in implementing the policy decisions of the Council. The Town Manager is appointed by the Town Council and is responsible for the performance of all Town departments. The function of the Town Manager is to carry out the policies of the Town Council, the day-to-day management of the Town, the preparation of the Annual Operating Budget, interacting with citizens and local businesses, and involvement with community groups, such as the East Wake Education Foundation, East Wake TV and the East Wake Business Alliance. This department includes three divisions: Town Manager, Legislative, and Communications. The Legislative division includes the Town Clerk's office whose primary functions are custodian of records and clerk to the governing board. This division also houses the Mayor and five Council members. Communication is responsible for disseminating information about the Town through various mediums. Staffing for the department includes Town Manager, Assistant Town Manager, Town Clerk and Public Information Officer.

ADMINISTRATIVE SERVICES/HUMAN RESOURCES

The Administrative Services Department consists of two divisions: Human Resources and Finance. Within those two divisions, there are two employees: Administrative Services Director and Human Resources Manager. Human Resources is responsible for the recruitment and selection of Town employees, position classification and compensation, employee recognition, personnel policy management, benefits administration, and workers' compensation.

ADMINISTRATIVE SERVICES/FINANCE

The Finance Department consists of five employees: Finance Officer, Accountant, Purchasing Agent, Accounting Technician, and Customer Service Clerk. The Finance Department is responsible for administering all financial affairs of the Town including accounting, budgeting, purchasing, payroll, billing and collections.

DEVELOPMENT SERVICES

The Development Services Department is responsible for all planning and development for the Town by facilitating sustainable growth and promoting balance of the built and natural environment through professional guidance, community involvement and equitable enforcement. Staffing for Development Services includes the Development Services Director, two Senior Planners, a Planer, Code Enforcement Officer/Planner, and a Planning Technician.

TOWN OF KNIGHTDALE, NORTH CAROLINA
RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)

PUBLIC SAFETY

Public Safety consists of two separate departments: Fire and Police.

The Fire Department is made up of thirteen full-time employees including the Fire Chief, 3 Captains, 3 Lieutenants, and 6 Firefighters and is supplemented with limited service (part-time) firefighters as well as volunteers. The Fire Department's mission is to build partnership with the community in an effort to provide fire suppression and prevention in order to promote safety and security.

The Knightdale Police Department is guided by its mission, "To ensure the safety and security of all who live, work and visit the Town of Knightdale through professional policing and community partnerships." This mission is supplemented by the agency's core values of professionalism, respect, integrity, dedication, and ethical conduct. There are currently 31 sworn employees and 2 civilian members serving in the department. The agency's Command Staff is comprised of the Chief of Police, two Division Captains, and a civilian Administrative Division Manager. Four Lieutenants and 5 Sergeants are responsible for the department's frontline supervision. Two Detectives are tasked with investigating serious criminal offenses, and the department's day to day operations are anchored by 14 Officers, including 2 School Resource Officers, 4 Traffic Officers and 1 K-9 Officers. Records management and clerical functions are performed by a civilian Administrative Assistant.

PUBLIC WORKS

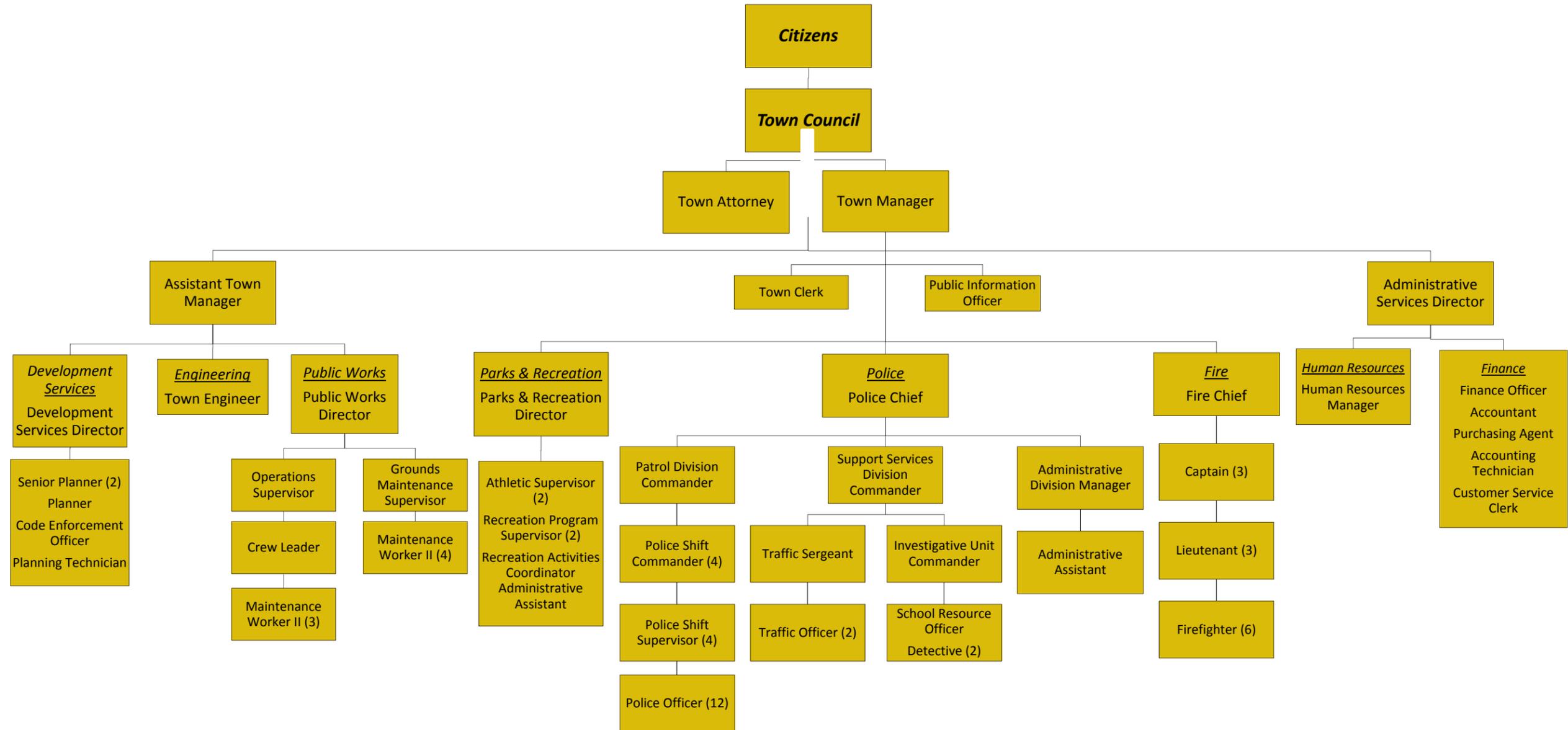
The Public Works Department consists of three divisions: Operations, Grounds, and IT. There are 11 employees including the Public Works Director, Operations Supervisor, Grounds Maintenance Supervisor, Crew Leader, and 7 Maintenance Workers. Their responsibilities include administration of Town projects, storm water, street, vehicle, and building maintenance as well as landscaping and maintenance of all town property. The Information Technology division provides technology solutions, services and support to all departments and is currently being outsourced to a third party vendor.

PARKS AND RECREATION

The focus of the Parks and Recreation Department is enhancing the quality of life for citizens by providing a variety of passive and active leisure opportunities including a system of parks, greenways, recreation facilities, open space areas, adult and youth instructional and athletic programs, youth day camps, swimming programs. The department consists of a Parks and Recreation Director, Recreation Program Supervisor, 2 Athletic Supervisors, Recreation Program Supervisor, Recreation Activities Coordinator, and an Administrative Assistant.



ORGANIZATIONAL CHART





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This section includes the independent auditor's report, the management discussion and analysis, the basic financial statements (government-wide and fund financial statements), notes to financial statements and required supplemental information other than management discussion and analysis (budget to actual comparison of major governmental funds and pension schedules).

FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Knightdale, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Knightdale, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Knightdale, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and General Capital Reserve Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Total Pension Liability as a Percentage of Covered Payroll and Changes in Total Pension Liability, the Schedule of Changes in the Total OPEB Liability and Related Ratios and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

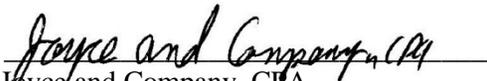
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Knightdale, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and accompanying Schedule of Expenditures of Federal and State Awards as required by the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2018 on our consideration of the Town of Knightdale’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Knightdale’s internal control over financial reporting and compliance.


Joyce and Company, CPA
Cary, North Carolina

November 19, 2018



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Knightdale, we offer readers of the Town of Knightdale's comprehensive annual financial report this narrative overview and analysis of the financial activities of the Town of Knightdale for the fiscal year ended June 30, 2018. Readers are encouraged to read the information presented here in conjunction with the transmittal letter located on pages 1-5 of this report and additional information that we have furnished in the Town's financial statements, which follow this narrative.

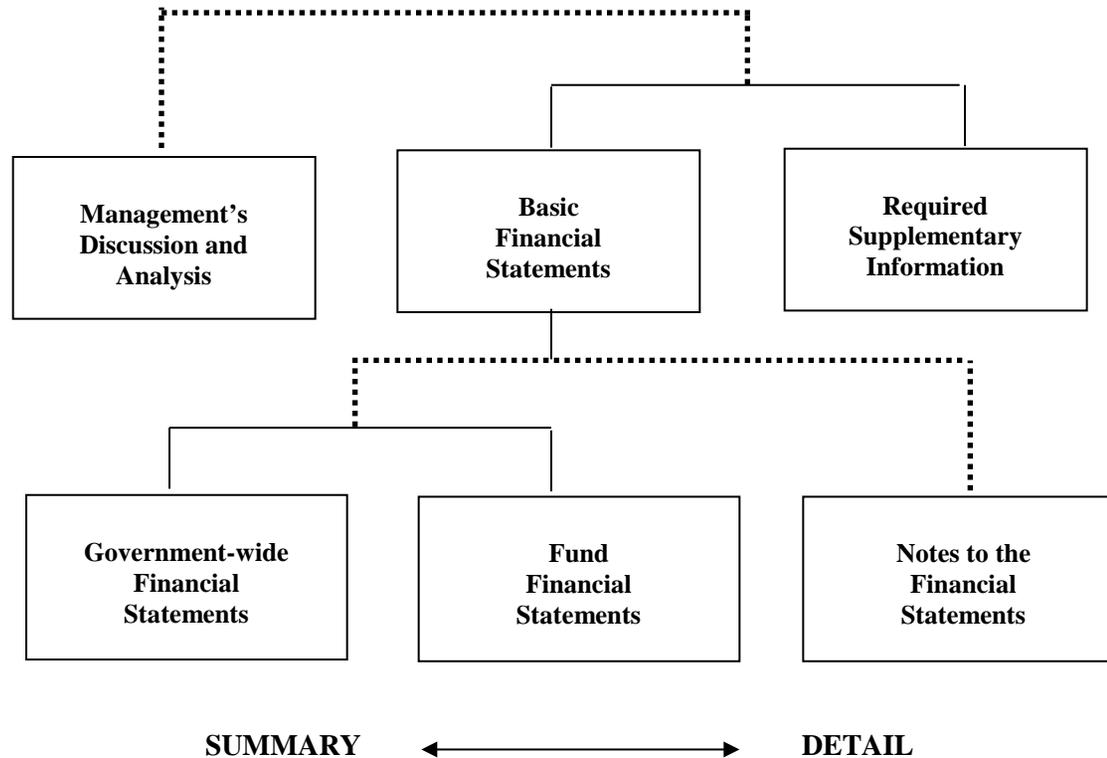
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Town of Knightdale exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$77,812,502 (*net position*).
- The Town's total net position increased over the course of this year's operations by \$15,131,070 (24.14%). Net position for business-type activities increased \$1,446 (1.53%). The net position related to governmental activities increased \$15,129,624 (24.17%).
- Knightdale no longer owns nor operates the water and sewer utility system in the Town. Knightdale has chosen to maintain the water and sewer proprietary funds because of the internal controls inherent with these funds. Knightdale now collects water and sewer fees and charges on behalf of the City of Raleigh. Amounts collected on behalf of Raleigh are remitted to the City of Raleigh by the middle of the following month.
- As of the close of the current fiscal year, the Town of Knightdale's governmental funds reported combined ending fund balances of \$12,108,157 with a net decrease of \$2,315,513 in fund balance. Approximately 30.55% of this total amount, or \$3,699,011 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,073,919 or 24.81% of total general fund expenditures (including transfers to other funds) for the fiscal year. The Town Council's policy is that this ratio should be 25% as of fiscal year end.
- Fund balance available for appropriation is specified in NC General Statute 159-8(a) and does include amounts which are limited in purpose. The fund balance available for appropriation in the General Fund as of June 30, 2018 was \$5,781,367 or 35.83 % of the General Fund's expenditures, transfers out and adjusted for debt financed expenditures.
- The Town of Knightdale's current debt due within one year for general obligation and installment notes (\$745,371) decreased \$534,523 during the current fiscal year due to early retirement of debt and prepayment of an amount due in July 2018. Of this amount, the City of Raleigh will transfer \$151,789 to the Town to fund water and sewer debt which could not legally be transferred to Raleigh in the utility merger.
- The Town of Knightdale's total debt decreased by \$2,038,226 (20.41%) during the current fiscal year.
- The Town of Knightdale maintained its bond ratings of AA, A2, and 82 with Standard and Poor's, Moody's, and the North Carolina Municipal Council respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Knightdale's basic financial statements. This annual report consists of four components: 1) management's discussion and analysis (this section), 2) government-wide financial statements, 3) fund financial statements, and 4) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Knightdale.

Figure 1
Required Components of Annual Financial Report



Basic Financial Statements

- The first two statements (Exhibits 1 and 2) in the basic financial statements are **Government-wide Financial Statements**. They provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements (Exhibit 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those financial statements. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. Figure 2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2

Major Features of the Town of Knightdale's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary, such as public safety and parks.	Activities the Town operates similar to private businesses; the water and sewer system.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short term and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2 of this report) are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial health, or condition.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, additional non-financial factors such as changes in the Town's property tax rate and the condition of the Town's roads should be considered.

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities** - Most of the Town's basic services are included here, such as the police, fire, public works, parks and recreation departments, and general administration. Property taxes, local option sales taxes, and state and federal grant funds finance most of these activities.
- **Business-type activities** - During fiscal year 2006, the Town's water and sewer system was merged with the City of Raleigh's utility system. More thorough information is included under "BUSINESS-TYPE ACTIVITIES" and "FINANCIAL ANALYSIS OF THE TOWN'S FUNDS" later in this document. These funds are maintained as internal controls for the fees and charges collected on behalf of Raleigh and debt payments which could not legally be assumed by the City of Raleigh.

Fund Financial Statements

The fund financial statements (Exhibits 3-8) provide more detailed information about the Town's most significant activities - not the Town as a whole. A fund is a grouping of related accounts that the Town uses to maintain control over specific sources of funding and spending that have been segregated for specific activities or objectives. The Town of Knightdale, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Knightdale can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on (1) how *cash and other* financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps you determine whether there are more or less financial resources available that can be spent in the near future to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Knightdale adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Knightdale uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 50-85 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Knightdale's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 86 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure 3
Town of Knightdale's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,612,249	\$ 15,975,547	\$ 1,195,835	\$ 1,258,699	\$ 14,808,084	\$ 17,234,246
Capital assets	<u>81,947,125</u>	<u>61,791,931</u>	<u>-</u>	<u>-</u>	<u>81,947,125</u>	<u>61,791,931</u>
Total Assets	<u>95,559,374</u>	<u>77,767,478</u>	<u>1,195,835</u>	<u>1,258,699</u>	<u>96,755,209</u>	<u>79,026,177</u>
Total Deferred Outflows of resources	1,015,832	1,371,630	-	-	1,015,832	1,371,630
Long-term liabilities outstanding	15,561,062	13,377,341	440,632	592,421	16,001,694	13,969,762
Other liabilities	<u>2,124,365</u>	<u>2,744,830</u>	<u>659,379</u>	<u>571,900</u>	<u>2,783,744</u>	<u>3,316,730</u>
Total Liabilities	<u>17,685,427</u>	<u>16,122,171</u>	<u>1,100,011</u>	<u>1,164,321</u>	<u>18,785,438</u>	<u>17,286,492</u>
Total Deferred inflows of resources	1,173,101	429,883	-	-	1,173,101	429,883
Net position:						
Invested in capital assets, net of related debt	74,593,140	52,553,720	-	-	74,593,140	52,553,720
Restricted	3,465,478	4,888,416	-	-	3,465,478	4,888,416
Unrestricted	<u>(341,940)</u>	<u>5,144,918</u>	<u>95,824</u>	<u>94,378</u>	<u>(246,116)</u>	<u>5,239,296</u>
Total net position	<u>\$ 77,716,678</u>	<u>\$ 62,587,054</u>	<u>\$ 95,824</u>	<u>\$ 94,378</u>	<u>\$ 77,812,502</u>	<u>\$ 62,681,432</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Knightdale exceeded liabilities and deferred inflows by \$77,812,502 as of June 30, 2018. The Town's net position increased by \$15,131,070 for the fiscal year ended June 30, 2018. However, the largest portion (95.86%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Knightdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Knightdale's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Knightdale's net position, \$3,465,478 (4.45%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(246,116) (.32%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The following items also affected the financial position of the Town.

- Wake County bills and collects all property tax due to the Town of Knightdale. The percent of net levy collected for the year was 99.85%, decreasing slightly from 99.88% in the prior year. The statewide average tax collection percentage was 98.92% for FY 2016-2017.
- The Town's assessed value at year end (\$1,666,555,814) grew 7.11% as compared to fiscal year 2017 values. The Town continues to benefit from construction of new homes, apartments and retail establishments. Property tax collections were up 7.11%.
- The property tax rate remained the same in fiscal year 2017 at \$0.43 per \$100 of assessed property value.
- Local option sales tax revenues increased by \$100,766 (3.53%) mainly due to improvement in the local economy of Wake County and an increase in Knightdale's population which is used by the State of North Carolina Department of Revenue to distribute sales tax revenue among the various towns in Wake County. Knightdale's estimated population increased from 13,786 (.7455%) to 15,849 (.74602%).
- Total Governmental Fund expenditures increased by \$5,281,413 (43.87%) during fiscal year 2018 primarily due increased capital outlay expenditures and four additional personnel positions throughout the Town's departments.
- Debt service expenditures in the General Fund increased by \$1,105,967 in fiscal year 2018 primarily due to early retirement of note debt (\$846,450) and prepayment of bond debt (\$243,362) due in July 2018.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net position by \$15,129,624, thereby accounting for most of the total growth in net position of the Town of Knightdale. Key elements of this increase are as follows:

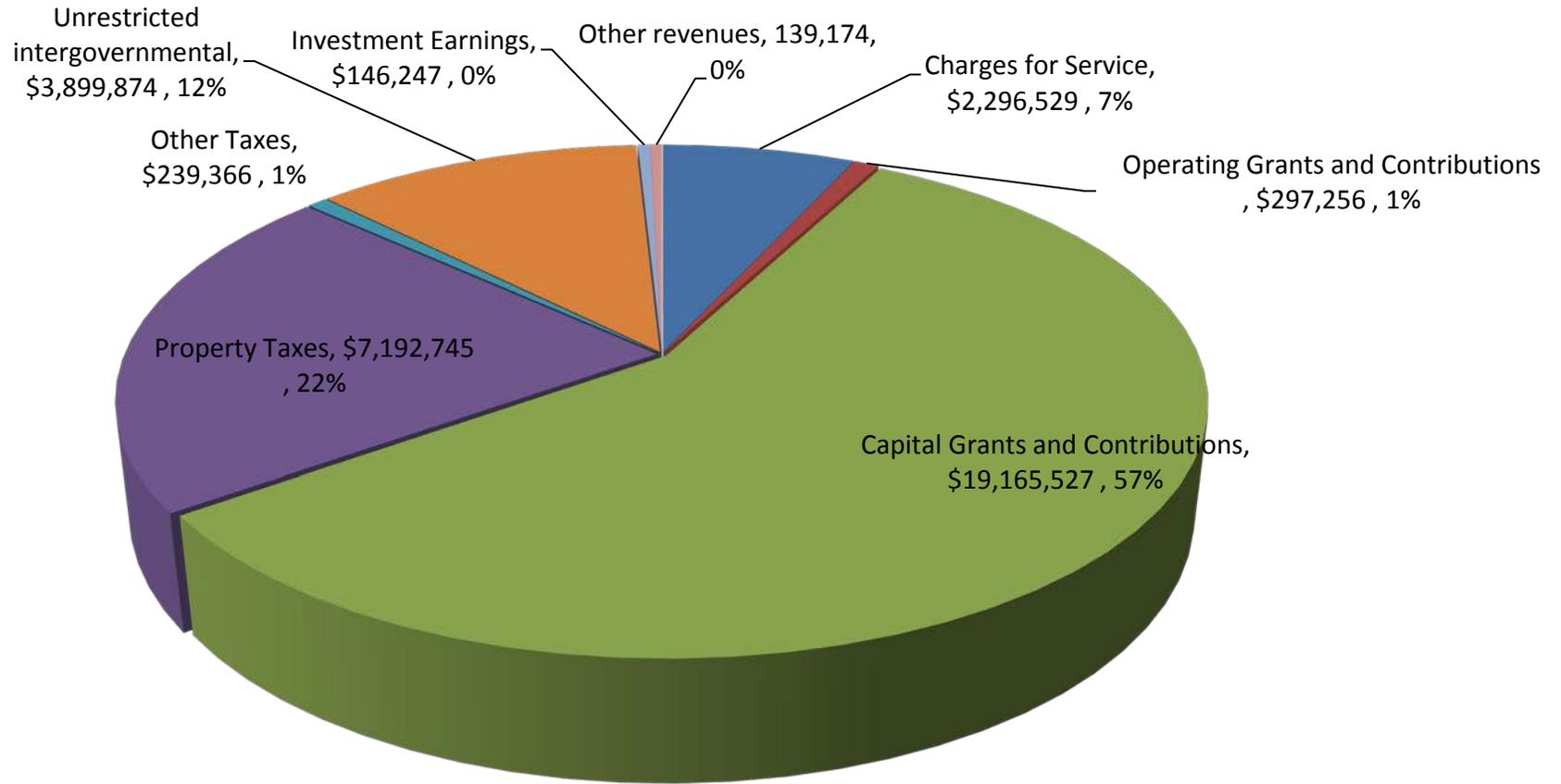
Revenues-Governmental Activities

- Ad Valorem Taxes make up 21.6% of the governmental activity revenue and have traditionally been the single most important revenue source for funding local government operations. Property taxes are expected, over the long term, to remain one of the top two revenue sources for the Town. The Town's tax rate during fiscal year 2018 was 43 cents with an assessed value of \$1,666,555,814 (per Wake County tax report). Knightdale's tax base grew 7.11% from fiscal year 2017. The Town continues to experience commercial and residential growth. Wake County continues to act as a tax collector for the Town, with current year collections at 99.85%.
- Developers contributed \$18,145,798 of land, roads, and infrastructure improvements to the Town during the current fiscal year. While the infrastructure provided by the new development is a cost the Town avoids, the infrastructure is not a resource that can be used to retire financial obligations.
- Unrestricted intergovernmental revenue is also a large revenue source accounting for 11.7% of total governmental revenues. Local option sales tax accounts for a majority of this category. The sales tax is basically a tax on the retail sale or lease of tangible personal property. Although the Town does not levy these taxes, they share in the proceeds collected for Wake County, in which the Town is located. Intergovernmental revenues also include state collected reimbursements for franchise taxes, wine and beer tax and ABC profits.

Figure 4
Town of Knightdale Changes in Net Position

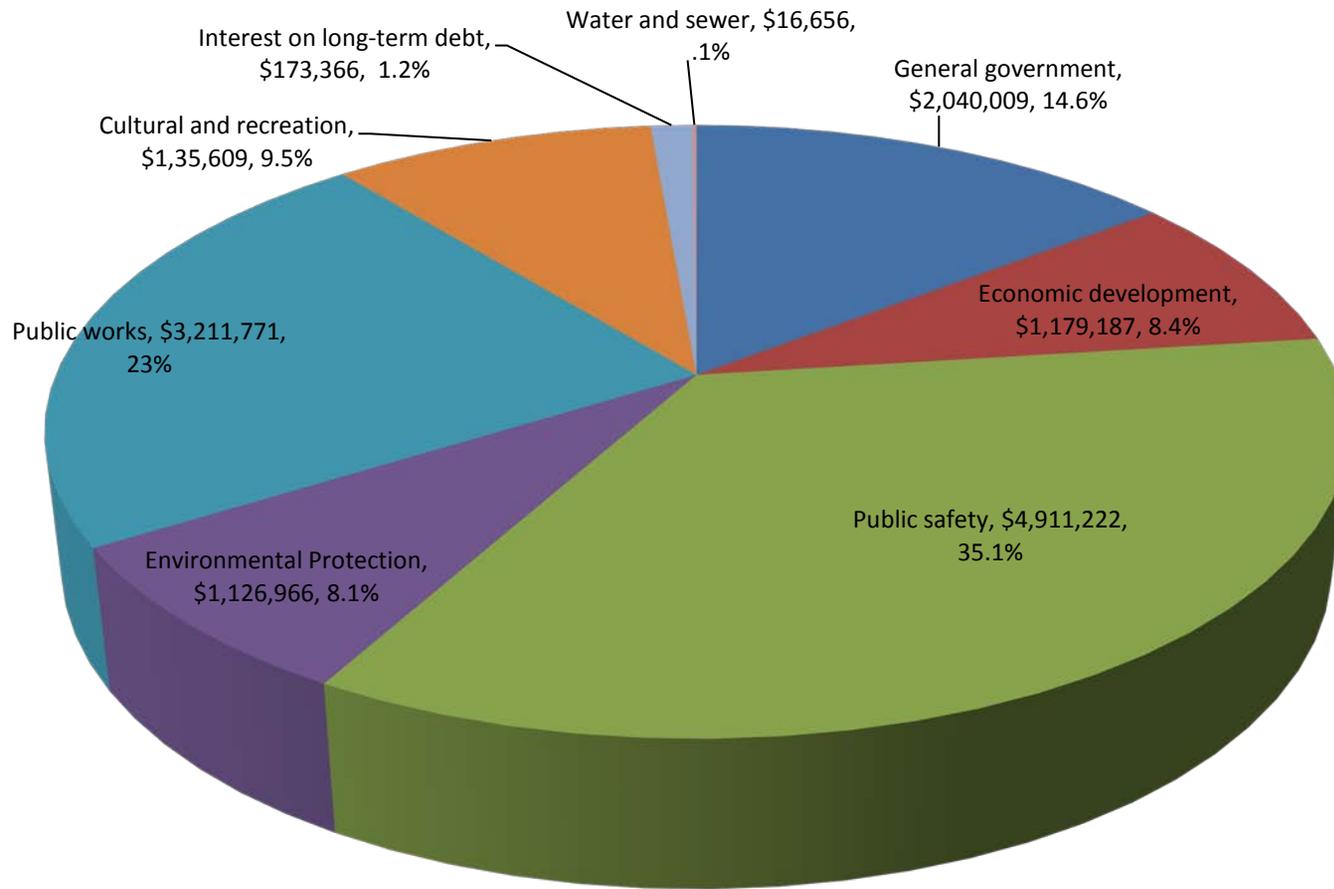
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,296,529	\$ 2,155,322	\$ -	\$ -	\$ 2,296,529	\$ 2,155,322
Operating grants and contributions	297,256	632,335	-	-	297,256	632,335
Capital grants and contributions	19,165,527	10,744,304	-	-	19,165,527	10,744,304
General revenues:						
Property taxes	7,192,745	6,709,702	-	-	7,192,745	6,709,702
Other taxes	239,366	230,023	-	-	239,366	230,023
Grants and contributions not restricted to specific programs	3,899,874	3,770,758	-	-	3,899,874	3,770,758
Unrestricted investment earnings	128,145	68,483	18,102	21,908	146,247	90,391
Other revenues	139,174	161,061	-	-	139,174	161,061
Total revenues	<u>33,358,616</u>	<u>24,471,988</u>	<u>18,102</u>	<u>21,908</u>	<u>33,376,718</u>	<u>24,493,896</u>
Expenses:						
General government	2,040,009	1,790,288	-	-	2,040,009	1,790,288
Public safety	4,911,222	4,448,548	-	-	4,911,222	4,448,548
Transportation	3,211,771	3,015,025	-	-	3,211,771	3,015,025
Environmental protection	1,126,966	991,916	-	-	1,126,966	991,916
Economic and physical development	1,179,187	673,850	-	-	1,179,187	673,850
Cultural and recreational	1,335,609	1,623,863	-	-	1,335,609	1,623,863
Interest on long-term debt	173,366	215,103	-	-	173,366	215,103
Water and sewer	-	-	16,656	20,566	16,656	20,566
Total expenses	<u>13,978,130</u>	<u>12,758,593</u>	<u>16,656</u>	<u>20,566</u>	<u>13,994,786</u>	<u>12,779,159</u>
Change in net position	19,380,486	11,713,395	1,446	1,342	19,381,932	11,714,737
Net Position-beginning (as previously stated)	62,587,054	51,508,538	94,378	93,036	62,681,432	51,601,574
Adjustment to beginning net position	<u>(4,250,862)</u>	<u>(634,879)</u>	<u>-</u>	<u>-</u>	<u>(4,250,862)</u>	<u>(634,879)</u>
Net Position-June 30	<u>\$ 77,716,678</u>	<u>\$ 62,587,054</u>	<u>\$ 95,824</u>	<u>\$ 94,378</u>	<u>\$ 77,812,502</u>	<u>\$ 62,681,432</u>

Figure 5 Town of Knightdale Revenues by Source Fiscal Year 2018



The Town of Knightdale's total revenues were \$33,376,718 for the fiscal year ended June 30, 2018.

**Figure 6
Town of Knightdale
Expenses by Function
Fiscal Year 2018**



The Town of Knightdale's total expenses were \$13,994,786 for the fiscal year ended June 30, 2018.

- Restricted intergovernmental revenues \$660,587 make up 1.98% of total governmental activities revenues. The Town received grants from the county and state for public safety staffing costs, PEG channel support, and street improvements and maintenance, as well as, amounts from the Federal Emergency Management Agency for public safety staffing costs and the start of the splash pad project at Knightdale Station Park.
- Powell Bill funds are generated from the State’s Gasoline Tax. A certain percentage of this tax is returned to municipalities through a formula based on a Town’s population and street mileage. These funds are limited to maintaining, repairing, construction, reconstruction, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other related needs. Powell Bill funding of \$356,272 increased 2.11% this year and is included in Capital Grants and Contributions.
- Charges for services, which include recreation, sanitation, storm water fees, permits and fees revenues, increased by \$141,207 (6.55%) this year. Effective July 1, 2012 the Town implemented a new storm water fee of \$2.00 per residential unit which generated \$302,204 in revenue during the current year. Sanitation fees increased by 11.77% from increases in cost for service and growth. Development fees increased despite decreases in both single-family permits and total permits issued of 30% and 10% respectively due to a significant increase in commercial activity of \$34,637,362 or 60.84% relative to the prior fiscal year.

Expenses-Governmental Activities

- The primary expenses are divided into seven different categories: General Government, Public Safety, Transportation, Environmental Protection, Economic Development, Cultural and Recreational, and Debt Service.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the Town of Knightdale’s net position by \$1,446.

On May 1, 2006, the Town of Knightdale and the City of Raleigh merged the water and sewer systems. The financial information presented in the basic financial statements shows the residual “wrap up” work from settling accounts and debt service payments. Following are the key points to the merger and current operations.

- The Town of Knightdale cannot legally transfer the debt associated with the Water and Sewer Fund. As part of the merger agreement, the City of Raleigh will make periodic payments to the Town of Knightdale as debt service payments come due. The City of Raleigh carries an AAA bond rating.
- Knightdale accepts certain water and sewer fees from developers and builders. Depending on the nature of the fees, the money is either transferred to Raleigh on a monthly basis, held in reserve to fund infrastructure reimbursements to developers, or fund water and sewer line extensions to annexed areas.
- The City of Raleigh reimbursed the Town of Knightdale \$170,944 for debt service payments made during the fiscal year ended June 30, 2018.
- The Town of Knightdale remitted to the City of Raleigh \$2,505,566 in development fees collected on behalf of the City of Raleigh during fiscal year 2018.
- The Town of Knightdale anticipates completing the payoff of the merger agreement with the City of Raleigh at the end of fiscal year 2017-2018.
- Town residents began paying City of Raleigh water and sewer rates effective July 1, 2018.

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS

As noted earlier, the Town of Knightdale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town of Knightdale’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Knightdale’s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Knightdale. At the end of the current fiscal year, Town of Knightdale's fund balance available in the General Fund was \$5,231,709 while total fund balance for the General Fund reached \$8,224,946. The Town Council of the Town of Knightdale has determined that the Town should maintain an available fund balance of 25% of General Fund expenditures and interfund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 32.42% of General Fund expenditures and transfers out adjusted for debt-financed expenditures, while total fund balance represents 50.98% of the same amount. This ratio is used by the Town Council for internal management purposes. Available Fund balance less restricted funds at year-end in excess of 40% of expenditures and interfund transfers will be transferred to the General Capital Project Capital Reserve Fund in the following fiscal year.

At June 30, 2018, the governmental funds of the Town of Knightdale reported a combined fund balance of \$12,108,157, with a net decrease in fund balance of \$2,315,513 (16.05%) over last year. Included in this change in fund balance are decreases in the General Fund and General Capital Reserve Fund with an increase in Non-Major Funds.

General Fund Budgetary Highlights-Fiscal Year 2018

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Property tax revenues increased 7.11% over the previous year, while sales tax revenues increased by 3.53%. The growth in sales tax revenue is due to a general improvement in the economy and the population growth of Knightdale and Wake County. Expenditures were held in check to comply with its budgetary requirements and lower than anticipated due do position vacancies uncompleted capital projects and purchases.

General Capital Projects – Capital Reserve Fund- Fiscal Year 2018

As of June 30, 2018, the General Capital Projects – Capital Reserve Fund had a fund balance of \$2,348,068. Of this amount \$502,829 is restricted for street improvement projects. The remaining balance is assigned or designated for future capital projects. During the current fiscal year, the fund balance decreased by \$2,319,513 due primarily to interfund transfers out totaling \$3,081,842 partially offset by transfers in of \$411,256, motor vehicle revenues of \$131,239, and permits and fees of \$188,121. The General Fund transferred \$411,256 (representing \$0.025 of the current tax levy and available fund balance in excess of 40%) to the General Capital Projects - Capital Reserve Fund during fiscal year 2018. During fiscal year 2018 \$1,460,370 was transferred to the General Fund for annual debt service costs for Knightdale Station Park, splash pad grant match, and early retirement of park debt. An additional \$1,621,472 was transferred to Capital Project Funds for Knightdale Station Park Phase III (\$1,204,706) and the new Public Works Facility (\$416,766).

Proprietary Fund Highlights- Fiscal Year 2018

As discussed above, the Utility Fund shown in these financial statements is a shell of its former self. The Town of Knightdale does not maintain any water and sewer operations. The various funds are maintained for the internal controls they provide in collecting fees to be either remitted to Raleigh on a monthly basis, used to reimburse developers under previous developer agreements, or to fund water and sewer additions to newly annexed areas. In the final scenario, Knightdale is responsible for providing the infrastructure to newly annexed areas, but the City of Raleigh will take title to the lines once the project is complete. The budgeted amounts are presented on the modified accrual basis. Because Knightdale has no ownership of any of the revenues, they are eliminated in the conversion to full accrual.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Knightdale's investment in capital assets for its governmental activities as of June 30, 2018, totals \$81,947,125 net of accumulated depreciation and including construction in progress. These assets include land, buildings, machinery, equipment, roads and infrastructure, vehicles and park facilities. The Town does not retain any business-type capital assets. As discussed previously, all business-type capital assets were transferred to the City of Raleigh per merger agreement. Major capital asset transactions during the year include the following.

- The Town of Knightdale expended \$1,013,271 on capital projects at Knightdale Station Park.
- The Town received \$18,145,798 in land, roads, and infrastructure from developers.
- The Town expended \$2,977,561 for the purchase of new vehicles, equipment, buildings, land, and other improvements.

Additional information on the Town’s capital assets can be found in Note 2.A.3 of the Basic Financial Statements.

Figure 7
Town of Knightdale’s Capital Assets
(net of depreciation)

	Governmental Activities	
	2018	2017
Land and improvements	\$ 17,626,931	\$ 14,723,782
Construction in progress	\$ 2,180,247	\$ 413,651
Streets and infrastructure	\$ 48,004,863	\$ 32,857,950
Building	\$ 2,557,035	\$ 2,676,287
Other improvements	\$ 10,015,829	\$ 10,379,230
Intangibles	\$ 38,050	\$ 52,727
Equipment	\$ 218,060	\$ 202,042
Vehicles and motorized equipment	\$ 1,306,110	\$ 486,262
Total	\$81,947,125	\$61,791,931

Long-term Debt

As of June 30, 2018, the Town of Knightdale had total bonded debt outstanding of \$2,804,000. This outstanding debt is backed by the full faith and credit of the Town. Of that total, \$592,421 is debt related to the utility system. The merger agreement with the City of Raleigh requires the City to make periodic transfers to Knightdale to fund these debt service payments. The remaining Town debt balance of \$5,142,406 relates to installment purchase agreements for land, buildings, equipment and vehicles. The Town of Knightdale’s total debt decreased by \$2,038,226 (20.41%), during the past fiscal year, due to its ability to repay outstanding debt and new issuance of \$288,118 for partial funding of a replacement fire truck.

As mentioned in the financial highlights section of this document, the Town of Knightdale maintained its bonds ratings of AA, A2 and 82 with Standard and Poor’s, Moody’s, and the North Carolina Municipal Council, respectively. This bond rating is a clear indication of the sound financial condition of the Town of Knightdale. This is a primary factor in keeping interest costs low on the Town’s outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Knightdale is \$125,970,480, which is well above the Town’s current total debt outstanding.

Additional information regarding the Town of Knightdale’s long-term debt can be found in the Note 2.B.5 of this report.

Figure 8
Town of Knightdale's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 2,211,579	\$ 2,666,579	\$ 592,421	\$ 746,421	\$ 2,804,000	\$ 3,413,000
Installment purchase agreements	5,142,406	6,571,632	-	-	5,142,406	6,571,632
Eastern Wake Volunteer Fire Dept.	-	-	-	-	-	-
Total outstanding debt	<u>\$ 7,353,985</u>	<u>\$ 9,238,211</u>	<u>\$ 592,421</u>	<u>\$ 746,421</u>	<u>\$ 7,946,406</u>	<u>\$ 9,984,632</u>

RESTRICTED FUNDS

The Police Department received zero funding in restricted revenue and controlled substance taxes this year as the Town's share of drug money seized during police activity. As of June 30, 2018, the Town has \$6,014 reserved for drug enforcement and police purposes. The money will be used to purchase necessary equipment and support anti-drug activity. The Fire Department received \$8,522 distribution for the Firemen's Relief Fund from the NC Department of Insurance. The accumulated funds totaling \$44,110 are available to provide immediate relief to firemen or their families in the event of a firefighting injury. These restricted funds totaling \$50,124 are shown as fund balance reserved for public safety in the General Fund.

NEXT YEAR'S BUDGET'S HIGHLIGHTS & ECONOMIC FACTORS

- Tax Rate for fiscal year 2019 remains the same at \$0.43 per \$100 of assessed value.
- No cost of living adjustment for Town employees was included in fiscal year 2019 budget.
- There was no change to fees for sanitation and recycling services, which are provided weekly.
- The Town's water and sewer are provided and billed by the City of Raleigh at City of Raleigh rates beginning July 1, 2018 with the completion of the merger.
- Storm water fees increased to \$4.00 from \$2.00 per month for each residential equivalent unit (ERU = 2,200 square feet) to provide additional funding for the Town's storm water needs.
- Fiscal year 2019 capital improvement budget includes funding for improvements to complete development of Knightdale Station Park, splash pad at Knightdale Station Park, the extension of the Mingo Creek Greenway, the construction of a new Public Works Facility, and the first phase of an athletic complex on Forestville Road.

REQUESTS FOR INFORMATION

This report is designated to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Knightdale, 950 Steeple Square Court, Knightdale, N.C. 27545.



July 4th Fireworks at Knightdale Station Park



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BASIC FINANCIAL STATEMENTS

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET POSITION

June 30, 2018

EXHIBIT 1

Page 1 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,526,502	\$ 603,414	\$ 11,129,916
Restricted cash	1,290,428	-	1,290,428
Receivables:			
Taxes	61,150	-	61,150
Accounts	166,039	-	166,039
Notes-current	-	151,789	151,789
Due from other governments	1,334,597	-	1,334,597
Prepaid expenses	233,533	-	233,533
Total current assets	<u>13,612,249</u>	<u>755,203</u>	<u>14,367,452</u>
Non-current assets:			
Note receivable-noncurrent	-	440,632	440,632
Capital assets:			
Land, improvements and construction in progress	19,807,178	-	19,807,178
Other capital assets, net of depreciation	62,139,947	-	62,139,947
Total capital assets	<u>81,947,125</u>	<u>-</u>	<u>81,947,125</u>
Total assets	<u>95,559,374</u>	<u>1,195,835</u>	<u>96,755,209</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	932,949	-	932,949
OPEB deferrals	82,883	-	82,883
Total deferred outflows of resources	<u>1,015,832</u>	<u>-</u>	<u>1,015,832</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET POSITION

June 30, 2018

EXHIBIT 1

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,191,990	\$ 506,482	\$ 1,698,472
Accrued interest	95,235	1,108	96,343
Due within one year:			
Compensated absences	243,558	-	243,558
Bonds and notes payable	593,582	151,789	745,371
Due in more than one year:			
Compensated absences	126,479	-	126,479
Total OPEB liability	6,429,457	-	6,429,457
Total pension liability (LEO)	1,121,847	-	1,121,847
Net pension liability (LGERS)	1,122,876	-	1,122,876
Bonds and notes payable	6,760,403	440,632	7,201,035
Total liabilities	<u>17,685,427</u>	<u>1,100,011</u>	<u>18,785,438</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes and grant proceeds	169,307	-	169,307
Pension deferrals	264,196	-	264,196
OPEB deferrals	739,598	-	739,598
Total deferred inflows of resources	<u>1,173,101</u>	<u>-</u>	<u>1,173,101</u>
NET POSITION			
Net investment in capital assets	74,593,140	-	74,593,140
Restricted for Stabilization by State Statute	2,210,045	-	2,210,045
Restricted for Powell Bill	350,678	-	350,678
Restricted for public safety	50,124	-	50,124
Restricted for loan covenant	148,857	-	148,857
Restricted for streets	502,829	-	502,829
Restricted for Storm Water	202,945	-	202,945
Unrestricted	(341,940)	95,824	(246,116)
Total net position	<u>\$ 77,716,678</u>	<u>\$ 95,824</u>	<u>\$ 77,812,502</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018

EXHIBIT 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 2,040,009	\$ 386,222	\$ 168,127	\$ -	\$ (1,485,660)	\$ -	\$ (1,485,660)
Public safety	4,911,222	-	47,663	-	(4,863,559)	-	(4,863,559)
Transportation	3,211,771	187,053	-	19,005,830	15,981,112	-	15,981,112
Environmental protection	1,126,966	1,183,579	21,354	-	77,967	-	77,967
Economic and physical development	1,179,187	-	53,512	-	(1,125,675)	-	(1,125,675)
Cultural and recreational	1,335,609	539,675	6,600	159,697	(629,637)	-	(629,637)
Interest on long-term debt	173,366	-	-	-	(173,366)	-	(173,366)
Total governmental activities	<u>13,978,130</u>	<u>2,296,529</u>	<u>297,256</u>	<u>19,165,527</u>	<u>7,781,182</u>	<u>-</u>	<u>7,781,182</u>
Business-type activities							
Water and sewer	<u>16,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,656)</u>	<u>(16,656)</u>
TOTAL	<u>\$ 13,994,786</u>	<u>\$ 2,296,529</u>	<u>\$ 297,256</u>	<u>\$ 19,165,527</u>	<u>7,781,182</u>	<u>(16,656)</u>	<u>7,764,526</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes					7,192,745	-	7,192,745
Other taxes and licenses					239,366	-	239,366
Grants and contributions not restricted to specific programs					3,899,874	-	3,899,874
Unrestricted investment earnings					128,145	18,102	146,247
Miscellaneous					139,174	-	139,174
Total general revenues					<u>11,599,304</u>	<u>18,102</u>	<u>11,617,406</u>
Change in Net Position					<u>19,380,486</u>	<u>1,446</u>	<u>19,381,932</u>
Net Position-beginning (as previously stated)					62,587,054	94,378	62,681,432
Adjustment to beginning net position					(4,250,862)	-	(4,250,862)
Net Position-beginning (as restated)					<u>58,336,192</u>	<u>94,378</u>	<u>58,430,570</u>
Net Position-ending					<u>\$ 77,716,678</u>	<u>\$ 95,824</u>	<u>\$ 77,812,502</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

EXHIBIT 3

Page 1 of 2

ASSETS

	Major		Total	Total
	General	Capital Project Capital Reserve	Nonmajor Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 7,304,558	\$ 1,845,238	\$ 1,376,706	\$ 10,526,502
Restricted cash	584,654	502,829	202,945	1,290,428
Receivables:				
Taxes	61,150	-	-	61,150
Accounts	159,390	-	6,649	166,039
Due from other governments	1,274,775	-	59,822	1,334,597
Prepaid expenditures	233,533	-	-	233,533
TOTAL ASSETS	\$ 9,618,060	\$ 2,348,067	\$ 1,646,122	\$ 13,612,249

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 881,614	\$ -	\$ 104,329	\$ 985,943
Accrued salaries	206,047	-	-	206,047
TOTAL LIABILITIES	1,087,661	-	104,329	1,191,990

DEFERRED INFLOWS OF RESOURCES

Property taxes receivable	61,150	-	-	61,150
Prepaid taxes and licenses	1,949	-	-	1,949
Accounts receivable	74,997	-	6,649	81,646
Prepaid grants and sponsorships	167,357	-	-	167,357
TOTAL DEFERRED INFLOWS OF RESOURCES	305,453	-	6,649	312,102

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

EXHIBIT 3

	Major		Total	Total
	General	Capital Project Capital Reserve	Nonmajor Governmental Funds	Governmental Funds
FUND BALANCES				
Nonspendable				
Prepaid expenditures	\$ 233,533	\$ -	\$ -	\$ 233,533
Storm Water	-	-	197,664	197,664
Restricted				
Stabilization by State Statute	2,210,045	-	-	2,210,045
Streets - Powell Bill funds	350,678	-	-	350,678
Public safety	50,124	-	-	50,124
Streets - payment in lieu of street improvements	-	502,829	-	502,829
Storm Water	-	-	5,281	5,281
Debt service	148,857	-	-	148,857
Assigned				
Subsequent year's expenditures	1,157,790	-	-	1,157,790
Recreation	-	12,737	-	12,737
Storm Water	-	-	370,229	370,229
Capital Projects Fund	-	1,832,501	961,970	2,794,471
Unassigned	4,073,919	-	-	4,073,919
TOTAL FUND BALANCES	8,224,946	2,348,067	1,535,144	12,108,157
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 9,618,060	\$ 2,348,067	\$ 1,646,122	\$ 13,612,249

Page 2 of 2

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

June 30, 2018

EXHIBIT 3

Fund balances-total governmental funds \$ 12,108,157

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$102,597,368	
Less accumulated depreciation	<u>(20,650,243)</u>	81,947,125

Deferred outflows of resources related to pensions are not reported in the funds		932,949
Deferred outflows of resources related to OPEB are not reported in the funds		82,883

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Government bonds and notes payable	(7,353,985)	
Compensated absences	(370,037)	
Net pension liability (LGERS)	(1,122,876)	
Total pension liability (LEO)	(1,121,847)	
Total OPEB liability	<u>(6,429,457)</u>	(16,398,202)

Earned revenues considered deferred inflows of resources in fund statements		142,795
-----------------------------------------------------------------------------	--	---------

Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest payable		(95,235)
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Deferred inflows of resources related to pensions are not reported in the funds		(264,196)
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Deferred inflows of resources related to OPEB are not reported in the funds		<u>(739,598)</u>
-----------------------------------------------------------------------------	--	------------------

Net position of governmental activities		<u>\$ 77,716,678</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2018

EXHIBIT 4

Page 1 of 2

	Major		Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	General Capital Project Capital Reserve		
REVENUES				
Ad valorem taxes	\$ 7,194,768	\$ -	\$ -	\$ 7,194,768
Other taxes and licenses	112,987	131,239	-	244,226
Unrestricted intergovernmental	3,899,874	-	-	3,899,874
Restricted intergovernmental	660,587	-	-	660,587
Permits and fees	386,222	188,121	309,800	884,143
Sales and services	1,561,164	5,400	-	1,566,564
Investment earnings	94,407	26,673	7,065	128,145
Miscellaneous	78,556	-	-	78,556
TOTAL REVENUES	13,988,565	351,433	316,865	14,656,863
EXPENDITURES				
Current				
General government	1,945,701	-	-	1,945,701
Public safety	4,311,630	-	-	4,311,630
Transportation	1,609,776	-	-	1,609,776
Environmental protection	911,380	-	179,228	1,090,608
Economic and physical development	630,868	-	-	630,868
Cultural and recreational	1,288,372	-	-	1,288,372
Capital outlay	2,560,796	-	1,430,037	3,990,833
Debt service				
Bond and note principal	2,172,303	-	-	2,172,303
Bond and note interest and fees	280,980	-	-	280,980
TOTAL EXPENDITURES	15,711,806	-	1,609,265	17,321,071
REVENUES OVER (UNDER) EXPENDITURES	(1,723,241)	351,433	(1,292,400)	(2,664,208)

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2018

EXHIBIT 4

Page 2 of 2 (continued)

	Major		Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	General Capital Project Capital Reserve		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 1,460,370	\$ 411,256	\$ 1,921,472	\$ 3,793,098
Transfers to other funds	(711,256)	(3,081,842)	-	(3,793,098)
Sale of capital assets	60,577	-	-	60,577
Installment proceeds	288,118	-	-	288,118
TOTAL OTHER FINANCING SOURCES (USES)	1,097,809	(2,670,586)	1,921,472	348,695
NET CHANGE IN FUND BALANCE	(625,432)	(2,319,153)	629,072	(2,315,513)
FUND BALANCE - Beginning of Year	8,850,378	4,667,220	906,072	14,423,670
FUND BALANCE - End of Year	\$ 8,224,946	\$ 2,348,067	\$ 1,535,144	\$ 12,108,157

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

EXHIBIT 4
Page 1 of 2

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (2,315,513)
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 3,990,833	
Less current year depreciation	<u>(2,485,197)</u>	1,505,636

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds

Developer's contributed capital - infrastructure streets and sidewalks	18,649,558
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	342,915
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	34,526
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	80,990
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Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds

Change in unavailable revenue	(8,424)	(continued)
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The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

EXHIBIT 4
Page 2 of 2

Installment note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and installment note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Installment note proceeds	(288,118)	
Principal payments	2,172,303	
Decrease in accrued interest payable	<u>107,655</u>	1,991,840

Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Change in compensated absences	(49,774)	
Pension expense	(353,749)	
OPEB plan expense	<u>(497,519)</u>	(901,042)

Change in net position of governmental activities		<u><u>\$ 19,380,486</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2018

EXHIBIT 5

Page 1 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 7,135,833	\$ 7,135,833	\$ 7,194,768	\$ 58,935
Other taxes and licenses	148,350	105,350	112,987	7,637
Unrestricted intergovernmental revenues	3,743,500	3,808,500	3,899,874	91,374
Restricted intergovernmental revenues	1,196,126	995,082	660,587	(334,495)
Permits and fees	248,000	319,168	386,222	67,054
Sales and services	1,295,507	1,524,095	1,561,164	37,069
Investment earnings	63,421	66,000	94,407	28,407
Miscellaneous	31,000	91,385	78,556	(12,829)
TOTAL REVENUES	<u>13,861,737</u>	<u>14,045,413</u>	<u>13,988,565</u>	<u>(56,848)</u>
EXPENDITURES				
General government	1,905,718	2,076,684	1,945,701	130,983
Public safety	5,016,007	5,393,745	5,124,418	269,327
Transportation	2,184,605	3,040,178	2,658,486	381,692
Environmental protection	838,500	915,500	911,380	4,120
Economic and physical development	1,490,455	1,800,378	967,766	832,612
Cultural & recreation	1,446,912	1,834,795	1,650,772	184,023
Debt service				
Bond and note principal	1,125,894	1,972,344	2,172,303	(199,959)
Bond and note interest	214,148	245,568	280,980	(35,412)
TOTAL EXPENDITURES	<u>14,222,239</u>	<u>17,279,192</u>	<u>15,711,806</u>	<u>1,567,386</u>
Revenues over (under) expenditures	<u>(360,502)</u>	<u>(3,233,779)</u>	<u>(1,723,241)</u>	<u>1,510,538</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018
EXHIBIT 5

Page 2 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 552,500	\$ 1,471,307	\$ 1,460,370	\$ (10,937)
Transfers to other funds	(386,588)	(711,256)	(711,256)	-
Sale of capital assets	10,000	60,000	60,577	577
Installment proceeds	-	288,188	288,118	(70)
Appropriated Fund Balance	184,590	2,125,540	-	(2,125,540)
TOTAL OTHER FINANCING SOURCES (USES)	<u>360,502</u>	<u>3,233,779</u>	<u>1,097,809</u>	<u>(2,135,970)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(625,432)</u>	<u>\$ (625,432)</u>
FUND BALANCE - beginning of year			<u>8,850,378</u>	
FUND BALANCE - end of year			<u>\$ 8,224,946</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2018

EXHIBIT 6

Water & Sewer

ASSETS

Current assets:

Cash and cash equivalents	\$	603,414
Note receivable-current portion		<u>151,789</u>
Total current assets		755,203

Noncurrent assets:

Note receivable-noncurrent portion		<u>440,632</u>
TOTAL ASSETS	\$	<u><u>1,195,835</u></u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	506,482
Accrued interest		1,108
Bonds payable-current		<u>151,789</u>
Total current liabilities		659,379

Noncurrent liabilities:

Bonds payable-noncurrent		<u>440,632</u>
TOTAL LIABILITIES		<u>1,100,011</u>

NET POSITION

Unrestricted		<u>95,824</u>
TOTAL NET POSITION	\$	<u><u>95,824</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND

For The Year Ended June 30, 2018

EXHIBIT 7

OPERATING REVENUES	\$ -
OPERATING EXPENSES	<u>-</u>
Operating income	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest earnings	18,102
Interest expense	<u>(16,656)</u>
Net non-operating revenues	<u>1,446</u>
CHANGE IN NET POSITION	1,446
NET POSITION - Beginning of Year	<u>94,378</u>
NET POSITION - End of Year	<u><u>\$ 95,824</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
For The Year Ended June 30, 2018

EXHIBIT 8

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from developers	\$ 2,595,544
Cash paid to City of Raleigh for fees collected	<u>(2,505,566)</u>
Net cash provided by noncapital financing activities	<u>89,978</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Debt service reimbursement from City of Raleigh, pursuant to merger agreement	154,000
Principal paid on debt	(154,000)
Interest paid on debt	<u>(16,944)</u>
Net cash used for capital and related financing activities	<u>(16,944)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>18,102</u>
Net increase in cash and cash equivalents	91,136

Cash and cash equivalents - Beginning of the year	<u>512,278</u>
Cash and cash equivalents - End of the year	<u>\$ 603,414</u>

The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Knightdale conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. REPORTING ENTITY

The Town of Knightdale (the Town) is a municipal corporation that is governed by an elected mayor and a five member Town Council. The Town's financial statements include all funds, agencies, boards, commissions and authorities for which the Town is financially accountable. There are no component units, which are required to be included in these financial statements.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information on all of the financial activities of the Town. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the water and sewer fund and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from ancillary activities.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, Federal and State grants, state-shared revenues and various other taxes and licenses. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services.

General Capital Project - Capital Reserve Fund – The General Capital Reserve Fund is used to account for financial resources to be held for capital projects prior to construction. The budgetary comparison for the General Capital Project - Capital Reserve Fund has been included in the supplemental information.

The Town reports the following non-major governmental funds:

Storm Water Special Revenue Fund - This fund is used to account for storm water fees collected by the Town from residents and commercial businesses. Storm water fees will be used to map and maintain the storm drainage system and to provide street sweeping services to decrease or prevent pollution from storm water runoff into local streams and rivers.

Public Works Building Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of a new Public Works building.

Mingo Creek Greenway Extension Capital Project Fund - This fund is used to account for financial resources to be used for acquisition or construction related to greenways.

General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Knightdale has one Proprietary Fund, the Water and Sewer Fund. The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective May 1, 2006; however these funds remain open to collect certain utility development fees and to pay long term debt. This merger is discussed more fully in Note 6. The Town conducts no day-to-day water and sewer operations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows or resources.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Knightdale because the tax is levied by Wake County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General, Capital Reserve, Special Revenue and Proprietary Funds. All annual appropriations lapse at fiscal year-end. A project ordinance is adopted for the General Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Interfund or interdepartmental transfer of moneys may be made only with specific advanced approval of the Town Council. Supplemental appropriations that amend the total expenditures of any fund require a resolution of the Town Council. The Budget Officer is authorized to reallocate any appropriations within departments. Budgets are reported as originally adopted or as amended by executive action or Council resolution. During the year several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND EQUITY

1. DEPOSITS AND INVESTMENTS

All deposits of the Town are made in Council designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. The Town may also establish time deposit accounts such as NOW and Super NOW accounts, money market accounts and certificates of deposit. The Town has no policy regarding custodial credit risk for deposits.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. CASH AND CASH EQUIVALENTS

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. RESTRICTED CASH

The Town has restricted cash in an amount sufficient to comply with a loan covenant. Powell bills funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Restricted cash also includes unearned grant revenues and Federal equitable sharing funds and firemen's relief funds restricted to law enforcement and public safety expenditures. The General Capital Project - Capital Reserve Fund includes payments in lieu of street improvements received from developers which are restricted for the paving of certain streets. Storm water surety fees received from developers are restricted to the repairs and maintenance of storm water drainage improvements installed by the various developers.

Town of Knightdale Restricted Cash

Governmental Activities

General Fund

Streets – Powell Bill Funds	\$ 350,678
Public Safety	50,124
Loan Covenant – KS Bank	148,857
Unearned Grant Revenue	<u>34,995</u>
	584,654

General Capital Reserve Fund

Storm Water Special Revenue Fund

Payments in Lieu of Street Improvements	502,829
Surety Fees	5,281
Sinking Fund	<u>197,664</u>

Total Restricted Cash

\$ 1,290,428

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

4. AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347- and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st, (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

No allowance for doubtful accounts is maintained because historically the uncollectible amounts have been insignificant. The direct write-off method is used by the Town on all receivables. Under this method, all accounts considered uncollectible at June 30, 2018 including inactive accounts for garbage collection services and storm water fees have been charged against operations.

6. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as items are used. The Town utilizes the purchase method of accounting for prepaid expenses where purchases are recorded as expenditures when acquired.

7. CAPITAL ASSETS

Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Item</u>	<u>Life</u>
Infrastructure	30 years
Equipment and Vehicles	5 years
Buildings and Improvements	25 years
Intangible Assets	5 years

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes and grant proceeds, pension deferrals and OPEB deferrals.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. COMPENSATED ABSENCES

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Town also allows employees to accrue compensatory time for hours worked in excess of a regular workweek. Non-exempt employees may accumulate this time and then use it at a later date in lieu of using vacation time or they will be paid for these hours when leaving the Town's employment. Exempt employees may accumulate compensatory time up to a maximum of 24 hours and use this in lieu of vacation. Exempt employees lose any time accumulated over 24 hours and are not paid for accumulated compensatory time upon leaving service.

For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. NET POSITION/FUND BALANCES

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid expenditures - portions of fund balance segregated for prepaid expenditures, which are not available spendable resources.

Storm Water – Storm Water resources that are required to be retained in perpetuity for maintenance of the storm water control facilities.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Restricted for Public Safety – portion of fund balance that is restricted by revenue source, which represents funds accumulated for (1) DARE (Drug Abuse Resistance Education) and other anti-drug operations in the Town and funds that are collected from drug seizures, and (2) funds collected for relief of injured firemen or surviving family members.

Restricted for Debt Service – portion of fund balance required to be reserved by loan covenants. This represents one year’s debt service payments on the Public Safety Building loan.

Restricted for Streets – Payments in Lieu of Street Improvements – portion of fund balance that is restricted by grantor for the construction of various street improvement projects.

Restricted for Storm Water – portion of fund balance, which represents fees received from developers and homeowner associations that are restricted to the repairs and maintenance of storm water drainage improvements installed by the various developers.

Assigned fund balance – This classification includes amounts of fund balance that reflect a government’s intended use of resources for specific purposes. Assignments are created, amended, or eliminated by the Town Council through budget ordinances or amendments to previously approved budget ordinances.

Assigned for Capital Projects Fund – portion of fund balance that has been budgeted by the Town Council for construction of various capital projects including street improvements, greenways and public parks.

Assigned for Recreation – portion of fund balance set aside by the Town Council for future improvements to Knightdale Community Park and Knightdale Station Park. This represents unexpended revenues received from tournament fees and sponsorships for the two parks.

Assigned for Storm Water – portion of fund balance that has been budgeted by the Town Council for storm water repairs and maintenance.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations within departments or to transfer appropriations between departments not to exceed 10% of a department’s budget.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

The Town of Knightdale has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Knightdale has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures and transfers to other funds. Any portion of the available general fund balance in excess of 40% of budgeted expenditures and interfund transfers will be transferred to the General Capital Projects – Capital Reserve Fund to be appropriated for future capital needs of the Town.

12. PENSIONS

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. DEPOSITS

All the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

method financial institutions and to monitor them for compliance. The Town complies with the provisions of General Statute 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town’s deposits had a carrying value of \$7,320,307 and a bank balance of \$8,113,741. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town’s petty cash fund totaled \$1,150.

2. INVESTMENTS

At June 30, 2018, the Town’s investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/18	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	1,059,347	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	1,079,646	.09 Years	Unrated
Commercial Paper	Fair Value Level 2	1,194,437	9 months	P1
US Government Agencies	Fair Value Level 2	<u>1,765,457</u>	Various	AAA
Total investments		<u>5,098,887</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town’s internal investment policy limits the Town’s investment portfolio to maturities of less than 15 months. Also, the Town’s internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than 15 months.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2018. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town’s name.

Concentration of Credit Risk. The Town Council places no limit on the amount that the Town may invest in any one issuer. More than 5 percent of the Town’s investments are in US Government Agency securities and represents 16% of total investments. The Town has no policy regarding concentration of credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 14,723,782	\$ 522	\$ -	\$ 2,902,627	\$ 17,626,931
Construction in progress	413,651	1,906,457	-	(139,861)	2,180,247
Total capital assets not being depreciated	15,137,433	1,906,979	-	2,762,766	19,807,178
Capital assets being depreciated:					
Buildings	5,087,928	87,450	-	-	5,175,378
Other improvements	12,194,192	126,747	-	-	12,320,939
Roads and infrastructure	43,329,136	781,311	-	15,818,640	59,929,087
Intangibles	149,900	-	-	-	149,900
Equipment	1,349,691	78,680	110,400	21,875	1,339,846
Vehicles and motorized equipment	2,971,439	1,009,665	152,342	46,278	3,875,040
Total capital assets being depreciated	65,082,286	2,083,853	262,742	15,886,793	82,790,190

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Less accumulated depreciation for:

Buildings	2,411,641	206,702	-	-	2,618,343
Other improvements	1,814,962	490,148	-	-	2,305,110
Roads and infrastructure	10,471,186	1,453,038	-	-	11,924,224
Intangibles	97,173	14,677	-	-	111,850
Equipment	1,147,649	84,537	110,400	-	1,121,786
Vehicles and motorized equipment	2,485,177	236,095	152,342	-	2,568,930
Total accumulated depreciation	18,427,788	2,485,197	262,742	-	20,650,243
Total capital assets being depreciated, net	\$ 46,654,498	\$ (401,344)	\$ -	\$ 15,886,793	\$ 62,139,947
Governmental activity capital assets, net	\$ 61,791,931	\$ 1,505,635	\$ -	\$ 18,649,559	\$ 81,947,125

Depreciation expense was charged to functions / programs of the primary government as follows:

General government	\$ 85,301
Public safety	309,699
Transportation	1,551,821
Environmental protection	29,705
Cultural and recreational	508,671
Total depreciation expense	<u>\$ 2,485,197</u>

The Town has an active construction project as of June 30, 2018. At year-end, the Town's commitment with contractors is as follows:

Project	Spent-to-Date	Remaining Commitment	Total Contract
CLH Design-Knightdale Station Park	\$ 146,123	\$ 50,956	\$ 197,079
Jackson Builders – Knightdale Station Park	772,123	2,628,143	3,400,266

B. LIABILITIES

1. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Knightdale is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Knightdale employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$342,915 for the year ended June 30, 2018.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$1,122,876 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town’s proportion was 0.074%, which was a decrease of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$322,835. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,688	\$ 31,785
Changes of assumptions	160,362	-
Net difference between projected and actual earnings on pension plan investments	272,636	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	137,813
Town contributions subsequent to the measurement date	342,915	-
Total	\$ 840,601	\$ 169,598

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

\$342,915 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	4,276
2020		284,301
2021		137,062
2022		(97,551)

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town’s proportionate share of the net pension liability (asset)	\$ 3,370,900	\$ 1,122,876	\$ (753,514)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

b. Law Enforcement Officers Special Separation Allowance

Plan Description.

The Town of Knightdale administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>26</u>
Total	<u>29</u>

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the S&P Municipal Bond 20-year High Grade Rate Index.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on MP-2015.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$66,716 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a total pension liability of \$1,121,847. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$75,246.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 57,822	\$ 21,058
Differences between expected and actual experience	-	73,540
Town benefit payments and plan administrative expense made subsequent to the measurement date	34,526	-
Total	<u>\$ 92,348</u>	<u>\$ 94,598</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

\$34,526 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	(7,498)
2020		(7,498)
2021		(7,498)
2022		(7,498)
2023		(5,866)
Thereafter		(918)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 1,224,921	\$ 1,121,847	\$ 1,027,604

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning balance	\$ 1,124,497
Service Cost	40,626
Interest on the total pension liability	42,118
Differences between expected and actual experience	(87,389)
Changes of assumptions or other inputs	68,711
Benefit payments	<u>(66,716)</u>
Ending balance of the total pension liability	<u>\$ 1,121,847</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 322,835	\$ 75,246	\$ 398,081
Pension Liability	1,122,876	1,121,847	2,244,723
Proportionate share of the net pension liability	.0735%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	64,688	-	64,688
Changes of assumptions	160,362	57,822	218,184
Net difference between projected and actual earnings on			

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

plan investments	272,636	-	272,636
Benefit payments and administrative costs paid subsequent to the measurement date	342,915	34,526	377,441
Deferred Inflows of Resources			
Differences between expected and actual experience	31,785	73,540	105,325
Changes of assumptions	-	21,058	21,058
Changes in proportion and differences between contributions and proportionate share of contributions	137,813	-	137,813

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$101,873, which consisted of \$84,719 from the Town and \$17,154 from law enforcement officers.

d. Supplemental Retirement Income Plan For Employees Other Than Law Enforcement Officers

Plan Description. All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan; a defined contribution pension plan as described above.

Funding Policy. The Town contributes each month an amount equal to five percent of each employee's (excluding law enforcement officers) salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Total contributions for the year ended June 30, 2018 were \$176,785, which consisted of \$134,793 from the Town and \$41,992 from employees.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

e. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution April 20, 2005, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Employees who have 10 or more years of continuous creditable service under the Local Government Retirement System and with the Town (25 years with the Town for employees hired April 20, 2005 or after) at the time of their retirement will receive full benefits. In addition the Town will provide to employees hired prior to April 20, 2005, at age 65, 100% of Medicare supplemental insurance policy payment (\$50 per month for employees hired after April 20, 2005). Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates under the limits prescribed by the Consolidated Omnibus Budget Reconciliation Act. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees’ Years of Creditable Service	Hired Prior to April 20, 2005	Hired On or After April 20, 2005
Less than 10 years	Not eligible for coverage	Not eligible for coverage
11 – 15 years	100% coverage paid by Town	Not eligible for coverage
15 – 17 years	100% coverage paid by Town	25% coverage paid by Town
18 – 21 years	100% coverage paid by Town	50% coverage paid by Town
22 – 24 years	100% coverage paid by Town	75% coverage paid by Town
25 + years	100% coverage paid by Town	100% coverage paid by Town

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	5	6
Active plan members	47	27
Total	<u>52</u>	<u>33</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Total OPEB Liability

The Town's total OPEB liability of \$6,429,457 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent to 7.75 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Medical and Prescription – 7.5 percent decreasing to 5.0 percent by 2023

The discount rate is based on the yield of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability

Balance at July 1, 2016	<u>\$ 6,669,643</u>
Changes for the year	
Service cost	465,751
Interest	199,447
Differences between expected and actual experience	2,098
Changes in assumptions or other inputs	(819,815)
Benefit payments	<u>(87,667)</u>
Net changes	<u>(240,186)</u>
Balance at June 30, 2017	<u>\$ 6,429,457</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 8,027,109	\$ 6,429,457	\$ 5,233,008

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare cost Trend Rate (7.5% decreasing to 5.0%)	1% Increase
Total OPEB Liability	\$ 5,093,181	\$ 6,429,457	\$ 8,274,257

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$585,186. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,893	\$ -
Changes of assumptions	-	739,598
Town benefit payments and plan administrative expense made subsequent to the measurement date	80,990	-
	<u> </u>	<u> </u>
Total	<u>\$ 82,883</u>	<u>\$ 739,598</u>

\$80,990 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (80,012)
2019	(80,012)
2020	(80,012)
2021	(80,012)
2022	(80,012)
Thereafter	(337,645)

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one year-term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town also provides group term life insurance to all full time employees through a private insurance company. Premiums are paid by the Town for life insurance equal to 2 times the employee's annual salary, but the benefit may not exceed \$200,000. The Town has no liability beyond the payment of monthly premiums.

2. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2018 are composed of the following:

Contributions to pension plan in current fiscal Year (LGERS)	\$	342,915
Differences between expected and actual experience (LGERS)		64,688
Changes of assumptions (LGERS)		160,362
Net difference between projected and actual (LGERS)		272,636
Changes of assumptions (LEO)		57,822
Benefit payments made and administrative expenses for LEO		34,526
Differences between expected and actual experience (OPEB)		1,893
Benefit payments made subsequent to the measurement date (OPEB)		<u>80,990</u>
Total	\$	<u><u>1,015,832</u></u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Deferred inflows of resources at year-end are composed of the following:

	Statement of Net Position	Balance Sheet
General Fund:		
Prepaid taxes not yet earned	\$ 1,949	\$ 1,949
Grant proceeds	157,058	157,057
Sponsorships	10,300	10,300
Taxes receivable (Net)	-	61,150
Decal receivable	-	50,099
Sanitation receivables	-	24,898
Differences between expected and actual experience (LGERS)	31,785	-
Changes in proportion and differences Between employer contributions and Proportionate share of contributions (LGERS)	137,813	-
Differences between expected and actual experience (LEO)	73,540	-
Changes in assumptions (LEO)	21,058	-
Changes of assumptions (OPEB)	739,598	-
Storm Water Fund		
Storm water fees receivable	-	6,649
Total	<u>\$ 1,173,101</u>	<u>\$ 312,102</u>

3. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a participant in one self-funded risk-financing insurance pool administered by the North Carolina League of Municipalities, which provides workers' compensation with coverage up to statutory limits. The pool is reinsured through commercial companies for claims up to the statutory limits for workers' compensation. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town purchases commercial insurance to provide the following types of major coverage: general liability (\$3,000,000), property (\$9,723,732), inland marine (\$957,988), auto liability (\$3,000,000), public officials' liability (\$3,000,000), employment benefits liability (\$1,000,000), employment practices liability (\$3,000,000), law enforcement liability (\$3,000,000), and a cyber liability policy (\$100,000). The coverage has deductibles up to \$10,000. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

There have been no significant reductions in insurance coverage in the prior year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

4. CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2018, the Town was a defendant to various lawsuits. There has been a lawsuit filed against the Town in the current year by a builder for impact fees. The plaintiff is currently trying to certify as a class any payer of these fees during the prior ten years. The Town's position is that any liability for refund of these fees is limited to the amounts received after March 23, 2015 per House Bill 436 passed by the North Carolina General Assembly. The Town further proclaims that these fees are allowable under prior law and that they do not owe refunds of these amounts. Currently, there have been motions to dismiss the matter filed by counsel for the Town's insurer, but is still pending as of the opinion date of these financial statements. If this lawsuit were to prevail, there could be a large liability to the Town. However, it can not currently be determined what the liability of the Town may be, if any, and due to this no accrual of the liability is shown in the accompanying financial statements.

5. LONG-TERM OBLIGATIONS

A. GENERAL OBLIGATION INDEBTEDNESS

The Town's general obligation bonds serviced by the governmental funds were issued for the acquisition and construction of public improvements including parks and recreation facilities. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by contributions from the City of Raleigh, per the merger agreement, are reported as long-term debt in the Water and Sewer Utility Fund.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2018 are composed of the following individual issues:

Serviced by the General Fund:

\$557,632, 2011 Public Improvement Refunding bonds due in annual installments of \$58,947 plus interest through 2022; interest is at 2.27%. \$ 211,579

\$3,000,000, 2013 Parks and Recreation Facility Bonds due in annual installments of \$200,000 plus interest through 2028, interest is at 1.97%. 2,000,000

Serviced by the Water and Sewer Fund:

\$1,561,368, 2011 Water and Sewer Refunding bonds due in annual installments of \$165,053 plus interest through 2022; interest is at 2.27%. 592,421

Total \$ 2,804,000

At June 30, 2018, The Town of Knightdale a legal debt margin of \$125,970,480.

Annual debt service requirements to maturity for bonds payable are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	Principal	Interest	Principal	Interest
2019	\$ 54,211	\$ 4,803	\$ 151,789	\$ 13,448
2020	253,421	42,972	149,579	10,002
2021	252,368	37,820	146,632	6,607
2022	251,579	32,691	144,421	3,279
2023	200,000	27,580	-	-
2024-2028	1,000,000	78,800	-	-
2029-2032	<u>200,000</u>	<u>3,940</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,211,579</u>	<u>\$ 228,606</u>	<u>\$ 592,421</u>	<u>\$ 33,336</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

B. INSTALLMENT NOTE INDEBTEDNESS

The Town also has various installment notes for land, buildings, equipment and vehicles. Installment notes payable at June 30, 2018 are composed of the following individual notes:

	Served by the General Fund
\$2,115,099 installment debt to the KS Bank for the Public Safety Building issued 11-30-12; annual payments of \$168,341 which includes interest at 2.30%; secured by land and building	\$ 1,488,571
\$288,118 installment debt to KS Bank for a fire truck issued 3-23-18: annual payments of \$60,646 which includes interest at 1.74%; secured by a fire truck	288,118
\$5,000,000 installment debt to SunTrust Bank for construction of Knightdale Park and renovations to Town Hall issued 07-14-12; annual payments of \$333,333 plus interest at 2.33%; secured by Knightdale Municipal Building	3,333,333
\$48,575 installment debt to MCSJ Software for software and equipment issued 3-28-17 with 0% interest; annual payments of \$16,192; secured by the equipment	<u>32,384</u>
 Total	 <u>\$ 5,142,406</u>

Annual debt service requirements to maturity for installment notes payable are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2019	\$ 539,371	\$ 116,807
2020	543,305	105,107
2021	531,187	93,266
2022	535,492	81,195
2023	539,814	69,106
2024-2028	2,453,237	171,637
Total	<u>\$ 5,142,406</u>	<u>\$ 637,118</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,666,579	\$ -	\$ 455,000	\$ 2,211,579	\$ 54,211
Installment notes	6,571,632	288,118	1,717,344	5,142,406	539,371
Compensated absences	320,263	387,525	337,751	370,037	243,558
Other postemployment benefits	6,669,643	-	240,186	6,429,457	-
Net pension liability (LGERS)	1,639,716	-	516,840	1,122,876	-
Total pension liability (LEO)	<u>1,124,497</u>	<u>64,066</u>	<u>66,716</u>	<u>1,121,847</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 18,992,330</u>	<u>\$ 739,709</u>	<u>\$ 3,333,837</u>	<u>\$ 16,398,202</u>	<u>\$ 837,140</u>
Business-type activities:					
General obligation bonds	<u>\$ 746,421</u>	<u>\$ -</u>	<u>\$ 154,000</u>	<u>\$ 592,421</u>	<u>\$ 151,789</u>

Compensated absences, other postemployment benefits, total pension liability and net pension liability for governmental activities typically have been liquidated in the General Fund.

6. INTERFUND BALANCES AND ACTIVITY

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the fiscal year ended June 30, 2018, transfers to/from other funds consist of the following:

From Fund	To Fund	Amount	Purpose
General Fund	General Capital Project Reserve	\$ 411,256	To fund future capital projects
General Fund	General Capital Project Fund	300,000	To fund future capital projects

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

General Capital Project Reserve	General Fund	\$	1,460,370	For payment of debt service Knightdale Station Park and fund capital projects
General Capital Project Reserve	General Capital Project Fund		1,204,706	To fund future capital projects
General Capital Project Reserve	Public Works Capital Project Fund		416,766	To public works expansion capital project
	Total	\$	<u>3,793,098</u>	

7. NET INVESTMENT IN CAPITAL ASSETS

	<u>Governmental</u>
Capital assets	\$ 102,597,368
Less accumulated depreciation	<u>(20,650,243)</u>
Net capital assets	81,947,125
Less long-term debt	<u>(7,353,985)</u>
Net investment in capital assets	<u>\$ 74,593,140</u>

8. FUND BALANCE

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<i>Total fund balance-General Fund</i>	<i>\$8,224,946</i>
Less:	
Prepaid expenditures	233,533
Stabilization by State Statute	2,210,045
Streets-Powell Bill	350,678
Public Safety	50,124
Debt Service	148,857
Appropriated Fund Balance in 2019 budget	1,157,790
Working Capital / Fund Balance Policy	<u>4,073,919</u>
Remaining Fund Balance	<u>\$ -</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

The Town of Knightdale has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures plus transfers out less proceeds of long-term debt. Fund balance in excess of 40% of this same total is transferred to the General Capital Projects – General Capital Reserve Fund to be used for future capital projects.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
\$5,133,390	\$850,878	\$4,282,512

NOTE 3 – JOINTLY GOVERNED ORGANIZATIONS

Triangle J Regional Council of Governments

The Town, in conjunction with five counties and fourteen other municipalities, established the Triangle J Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board. The Town paid membership fees of \$5,265 to the Council during the fiscal year ended June 30, 2018.

NOTE 4 – JOINT VENTURES

East Wake Television (PEG Media Partners)

The Town, in conjunction with the Towns of Archer Lodge, Clayton, Garner, Rolesville, Wendell and Zebulon, operates two local public, educational and government (PEG) cable TV channels. East Wake TV is funded by state shared video programming franchise taxes collected by the State of North Carolina and remitted to the 7 participating Towns. These funds are restricted for the operation of local PEG channels. Prior to June 30, 2010, East Wake TV was recorded as a special revenue fund of the Town of Knightdale. As of July 1, 2010, East Wake TV was incorporated as a legally separate non-profit organization. The organization is governed by a Board of Directors consisting of the Town Managers of Archer Lodge, Clayton, Garner, Knightdale, Rolesville, Wendell and Zebulon. Each Town contributes its share of restricted PEG channel funds received from the State of North Carolina to East Wake TV. For the fiscal year ended June 30, 2018, each town, including Knightdale, contributed \$53,512 to East Wake TV. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. East Wake TV operates from a studio built by the Town of Knightdale. East Wake Television operates under the name PEG Media Partners. Complete financial statements or a copy of Form 990 Return of Organization Exempt from Income Tax can be obtained from East Wake Television’s office at 954 Steeple Square Court, Knightdale, NC 27545-7655.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

During the current fiscal year, the Town of Knightdale contributed \$54,063 of restricted PEG channel funds received from State of North Carolina to East Wake Television.

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The state passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2018, the Town reported revenues and expenditures for the payments of \$8,522 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2018. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys for fiscal year 2018.

Developer Agreements

The Town has entered into several agreements with local developers related to development costs of public infrastructure and water and sewer improvements. The terms of these agreements require the developer to pay all costs of the public infrastructure including design, engineering and construction of road improvements and water and sewer improvements. The Town has agreed to reimburse or issue credits towards water and sewer acreage fees and sewer development fees to the developer, limited to the total cost, when users connect to these developer specific improvements. Development fees will be allotted to various agreements until costs are fully reimbursed or agreements expire (generally 12 years). As of June 30, 2018, there were nine developers eligible for reimbursements. The Town is also contingently liable for legal fees billable to developers related to development agreements between the Town and various developers in the event such fees are not paid by the developers. As of June 30, 2018, the Town has contingent liabilities related to these developer agreements as shown below:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

<u>Developer</u>	<u>Legal Fees</u>
Various Developers	\$21,196

NOTE 6 – MERGER OF WATER AND SEWER UTILITY SYSTEM WITH THE CITY OF RALEIGH

The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective May 1, 2006. Under the terms of the agreement, Raleigh assumed full responsibility for the provision of water and sewer services in Knightdale, including responsibility for Knightdale's water and sewer utility systems and related equipment and property rights. Upon the transfer, Raleigh assumed immediate and sole duty and responsibility for financing, operating, maintaining, improving and expanding the water and sewer systems serving Knightdale's existing and future corporate limits and Urban Services Area. The Town transferred ownership of all facilities, property, land, equipment, financial assets, information and data subject to the agreement with Raleigh. Pursuant to the agreement, the Town transferred the remaining balance in the Utility Capital Projects Fund upon completion of construction in fiscal year 2012.

The accompanying statement of net position shows total notes receivable of \$592,421 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$151,789 due within one year and \$440,632 due in more than one year. The City of Raleigh will also pay interest on this balance based on the Town of Knightdale's interest rates on the associated long term debt. During the current fiscal year, the City of Raleigh reimbursed the Town of Knightdale \$170,944 (\$154,000 principal plus \$16,944 interest) for debt service payments related to proprietary fund long term debt. As of June 30, 2018, the financial statements include current accounts payable to the City of Raleigh in the amount of \$439,389 related to water and sewer fees and assessments collected by Knightdale for the City of Raleigh.

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$4,250,862.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to June 30, 2018 and prior to the issuance of these financial statements the Town entered into an installment purchase agreement to borrow \$1,875,000 with an interest rate of 3.08% to make improvements to Knightdale Station Park Phase III.

**REQUIRED SUPPLEMENTAL
INFORMATION**

**TOWN OF KNIGHTDALE, NORTH CAROLINA
TOWN OF KNIGHTDALE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS***

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Knightsdale's proportion of the net pension liability (asset) (%)	0.07350%	0.07726%	0.08078%	0.08259%	0.08280%
Knightsdale's proportion of the net pension liability (asset) (\$)	\$ 1,122,876	\$ 1,639,716	\$ 362,536	\$ (487,072)	\$ 998,058
Knightsdale's covered-employee payroll	\$ 4,004,248	\$ 3,937,807	\$ 3,808,190	\$ 3,793,488	\$ 3,745,230
Knightsdale's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.04%	41.64%	9.52%	-12.84%	26.65%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Note that this schedule will not present 10 years' worth of data until fiscal year 2023.

**TOWN OF KNIGHTDALE, NORTH CAROLINA
TOWN OF KNIGHTDALE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 342,915	\$ 292,647	\$ 281,986	\$ 274,191	\$ 271,432
Contributions in relation to the contractually required contributions	<u>342,915</u>	<u>292,647</u>	<u>281,986</u>	<u>274,191</u>	<u>271,432</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town of Knightdale's covered-employee payroll	\$ 4,393,455	\$ 4,004,248	\$ 3,937,807	\$ 3,808,190	\$ 3,793,488
Contributions as a percentage of covered-employee payroll	7.81%	7.31%	7.16%	7.20%	7.16%

Note that this schedule will not present 10 years' worth of data until fiscal year 2023.

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2018

	2018	2017
Beginning balance	\$ 1,124,497	\$ 1,124,178
Service cost	40,626	48,620
Interest on total pension liability	42,118	39,111
Differences between expected and actual experience	(87,389)	-
Changes of assumptions or other inputs	68,711	(30,134)
Benefit payments	(66,716)	(57,278)
Ending balance of the total pension liability	\$ 1,121,847	\$ 1,124,497

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

**TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY
AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2018**

	2018	2017
Total pension liability	\$ 1,121,847	\$ 1,124,497
Covered payroll	1,576,784	1,759,651
Total pension liability as a percentage of covered payroll	71.15%	63.90%

Notes to the schedules

The Town of Knightdale has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

Total OPEB Liability	<u>2017</u>
Service Cost	\$ 465,751
Interest	199,447
Differences between expected and actual experience	2,098
Changes of assumptions	(819,815)
Benefit payments	<u>(87,667)</u>
Net change in total OPEB liability	(240,186)
Total OPEB liability - beginning	<u>6,669,643</u>
Total OPEB liability - ending	<u><u>\$ 6,429,457</u></u>
Covered payroll	3,959,139
Total OPEB liability as a percentage of covered payroll	162.40%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

This schedule will show ten years of information beginning with fiscal year 2027.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This section contains additional information on the Governmental and Proprietary Funds (budget to actual comparison) and other schedules (ad valorem taxes receivable and current tax levy).

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 7,113,333	\$ 7,187,814	\$ 74,481	\$ 6,698,716
Prior years	7,500	(4,624)	(12,124)	3,722
Penalties and interest	15,000	11,578	(3,422)	14,867
Total	<u>7,135,833</u>	<u>7,194,768</u>	<u>58,935</u>	<u>6,717,305</u>
Other taxes and licenses				
Motor vehicle licenses	60,000	65,625	5,625	63,147
Gross receipts on rental vehicles	45,000	46,287	1,287	42,729
Privilege licenses	350	1,075	725	210
Total	<u>105,350</u>	<u>112,987</u>	<u>7,637</u>	<u>106,086</u>
Unrestricted intergovernmental revenues				
Local option sales tax	2,894,000	2,954,774	60,774	2,854,008
Utility franchise tax	802,000	824,064	22,064	796,893
Wine and beer tax	57,500	59,710	2,210	61,103
ABC profits	55,000	61,324	6,324	58,754
Total	<u>3,808,500</u>	<u>3,899,872</u>	<u>91,372</u>	<u>3,770,758</u>
Restricted intergovernmental revenues				
State street aid - Powell Bill	350,000	356,272	6,272	348,925
Federal grants	526,800	183,089	(343,711)	170,533
Drug seizures	5,000	-	(5,000)	-
NC Department of Revenue PEG Channel Support	55,944	53,512	(2,432)	56,658
Solid waste disposal tax	12,000	21,354	9,354	14,966
Wake County Public Schools - Resource officer	37,838	37,838	-	37,838
Firemen's relief fund	7,500	8,522	1,022	8,668
Total	<u>995,082</u>	<u>660,587</u>	<u>(334,495)</u>	<u>637,588</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Permits and fees				
Building permits and inspection fees	\$ 256,168	\$ 315,506	\$ 59,338	\$ 242,935
Certificate of occupancy fees	23,000	26,320	3,320	22,337
Miscellaneous fees	-	10,961	10,961	1,229
Fines and penalties	40,000	29,412	(10,588)	21,375
Officer fees	-	4,023	4,023	3,564
Total	319,168	386,222	67,054	291,440
Sales and services				
Sanitation				
Sanitation fees	644,167	656,826	12,659	621,168
Recycle fees	214,940	218,493	3,553	161,986
Subtotal	859,107	875,319	16,212	783,154
Recreation				
Program fees	293,200	344,929	51,729	266,653
Pool fees	42,000	32,789	(9,211)	40,612
Recreation center fees	35,000	33,652	(1,348)	34,492
Track out fees	94,700	85,572	(9,128)	89,524
Knightdale Station Park fees	18,500	36,266	17,766	14,998
Grant proceeds	181,588	152,638	(28,950)	25,043
Subtotal	664,988	685,846	20,858	471,322
Total	1,524,095	1,561,165	37,070	1,254,476
Investment earnings	66,000	94,407	28,407	48,461
Other revenues				
Miscellaneous	59,385	52,447	(6,938)	49,919
Insurance proceeds	-	7,050	7,050	26,361
Reimbursement for off duty police officers	30,000	17,929	(12,071)	30,069
Fines and forfeitures	2,000	1,131	(869)	736
Total	91,385	78,557	(12,828)	107,085
TOTAL REVENUES	14,045,413	13,988,565	(56,848)	12,933,199

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
EXPENDITURES				
General government				
Town Council				
Current				
Personnel services	\$ 106,323	\$ 104,442	\$ 1,881	\$ 101,260
Operations & maintenance	196,627	178,725	17,902	114,164
Total	<u>302,950</u>	<u>283,167</u>	<u>19,783</u>	<u>215,424</u>
Administration				
Current				
Personnel services	689,134	681,699	7,435	374,404
Operations & maintenance	593,866	516,728	77,138	500,903
Capital outlay			-	65,994
Total	<u>1,283,000</u>	<u>1,198,427</u>	<u>84,573</u>	<u>941,301</u>
Finance				
Current				
Personnel services	361,586	343,325	18,261	433,896
Operations & maintenance	129,148	120,783	8,365	115,412
Total	<u>490,734</u>	<u>464,108</u>	<u>26,626</u>	<u>549,308</u>
Total general government	<u>2,076,684</u>	<u>1,945,702</u>	<u>130,982</u>	<u>1,706,033</u>
Public safety				
Police				
Current				
Personnel services	2,729,958	2,581,073	148,885	2,369,813
Operations & maintenance	525,504	455,543	69,961	426,128
Capital outlay	299,500	298,698	802	282,740
Total	<u>3,554,962</u>	<u>3,335,314</u>	<u>219,648</u>	<u>3,078,681</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Fire				
Current				
Personnel services	\$ 1,030,793	\$ 1,015,464	\$ 15,329	\$ 911,525
Operations & maintenance	293,900	259,550	34,350	217,614
Capital outlay	514,090	514,090	-	47,442
Total	<u>1,838,783</u>	<u>1,789,104</u>	<u>49,679</u>	<u>1,176,581</u>
Total public safety	<u>5,393,745</u>	<u>5,124,418</u>	<u>269,327</u>	<u>4,255,262</u>
Transportation				
Public Works				
Current				
Personnel services	363,894	371,616	(7,722)	375,100
Operations & maintenance	340,588	307,776	32,812	389,322
Capital Outlay	127,302	115,647	11,655	11,000
Total	<u>831,784</u>	<u>795,039</u>	<u>36,745</u>	<u>775,422</u>
Public Buildings and Grounds				
Current				
Personnel services	260,591	258,073	2,518	228,226
Operations & maintenance	493,037	374,434	118,603	286,443
Capital Outlay	159,135	73,186	85,949	-
Total	<u>912,763</u>	<u>705,693</u>	<u>207,070</u>	<u>514,669</u>
Streets and Highways				
Current				
Operations & maintenance	385,783	297,877	87,906	241,292
Capital Outlay	909,848	859,877	49,971	33,716
Total	<u>1,295,631</u>	<u>1,157,754</u>	<u>137,877</u>	<u>275,008</u>
Total transportation	<u>3,040,178</u>	<u>2,658,486</u>	<u>381,692</u>	<u>1,565,099</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Environmental Protection				
Sanitation				
Current				
Operations & maintenance	\$ 915,500	\$ 911,380	\$ 4,120	\$ 811,483
Economic and Physical Development				
Planning and Zoning				
Current				
Personnel services	535,092	497,583	37,509	496,997
Operations & maintenance	127,720	103,535	24,185	108,541
Capital Outlay	1,107,816	336,898	770,918	131,118
Total	1,770,628	938,016	832,612	736,656
Special Appropriations				
Current				
Special appropriations	29,750	29,750	-	29,750
Total economic and physical development	1,800,378	967,766	832,612	766,406
Cultural & Recreational				
Parks and Recreation				
Current				
Personnel services	605,673	592,818	12,855	497,158
Operations & maintenance	784,597	695,554	89,043	572,522
Capital outlay	444,525	362,400	82,125	30,445
Total cultural and recreational	1,834,795	1,650,772	184,023	1,100,125
Debt service				
Note principal	1,717,344	1,717,303	41	849,279
Note interest	192,237	184,286	7,951	183,710
Bond principal	255,000	455,000	(200,000)	255,789
Bond interest	53,331	96,693	(43,362)	58,538
Total debt service	2,217,912	2,453,282	(235,370)	1,347,316
TOTAL EXPENDITURES	17,279,192	15,711,806	1,567,386	11,551,724
Revenues over (under) expenditures	(3,233,779)	(1,723,241)	1,510,538	1,381,475

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Capital Reserve	\$ 1,471,307	\$ 1,460,370	\$ (10,937)	\$ 240,000
Street and Sidewalk Capital Project Fund	-	-	-	-
Transfers to:				
General Capital Reserve Fund	(411,256)	(411,256)	-	(983,586)
General Capital Project Fund	(300,000)	(300,000)	-	-
Sale of capital assets	60,000	60,577	577	53,976
Installment purchase obligations issued	288,188	288,118	(70)	48,575
Appropriated fund balance	2,125,540	-	(2,125,540)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,233,779</u>	<u>1,097,809</u>	<u>(2,135,970)</u>	<u>(641,035)</u>
 NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(625,432)</u>	<u>\$ (625,432)</u>	<u>740,440</u>
 FUND BALANCE - beginning of year		<u>8,850,378</u>		<u>8,109,938</u>
 FUND BALANCE - end of year		<u>\$ 8,224,946</u>		<u>\$ 8,850,378</u>

**TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL CAPITAL PROJECT - CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For The Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Other taxes and licenses:				
Motor vehicle licenses	\$ 120,000	\$ 131,239	\$ 11,239	\$ 126,294
Permits and fees:				
Transportation fees	90,000	179,188	89,188	180,447
Streets-in-lieu fees	-	-	-	65,372
Streetlights -in lieu-fees	-	2,858	2,858	-
Sidewalks-in-lieu fees	-	5,007	5,007	6,768
Recreation-in-lieu fees	-	1,068	1,068	7,814
Sales and services:				
Recreation program fees	6,500	5,400	(1,100)	-
Investment earnings	3,500	26,673	23,173	16,226
TOTAL REVENUES	220,000	351,433	131,433	402,921
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	411,256	411,256	-	983,586
Transfers to:				
General Fund	(1,460,370)	(1,460,370)	-	(240,000)
General Capital Projects Fund	(1,740,643)	(1,621,472)	119,171	-
Fund Balance:				
Appropriated Fund Balance	2,569,757	-	(2,569,757)	-
TOTAL OTHER FINANCING SOURCES (USES)	(220,000)	(2,670,586)	(2,450,586)	743,586
NET CHANGE IN FUND BALANCE	\$ -	(2,319,153)	\$ (2,319,153)	1,146,507
FUND BALANCE - beginning of year		4,667,220		3,520,713
FUND BALANCE - end of year		\$ 2,348,067		\$ 4,667,220

**TOWN OF KNIGHTDALE, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

For the Year Ended June 30, 2018

Page 1 of 2

	Storm Water Special Revenue Fund	General Capital Projects Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 335,559	\$ 1,041,147	\$ 1,376,706
Restricted cash	202,945	-	202,945
Receivables, net	6,649	-	6,649
Due from other governments	50,938	8,884	59,822
TOTAL ASSETS	\$ 596,091	\$ 1,050,031	\$ 1,646,122
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 16,268	\$ 1,282	\$ 17,550
Retainage payable	-	86,779	86,779
Accrued salaries	-	-	-
TOTAL LIABILITIES	16,268	88,061	104,329
 DEFERRED INFLOWS OF RESOURCES			
Accounts receivable	6,649	-	6,649

**TOWN OF KNIGHTDALE, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

For the Year Ended June 30, 2018

Page 2 of 2

FUND BALANCES

Nonspendable

Storm Water

Storm Water Special Revenue Fund	General Capital Projects Fund	Total Non-Major Governmental Funds
\$ 197,664	\$ -	\$ 197,664

Restricted

Storm Water Surety

5,281	-	5,281
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Assigned

Storm Water

370,229	-	370,229
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Capital Projects Fund

-	961,970	961,970
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TOTAL FUND BALANCES

<u>573,174</u>	<u>961,970</u>	<u>1,535,144</u>
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**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCES**

<u>\$ 596,091</u>	<u>\$ 1,050,031</u>	<u>\$ 1,646,122</u>
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TOWN OF KNIGHTDALE, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Year Ended June 30, 2018

	Special Revenue	Capital Projects		Total Non-Major Governmental Funds
	Storm Water	Public Works Capital Project	General Capital Projects	
REVENUES				
Permits and fees	\$ 309,800	\$ -	\$ -	\$ 309,800
Investment earnings	2,794	-	4,271	7,065
TOTAL REVENUES	312,594	-	4,271	316,865
EXPENDITURES				
Environmental protection	179,228	-	-	179,228
Capital outlay	-	416,766	1,013,271	1,430,037
TOTAL EXPENDITURES	179,228	416,766	1,013,271	1,609,265
OTHER FINANCING SOURCES				
Transfers from:				
General Fund	-	-	300,000	300,000
Capital Reserve Fund	-	416,766	1,204,706	1,621,472
TOTAL OTHER FINANCING SOURCES	-	416,766	1,504,706	1,921,472
NET CHANGE IN FUND BALANCE	133,366	-	495,706	629,072
FUND BALANCE - beginning of year	439,808	-	466,264	906,072
FUND BALANCE - end of year	\$ 573,174	\$ -	\$ 961,970	\$ 1,535,144

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

From Inception To June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date
REVENUES				
Investment earnings	\$ 10,000	\$ 3,947	\$ 4,271	\$ 8,218
PARTF Grant	40,000	40,000	-	40,000
TOTAL REVENUES	50,000	43,947	4,271	48,218
EXPENDITURES				
Knightsdale Park				
Professional services	24,528	21,328	1,634	22,962
Construction	4,010,445	161,622	1,011,637	1,173,259
TOTAL EXPENDITURES	4,034,973	182,950	1,013,271	1,196,221
Revenues under expenditures before other financing sources	(3,984,973)	(139,003)	(1,009,000)	(1,148,003)
OTHER FINANCING SOURCES				
Installment note proceeds	1,875,000	-	-	-
Transfers from:				
General Fund	300,000	-	300,000	300,000
General Capital Reserve Fund	1,420,159	215,453	1,204,706	1,420,159
Utility Capital Project Fund	389,814	389,814	-	389,814
TOTAL OTHER FINANCING SOURCES	3,984,973	605,267	1,504,706	2,109,973
NET CHANGE IN FUND BALANCE	\$ -	\$ 466,264	\$ 495,706	\$ 961,970

**TOWN OF KNIGHTDALE, NORTH CAROLINA
PUBLIC WORKS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

From Inception To June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Public Works Facility				
Land acquisition	425,000	-	416,766	416,766
Construction	1,500,000	-	-	-
TOTAL EXPENDITURES	1,925,000	-	416,766	416,766
Revenues under expenditures before other financing sources	(1,925,000)	-	(416,766)	(416,766)
OTHER FINANCING SOURCES				
Installment purchase obligations issued	1,500,000	-	-	-
Transfers from:				
General Capital Reserve Fund	425,000	-	416,766	416,766
TOTAL OTHER FINANCING SOURCES	1,925,000	-	416,766	416,766
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -

TOWN OF KNIGHTDALE, NORTH CAROLINA
MINGO CREEK GREENWAY EXTENSION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

From Inception To June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total To Date
REVENUES				
Campo Grant	\$ 2,058,000	\$ -	\$ -	\$ -
EXPENDITURES				
Public Works Facility				
Land acquisition	372,000	-	-	-
Construction	2,200,000	-	-	-
TOTAL EXPENDITURES	2,572,000	-	-	-
Revenues under expenditures before other financing sources	(514,000)	-	-	-
OTHER FINANCING SOURCES				
Transfers from:				
General Capital Reserve Fund	514,000	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF KNIGHTDALE, NORTH CAROLINA
SPECIAL REVENUE FUND - STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Permits and fees				
Storm Water fees	\$ 290,000	\$ 302,204	\$ 12,204	\$ 293,413
Sinking fund revenue	-	7,596	7,596	76,074
Total	290,000	309,800	19,800	369,487
Investment earnings	500	2,794	2,294	1,673
TOTAL REVENUES	290,500	312,594	22,094	371,160
EXPENDITURES				
Storm Water Maintenance				
Current				
Personnel services	144,190	83,486	60,704	79,147
Operations & maintenance	123,052	95,743	27,309	61,100
Capital outlay	23,258	-	23,258	181,265
Total	290,500	179,229	111,271	321,512
TOTAL EXPENDITURES	290,500	179,229	111,271	321,512
Revenues over (under) expenditures	-	133,365	133,365	49,648
OTHER FINANCING SOURCES				
Appropriated fund balance	\$ -	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	\$ -	133,365	\$ 133,365	49,648
FUND BALANCE - beginning of year		439,808		390,160
FUND BALANCE - end of year		\$ 573,173		\$ 439,808

**TOWN OF KNIGHTDALE, NORTH CAROLINA
WATER AND SEWER OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

Page 1 of 2

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Water operating revenues				
Meter installation fees	\$ 65,000	\$ -	\$ (65,000)	\$ -
Inspection fees	37,000	-	(37,000)	-
Total operating revenues	102,000	-	(102,000)	-
Water non-operating revenues				
Interest earnings	-	1,159	1,159	1,018
Capacity fees	709,144	-	(709,144)	-
Capital facility fees	436,817	-	(436,817)	-
Nutrient reduction charge	5,000	-	(5,000)	-
Fee in lieu of water improvements	2,500	-	(2,500)	-
Total	1,153,461	1,159	(1,152,302)	1,018
Sewer non-operating revenues				
Capacity fees	720,899	-	(720,899)	-
Capital facility fees	444,370	-	(444,370)	-
Fee in lieu of sewer improvements	3,000	-	(3,000)	-
Total	1,168,269	-	(1,168,269)	-
TOTAL REVENUES	2,423,730	1,159	(2,422,571)	1,018

**TOWN OF KNIGHTDALE, NORTH CAROLINA
WATER AND SEWER OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

Page 2 of 2

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES				
Water & Sewer				
City of Raleigh fees	\$ 2,423,730	\$ -	\$ 2,423,730	\$ -
Total revenues over expenditures	-	1,159	1,159	1,018
OTHER FINANCING SOURCES (USES)				
Debt Service				
City of Raleigh - reimbursement of debt service payments	170,944	170,944	-	185,100
Interest	(16,944)	(16,944)	-	(20,890)
Debt principal	(154,000)	(154,000)	-	(164,210)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Total revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>1,159</u>	<u>\$ 1,159</u>	<u>1,018</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Principal paid on debt		154,000		164,210
Payments received on notes receivable		(154,000)		(164,210)
Decrease in accrued interest		287		<u>324</u>
CHANGE IN NET POSITION		<u>\$ 1,446</u>		<u>\$ 1,342</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Current Levy	Collections and Credits	Uncollected Balance June 30, 2018
2018	\$ -	\$ 7,198,558	\$ 7,187,814	\$ 10,744
2017	7,717	-	3,478	4,239
2016	3,749	-	84	3,665
2015	2,315	-	20	2,295
2014	10,126	-	524	9,602
2013	8,690	-	470	8,220
2012	7,567	-	47	7,520
2011	5,190	-	114	5,076
2010	5,877	-	54	5,823
2009	4,350	-	384	3,966
2008	7,592	-	7,592	-
Total	\$ 63,173	\$ 7,198,558	\$ 7,200,581	\$ 61,150

RECONCILIATION WITH REVENUES

Taxes - Ad Valorem - General Fund	\$ 7,194,767
Add (deduct):	
Penalties and interest	(11,578)
Taxes written off	7,592
Releases, rebates and adjustments	9,800
Total Collections and Credits	\$ 7,200,581

**TOWN OF KNIGHTDALE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY**

June 30, 2018

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,672,531,395	0.43	\$ 7,191,885	\$ 6,553,792	\$ 638,093
Penalties	-		2,642	2,642	-
Total	<u>1,672,531,395</u>		<u>7,194,527</u>	<u>6,556,434</u>	<u>638,093</u>
Discoveries:					
Prior year taxes	-	0.43	29,726	29,627	99
Total	<u>1,672,531,395</u>		<u>7,224,253</u>	<u>6,586,061</u>	<u>638,192</u>
Abatements	<u>(5,975,581)</u>	0.43	<u>(25,695)</u>	<u>(25,868)</u>	<u>173</u>
Total property valuation	<u><u>\$ 1,666,555,814</u></u>				
Net levy			7,198,558	6,560,193	638,365
Uncollected taxes at June 30, 2018			<u>10,744</u>	<u>7,998</u>	<u>2,746</u>
Current year's taxes collected			<u>\$ 7,187,814</u>	<u>\$ 6,552,195</u>	<u>\$ 635,619</u>
Current levy collection percentage			<u><u>99.85%</u></u>	<u><u>99.88%</u></u>	<u><u>99.57%</u></u>



Greenway



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This section, unaudited, presents comparative statistical data, graphs, and other pertinent information of the Town which may be further divided into the following:

Financial Trends (Tables 1 – 4) containing trend information to help the reader understand how the Town’s financial performance and standing have changed over time.

Revenue Capacity (Tables 5 – 9) containing information to help the reader assess the Town’s tax base and revenue from property taxes.

Debt Capacity (Tables 10 – 13) containing schedules to help the reader assess the affordability of the Town’s current levels of outstanding debt and the Town’s ability to issue additional debt in the future.

Operating Information (Tables 14 – 16) containing information about the Town’s operation and resources to help the reader understand how the Town’s financial information relates to the services the Town provides and the activities it performs.

Demographic and Economic Information (Tables 17 – 19) containing demographic and economic indicators to help the reader understand the environment with which the Town’s financial activities take place and to help make comparisons over time, and with other governments.

STATISTICAL SECTION

TOWN OF KNIGHTDALE, NORTH CAROLINA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Net investment in capital assets	\$ 25,878,475	\$ 26,004,718	\$ 28,955,166	\$ 28,803,069	\$ 33,353,729	\$ 41,680,758	\$ 42,796,062	\$ 42,147,141	\$ 52,553,720	\$ 74,593,140
Restricted	362,226	434,244	1,943,693	1,895,412	2,299,485	4,253,275	3,020,044	3,401,121	4,888,416	3,465,478
Unrestricted	4,279,809	4,180,012	3,295,965	4,953,181	5,089,424	2,645,764	4,586,612	5,960,276	5,144,918	(341,940)
Total governmental activities net position	<u>\$ 30,520,510</u>	<u>\$ 30,618,974</u>	<u>\$ 34,194,824</u>	<u>\$ 35,651,662</u>	<u>\$ 40,742,638</u>	<u>\$ 48,579,797</u>	<u>\$ 50,402,718</u>	<u>\$ 51,508,538</u>	<u>\$ 62,587,054</u>	<u>\$ 77,716,678</u>
Business-type Activities										
Net investment in capital assets	\$ 98,510	\$ 628,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,529,872	2,018,216	1,044,574	46,062	61,500	70,767	70,300	93,036	94,378	95,824
Total business-type activities net position	<u>\$ 2,628,382</u>	<u>\$ 2,646,718</u>	<u>\$ 1,044,574</u>	<u>\$ 46,062</u>	<u>\$ 61,500</u>	<u>\$ 70,767</u>	<u>\$ 70,300</u>	<u>\$ 93,036</u>	<u>\$ 94,378</u>	<u>\$ 95,824</u>
Primary Government										
Net investment in capital assets	\$ 25,976,985	\$ 26,633,220	\$ 28,955,166	\$ 28,803,069	\$ 33,353,729	\$ 41,680,758	\$ 42,796,062	\$ 42,147,141	\$ 52,553,720	\$ 74,593,140
Restricted	362,226	434,244	1,943,693	1,895,412	2,299,485	4,253,275	3,020,044	3,401,121	4,888,416	3,465,478
Unrestricted	6,809,681	6,198,228	4,340,539	4,999,243	5,150,924	2,716,531	4,656,912	6,053,312	5,239,296	(246,116)
Total primary government net position	<u>\$ 33,148,892</u>	<u>\$ 33,265,692</u>	<u>\$ 35,239,398</u>	<u>\$ 35,697,724</u>	<u>\$ 40,804,138</u>	<u>\$ 48,650,564</u>	<u>\$ 50,473,018</u>	<u>\$ 51,601,574</u>	<u>\$ 62,681,432</u>	<u>\$ 77,812,502</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$ 1,237,945	\$ 1,490,500	\$ 1,454,654	\$ 2,155,837	\$ 1,716,310	\$ 1,706,307	\$ 1,462,856	\$ 1,705,859	\$ 1,790,288	\$ 2,040,009
Public safety	3,378,339	3,647,406	4,087,816	4,202,231	4,025,428	3,964,847	3,850,081	4,216,783	4,448,548	4,911,222
Transportation	2,296,984	2,366,730	2,442,706	2,401,269	2,297,740	2,481,115	3,593,265	2,748,299	3,015,025	3,211,771
Environmental protection	520,985	535,182	532,250	571,764	745,462	708,691	769,509	864,818	991,916	1,126,966
Economic development	571,441	418,950	449,226	579,390	550,333	536,780	509,072	668,332	673,850	1,179,187
Cultural and recreational	916,189	898,375	918,928	976,780	955,930	1,238,780	1,567,881	1,754,476	1,623,863	1,335,609
Interest on long-term debt	217,628	168,894	299,747	251,805	318,556	331,372	277,097	245,700	215,103	173,366
Total governmental activities expenses	<u>\$ 9,139,511</u>	<u>\$ 9,526,037</u>	<u>\$ 10,185,327</u>	<u>\$ 11,139,076</u>	<u>\$ 10,609,759</u>	<u>\$ 10,967,892</u>	<u>\$ 12,029,761</u>	<u>\$ 12,204,267</u>	<u>\$ 12,758,593</u>	<u>\$ 13,978,130</u>
Business-type activities:										
Water and sewer	149,315	133,748	130,422	176,625	75,525	54,903	52,482	30,594	20,566	16,656
Total business-type activities expenses	<u>149,315</u>	<u>133,748</u>	<u>130,422</u>	<u>176,625</u>	<u>75,525</u>	<u>54,903</u>	<u>52,482</u>	<u>30,594</u>	<u>20,566</u>	<u>16,656</u>
Total primary government expenses	<u>\$ 9,288,826</u>	<u>\$ 9,659,785</u>	<u>\$ 10,315,749</u>	<u>\$ 11,315,701</u>	<u>\$ 10,685,284</u>	<u>\$ 11,022,795</u>	<u>\$ 12,082,243</u>	<u>\$ 12,234,861</u>	<u>\$ 12,779,159</u>	<u>\$ 13,994,786</u>
Program Revenues										
Governmental activities:										
Charges for service:										
General government	\$ 304,908	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ 300,127	\$ 353,762	\$ 291,440	\$ 386,222
Public safety	16,687	35,431	41,616	28,363	22,974	44,262	-	-	-	-
Public works	776,099	8,080	396,177	143,531	200,389	26,884	97,420	345,889	252,588	187,053
Environmental protection	-	590,782	642,781	620,313	938,852	934,875	1,043,007	1,036,465	1,157,202	1,183,579
Economic development	-	102,752	139,569	158,937	197,998	103,694	-	-	-	-
Cultural and recreational	517,406	371,833	423,361	427,063	483,567	494,514	540,237	497,221	454,092	539,675
Operating grants and contributions	400,597	518,147	864,939	830,434	684,002	595,622	1,277,124	771,677	632,335	297,256
Capital grants and contributions	460,355	509,192	2,961,423	884,887	4,714,539	7,239,152	1,445,891	39,613	10,744,304	19,165,527
Total governmental activities program revenue	<u>\$ 2,476,052</u>	<u>\$ 2,137,467</u>	<u>\$ 5,469,866</u>	<u>\$ 3,093,528</u>	<u>\$ 7,242,321</u>	<u>\$ 9,439,003</u>	<u>\$ 4,703,806</u>	<u>\$ 3,044,627</u>	<u>\$ 13,531,961</u>	<u>\$ 21,759,312</u>
Business-type activities:										
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	87,684	-	-	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 2,476,052</u>	<u>\$ 2,137,467</u>	<u>\$ 5,469,866</u>	<u>\$ 3,181,212</u>	<u>\$ 7,242,321</u>	<u>\$ 9,439,003</u>	<u>\$ 4,703,806</u>	<u>\$ 3,044,627</u>	<u>\$ 13,531,961</u>	<u>\$ 21,759,312</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2 (continued)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (Expense) / Revenue										
Governmental activities	\$ (6,663,459)	\$ (7,388,570)	\$ (4,715,461)	\$ (8,045,548)	\$ (3,367,438)	\$ (1,528,889)	\$ (7,325,955)	\$ (9,159,640)	\$ 773,368	\$ 7,781,182
Business-type activities	(149,315)	(133,748)	(130,422)	(88,941)	(75,525)	(54,903)	(52,482)	(30,594)	(20,566)	(16,656)
Total primary government net revenue /(expense)	\$ (6,812,774)	\$ (7,522,318)	\$ (4,845,883)	\$ (8,134,489)	\$ (3,442,963)	\$ (1,583,792)	\$ (7,378,437)	\$ (9,190,234)	\$ 752,802	\$ 7,764,526
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 4,456,795	\$ 4,796,505	\$ 5,125,475	\$ 5,249,709	\$ 5,421,563	\$ 6,042,731	\$ 6,179,543	\$ 6,398,393	\$ 6,709,702	\$ 7,192,745
Other taxes and licenses	206,738	220,629	232,843	246,403	284,406	326,641	277,822	219,428	230,023	239,366
Unrestricted intergovernmental revenues	2,253,064	2,314,882	2,662,238	2,545,808	2,697,954	2,926,002	3,360,348	3,616,196	3,770,758	3,899,874
Unrestricted investment earnings	74,465	22,027	33,351	34,957	37,194	25,213	13,960	57,502	68,483	128,145
Miscellaneous	136,315	132,991	237,404	774,350	17,297	45,461	43,830	(26,059)	161,061	139,174
Transfers	(3)	-	-	651,159	-	-	-	-	-	-
Total governmental activities	7,127,374	7,487,034	8,291,311	9,502,386	8,458,414	9,366,048	9,875,503	10,265,460	10,940,027	11,599,304
Business-type activities:										
Unrestricted investment earnings	192,393	146,081	130,917	125,126	67,162	55,551	43,584	32,437	21,908	18,102
Gain /(Loss) on abandoned capital project	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	6,003	6,017	17,711	23,801	8,619	8,431	20,893	-	-
Transfers	3	-	-	(651,159)	-	-	-	-	-	-
Special item (loss on transfer of assets to Raleigh)	(126,834)	-	(1,608,656)	(401,249)	-	-	-	-	-	-
Total business-type activities	65,562	152,084	(1,471,722)	(909,571)	90,963	64,170	52,015	53,330	21,908	18,102
Total primary government	\$ 7,192,936	\$ 7,639,118	\$ 6,819,589	\$ 8,592,815	\$ 8,549,377	\$ 9,430,218	\$ 9,927,518	\$ 10,318,790	\$ 10,961,935	\$ 11,617,406
Change in Net Position										
Governmental activities	\$ 463,915	\$ 98,464	\$ 3,575,850	\$ 1,456,838	\$ 5,090,976	\$ 7,837,159	\$ 2,549,548	\$ 1,105,820	\$ 11,713,395	\$ 19,380,486
Business-type activities	(83,753)	18,336	(1,602,144)	(998,512)	15,438	9,267	(467)	22,736	1,342	1,446
Total primary government	\$ 380,162	\$ 116,800	\$ 1,973,706	\$ 458,326	\$ 5,106,414	\$ 7,846,426	\$ 2,549,081	\$ 1,128,556	\$ 11,714,737	\$ 19,381,932

TOWN OF KNIGHTDALE, NORTH CAROLINA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,120,396	\$ 1,309,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,104,441	1,930,259	-	-	-	-	-	-	-	-
Nonspendable	-	-	23,476	36,008	11,423	9,072	9,526	10,002	5,045	233,533
Restricted	-	-	1,605,841	1,527,084	2,005,357	2,152,862	2,170,548	2,413,050	3,644,905	2,759,704
Assigned	-	-	212,000	100,800	187,220	171,600	70,500	125,000	184,590	1,157,790
Unassigned	-	-	2,536,605	2,984,408	3,430,429	4,029,715	5,438,398	5,561,886	5,015,838	4,073,919
Total General Fund	\$ 3,224,837	\$ 3,239,557	\$ 4,377,922	\$ 4,648,300	\$ 5,634,429	\$ 6,363,249	\$ 7,688,972	\$ 8,109,938	\$ 8,850,378	\$ 8,224,946
All other governmental funds										
Reserved	\$ -	\$ 34,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,758,431	-	-	-	-	-	-	-	-	-
Capital project funds	19,266	1,945,388	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	86,844	113,994	190,068	197,664
Restricted	-	-	337,852	368,328	294,128	2,100,413	849,496	988,071	1,053,443	508,110
Assigned, reported in:										
Special revenue funds	-	-	-	15,937	58,631	120,544	150,046	270,885	244,459	370,229
Capital project funds	-	-	1,568,121	3,227,646	3,173,436	1,689,218	1,870,097	3,128,486	4,085,322	2,807,208
Unassigned	-	-	-	-	(17,672)	-	(80,943)	-	-	-
Total all other governmental funds	\$ 1,777,697	\$ 1,979,458	\$ 1,905,973	\$ 3,611,911	\$ 3,508,523	\$ 3,910,175	\$ 2,875,540	\$ 4,501,436	\$ 5,573,292	\$ 3,883,211

Note:

Fund balance designated for subsequent years has been classified as Unreserved, for consistency.

Fiscal year 2011 and forward is presented in conformity with GASB Statement No. 54 which was implemented in fiscal year 2011.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Ad valorem taxes	\$ 4,428,988	\$ 4,787,815	\$ 5,154,363	\$ 5,277,887	\$ 5,394,455	\$ 6,093,511	\$ 6,223,115	\$ 6,406,826	\$ 6,717,305	\$ 7,194,768
Other taxes and licenses	119,763	212,371	223,835	238,439	272,639	337,443	290,675	222,407	232,380	244,226
Unrestricted intergovernmental	2,253,064	2,314,882	2,662,238	2,545,808	2,697,954	2,926,002	3,360,348	3,616,196	3,770,758	3,899,874
Restricted intergovernmental	400,597	1,002,839	949,247	1,715,321	2,926,663	1,995,222	1,872,765	811,290	677,588	660,587
Permits and fees	321,595	147,330	608,630	386,600	729,312	454,903	793,094	1,018,278	921,328	884,143
Sales and services	1,344,991	967,385	1,043,408	1,028,223	1,109,917	1,149,456	1,185,254	1,217,524	1,254,476	1,566,564
Investment earnings	74,465	22,027	33,351	34,957	37,194	25,213	13,960	57,502	68,483	128,145
Miscellaneous	160,876	117,836	140,924	86,369	68,895	118,746	39,593	131,544	107,085	78,556
Total revenues	9,104,339	9,572,485	10,815,996	11,313,604	13,237,029	13,100,496	13,778,804	13,481,567	13,749,403	14,656,863
Expenditures										
General government	1,686,944	1,322,247	1,106,568	1,159,777	1,294,788	1,344,395	1,347,135	1,569,789	1,640,039	1,945,701
Public safety	3,021,260	3,281,322	3,912,098	3,831,884	3,708,123	3,754,607	3,518,674	3,809,642	3,925,080	4,311,630
Public works	1,614,249	1,586,331	1,666,795	1,628,223	1,491,381	2,107,105	2,419,090	1,491,206	1,520,383	1,609,776
Environmental protection	-	535,182	532,250	628,604	772,683	700,456	736,714	830,894	951,730	1,090,608
Economic development	-	430,008	451,522	577,318	547,941	539,428	504,730	646,700	635,288	630,868
Cultural and recreation	868,644	844,184	908,416	912,635	897,127	989,115	1,298,594	1,188,254	1,069,680	1,288,372
Capital outlay	787,870	666,180	3,716,800	1,139,842	7,773,588	4,305,483	2,403,729	410,560	950,142	3,990,833
Debt service :										
Principal	597,471	597,558	420,955	1,211,715	2,750,843	965,027	1,164,167	1,235,089	1,105,068	2,172,303
Interest	209,415	188,746	172,692	269,001	247,015	271,823	299,120	272,997	242,248	280,980
Total expenditures	8,785,853	9,451,758	12,888,096	11,358,999	19,483,489	14,977,439	13,691,953	11,455,131	12,039,658	17,321,071
Excess of revenues over (under) expenditures	318,486	120,727	(2,072,100)	(45,395)	(6,246,460)	(1,876,943)	86,851	2,026,436	1,709,745	(2,664,208)
Other financing sources (uses)										
Transfers in	1,230,921	443,909	1,199,206	1,142,917	1,112,924	1,230,688	981,280	1,947,922	1,223,586	3,793,098
Transfers out	(1,230,924)	(443,909)	(1,199,206)	(491,758)	(1,112,924)	(1,230,688)	(981,280)	(1,947,922)	(1,223,586)	(3,793,098)
Sale of capital assets	-	35,695	16,480	812,920	14,102	7,415	4,237	20,426	53,976	60,577
Installment debt issued	175,000	60,059	3,040,500	557,632	7,115,099	3,000,000	200,000	-	48,575	288,118
Contribution from East Wake Television	-	-	80,000	-	-	-	-	-	-	-
Assumption of debt in annexations	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	174,997	95,754	3,136,980	2,021,711	7,129,201	3,007,415	204,237	20,426	102,551	348,695
Net change in fund balance	\$ 493,483	\$ 216,481	\$ 1,064,880	\$ 1,976,316	\$ 882,741	\$ 1,130,472	\$ 291,088	\$ 2,046,862	\$ 1,812,296	\$ (2,315,513)
Debt service as a percentage of noncapital expenditures	10.1%	8.9%	6.5%	14.5%	25.6%	11.6%	13.0%	13.7%	12.1%	18.4%

TOWN OF KNIGHTDALE, NORTH CAROLINA

Governmental Activities, Property Tax Revenue

Last Ten Fiscal Years

(accrual basis of accounting)

Table 5

Fiscal Year	Tax Rate	Property Tax	Property Tax Adjusted to Current Rate
2009	0.40	4,456,795	4,791,055
2010	0.40	4,796,505	5,156,243
2011	0.41	5,125,475	5,375,498
2012	0.41	5,249,709	5,505,792
2013	0.41	5,421,563	5,686,029
2014	0.43	6,042,731	6,042,731
2015	0.43	6,179,543	6,179,543
2016	0.43	6,398,393	6,398,393
2017	0.43	6,709,702	6,709,702
2018	0.43	7,198,558	7,198,558

Property Tax Adjusted to Current Rate is a prediction of the tax revenue that might have been received if the tax rate were uniform over the entire period.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Assessed Value of Taxable Property

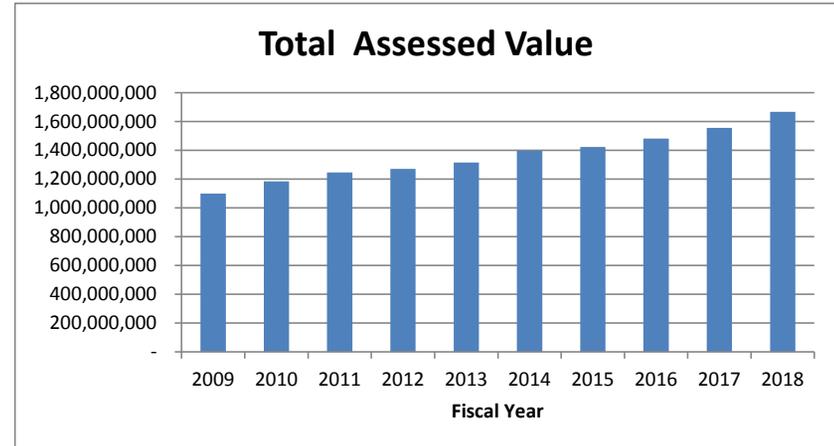
Last Ten Fiscal Years

Table 6

Fiscal Year		Real Property	Personal Property	Public Service Property	Total Assessed Value (1)	Property Tax Rate (Per \$100 Assessed Value)	Estimated Actual Value	Ratio of Assessed Value to Actual Value
2009	(2)	980,409,614	110,037,755	9,022,081	1,099,469,450	0.40	1,088,583,614	101%
2010		1,068,919,623	106,944,430	9,050,383	1,184,914,436	0.40	1,150,402,365	103%
2011		1,114,360,955	122,598,502	9,148,276	1,246,107,733	0.41	1,175,573,333	106%
2012		1,133,994,181	128,739,400	8,931,806	1,271,665,387	0.41	1,166,665,493	109%
2013		1,167,750,585	138,980,390	8,839,036	1,315,570,011	0.41	1,185,198,208	111%
2014		1,207,176,381	179,648,001	9,252,266	1,396,076,648	0.43	1,292,663,563	108%
2015		1,251,348,719	162,473,352	9,275,836	1,423,097,907	0.43	1,435,611,732	99%
2016		1,310,258,180	160,031,798	10,914,208	1,481,204,186	0.43	1,458,945,389	102%
2017	(2)	1,356,873,863	188,302,815	10,712,624	1,555,889,302	0.43	1,554,125,464	100%
2018		1,459,368,486	195,122,565	12,064,763	1,666,555,814	0.43	1,644,362,257	101%

NOTES:

- (1) Assessed Value is established by Wake County Tax Department.
- (2) A revaluation of all property is required every eight years by state statute. The most recent revaluation occurred in fiscal year 2017 (tax year 2016).



TOWN OF KNIGHTDALE, NORTH CAROLINA

Property Tax Rates - Direct and Overlapping (1)

Last Ten Fiscal Years

Table 7

Fiscal Year	Town of Knightdale	Wake County	Combined Tax Rate Per \$100 of Assessed Value
2009 (2)	0.40	0.534	0.9340
2010	0.40	0.534	0.9340
2011	0.41	0.534	0.9440
2012	0.41	0.534	0.9440
2013	0.41	0.534	0.9440
2014	0.43	0.534	0.9640
2015	0.43	0.578	1.0080
2016	0.43	0.6145	1.0445
2017 (2)	0.43	0.6005	1.0305
2018	0.43	0.6150	1.0450

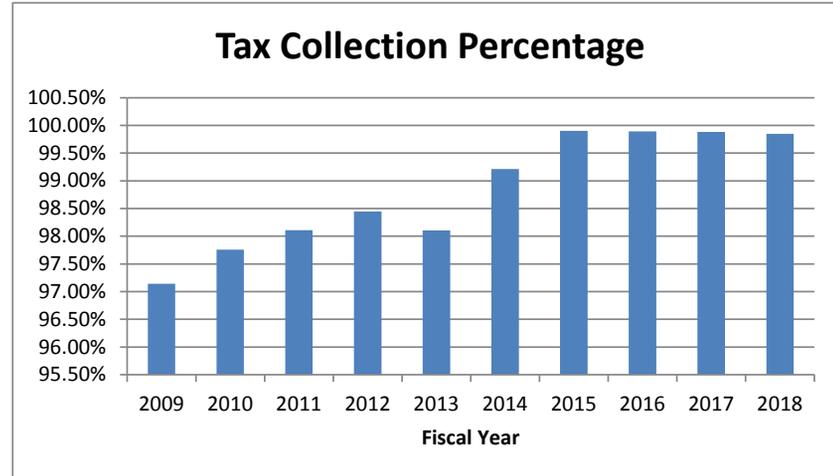
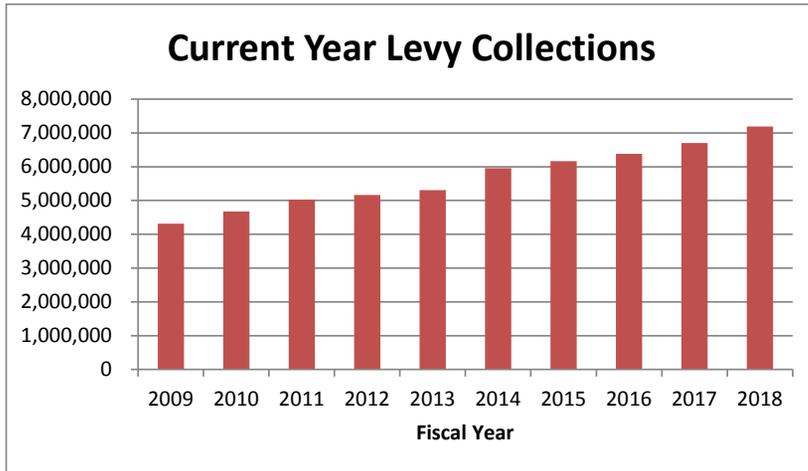
Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the Town of Knightdale.
- (2) A revaluation of all property is required every eight years by state statute.
The most recent revaluation occurred in fiscal year 2017 (tax year 2016).
- (3) There are no special tax districts within the Town of Knightdale. The tax rates listed above are Town wide property tax rates.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Property Tax Levies and Collections
 Last Ten Fiscal Years

Table 8

Fiscal Year	Net Levy	Current Year's Taxes Collected	Percent of Net Levy Collected	Collections- Prior Years	Total Collections	Percent of Total Tax Collections To Net Levy	Ad Valorem Taxes Receivable Balance-June 30	Percent Delinquent Taxes To Net Levy
2009	4,441,324	4,314,443	97.14%	122,250	4,436,693	99.90%	194,828	4.39%
2010	4,779,605	4,672,322	97.76%	101,127	4,773,449	99.87%	203,519	4.26%
2011	5,124,740	5,027,969	98.11%	91,419	5,119,388	99.90%	174,631	3.41%
2012	5,242,074	5,160,708	98.45%	72,944	5,233,652	99.84%	146,453	2.79%
2013	5,408,394	5,305,974	98.11%	92,533	5,398,507	99.82%	173,561	3.21%
2014	6,001,549	5,954,407	99.21%	36,050	5,990,457	99.82%	122,781	2.05%
2015	6,166,908	6,160,848	99.90%	1,265	6,162,113	99.92%	79,209	1.28%
2016	6,389,729	6,382,904	99.89%	(1,941)	6,380,963	99.86%	70,776	1.11%
2017	6,706,433	6,698,716	99.88%	3,722	6,702,438	99.94%	63,173	0.94%
2018	7,198,558	7,187,814	99.85%	(4,625)	7,183,189	99.79%	61,150	0.85%



TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2018			2009		
Table 9 Taxpayer (1)	Type of Enterprise	Assessed Valuation	Percentage Of Total Assessed		Assessed Valuation	Percentage Of Total Assessed	
			Valuation	Rank		Valuation	Rank
Knightdale Centers LLC	Retail	\$ 54,807,618	3.29%	1	\$ -	-	-
Legacy Oaks Apartments LP	Real Estate/Apartments	35,631,114	2.14%	2	-	-	-
Greystone WW Co. LLC	Real Estate/Apartments	34,837,966	2.09%	3	30,000,716	2.73%	2
BRC Knightdale LLC	Real Estate/Apartments	30,445,522	1.83%	4			
Laurens Way Co LTD Partnership	Real Estate/Apartments	22,313,866	1.34%	5	14,716,009	1.34%	6
Triangle Palisades at Legacy Oaks	Real Estate/Apartments	21,694,497	1.30%	6			
Rex Hospital	Medical Facility	18,916,465	1.14%	7	12,708,977	1.16%	8
WW Knightdale Property LLC	Real Estate/Apartments	14,157,519	0.85%	8			
Lowes Home Center	Retail	13,043,197	0.78%	9	18,728,427	1.70%	5
Widewaters Knightdale Co. LLC	Real Estate	12,834,804	0.77%	10	25,149,497	2.29%	3
Kimco Wakefield Knightdale, LP	Real Estate	-	-	-	35,156,686	3.20%	1
TGLVF Eastpoint LLC	Manufacturer	-	-	-	13,029,617	1.19%	7
Target Corporation	Retail	-	-	-	10,697,172	0.97%	10
Kohl's Department Store Inc	Retail	-	-	-	11,434,532	1.04%	9
Crossland Knightdale LLC	Real estate	-	-	-	22,748,864	2.07%	4
Totals		<u>\$ 258,682,568</u>	<u>15.53%</u>		<u>\$ 194,370,497</u>	<u>17.69%</u>	
Total Assessed Value		<u>\$ 1,666,555,814</u>			<u>\$ 1,099,469,450</u>		

(1) Data obtained from the Wake County Revenue Department

TOWN OF KNIGHTDALE, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

Table 10

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed value	\$ 1,099,469,450	\$ 1,184,914,436	\$ 1,246,107,733	\$ 1,271,665,387	\$ 1,315,570,011	\$ 1,396,076,648	\$ 1,423,097,907	\$ 1,481,204,186	\$ 1,555,889,302	\$ 1,666,555,814
Debt limit (8% of assessed value)	87,957,556	94,793,155	99,688,619	101,733,231	105,245,601	111,686,132	113,847,833	118,496,335	124,471,144	133,324,465
Debt applicable to limit:										
Total outstanding debt	7,903,573	7,010,197	9,259,537	8,369,100	12,401,246	14,098,159	12,789,389	11,205,336	9,984,632	7,946,406
Debt authorized but unissued	-	2,821,500	-	5,000,000	3,000,000	-	-	-	-	-
Less debt applicable to business-type activities										
Enterprise Fund debt	-	(2,882,155)	(2,511,950)	(2,274,595)	(1,942,425)	(1,604,365)	(1,259,762)	(910,632)	(746,421)	(592,421)
Total net debt applicable to limit	7,903,573	6,949,542	6,747,587	11,094,505	13,458,821	12,493,794	11,529,627	10,294,704	9,238,211	7,353,985
Legal debt margin	\$ 80,053,983	\$ 87,843,613	\$ 92,941,032	\$ 90,638,726	\$ 91,786,780	\$ 99,192,338	\$ 102,318,206	\$ 108,201,631	\$ 115,232,933	\$ 125,970,480
Total net debt applicable to the limit, as a percentage of the total debt limit	8.99%	7.33%	6.77%	10.91%	12.79%	11.19%	10.13%	8.69%	7.42%	5.52%
Total net debt applicable to the limit, as a percentage of assessed value	0.72%	0.59%	0.54%	0.87%	1.02%	0.89%	0.81%	0.70%	0.59%	0.44%

Note:

Under North Carolina general statutes, the legal debt limit should not exceed 8% of total assessed property value.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Ratio of Outstanding Debt by Type
To Assessed Value, Personal Income and Bonded Debt per Capita
Last Ten Fiscal Years

Table 11

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Assessed Value	Debt as a % of Assessed Valuation	Debt as a % of Personal Income	Population	Debt Per Capita
	GO Bonds	Installment Purchases	GO Bonds	Installment Purchases						
2009	684,211	3,976,755	2,020,789	1,221,818	7,903,573	1,099,469,450	0.72%	1.81%	10,967	721
2010	631,579	3,496,463	1,855,421	1,026,734	7,010,197	1,184,914,436	0.59%	1.37%	12,393	566
2011	578,947	6,168,640	1,689,053	822,897	9,259,537	1,246,107,733	0.74%	1.88%	11,401	812
2012	554,210	5,540,355	1,601,790	672,805	8,369,160	1,271,665,387	0.66%	1.62%	11,493	728
2013	495,263	9,963,558	1,426,737	515,688	12,401,246	1,315,570,011	0.94%	2.26%	11,904	1,042
2014	3,436,842	9,056,952	1,253,158	351,207	14,098,159	1,396,076,648	1.01%	1.79%	12,340	1,142
2015	3,179,211	8,350,416	1,080,790	178,972	12,789,389	1,423,097,907	0.90%	1.50%	13,102	976
2016	2,922,369	7,372,335	910,632	-	11,205,336	1,481,204,186	0.76%	1.24%	13,560	826
2017	2,666,579	6,571,632	746,421	-	9,984,632	1,555,889,302	0.64%	N/A	13,786	724
2018	2,211,579	5,142,406	592,421	-	7,946,406	1,666,555,814	0.48%	N/A	15,849	501

NOTES:

- (1) See Table 17 for personal income data
- (2) N/A indicates data is "not available"

TOWN OF KNIGHTDALE, NORTH CAROLINA
Ratio of Net General Obligation Debt Outstanding
Last Ten Fiscal Years

Table 12

Fiscal Year	GO Bonds		Net General Obligation Debt	Total Personal Income	Debt as a % of Personal Income	Net General Bonded Debt as a % of (3) Property Value	Population	Debt Per Capita
	Governmental Activities	Business-Type Activities						
2009	684,211	2,020,789	2,705,000	\$455,492,411	0.59%	0.25%	10,967	247
2010	631,579	1,855,421	2,487,000	\$527,148,648	0.47%	0.22%	12,393	201
2011	578,947	1,689,053	2,268,000	\$493,435,280	0.46%	0.19%	11,401	199
2012	554,210	1,601,790	2,156,000	\$515,334,627	0.42%	0.18%	11,493	188
2013	495,263	1,426,737	1,922,000	\$548,738,688	0.35%	0.16%	11,904	161
2014	3,436,842	1,253,158	4,690,000	\$787,180,940	0.60%	0.36%	12,340	380
2015	3,179,211	1,080,790	4,260,001	\$853,726,320	0.50%	0.29%	13,102	325
2016	2,922,369	910,632	3,833,001	\$902,811,240	0.42%	0.26%	13,560	283
2017	2,666,579	746,421	3,413,000	N/A	N/A	0.22%	13,786	248
2018	2,211,579	592,421	2,804,000	N/A	N/A	0.17%	15,849	177

NOTES:

(1) See Table 17 for personal income data

(2) N/A indicates data is "not available"

(3) Net general bonded debt as a percentage of estimated actual value of taxable property.
See Table 6 for estimated actual value of taxable property.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

Table 13

Governmental Unit	General Obligation Debt Outstanding (1)	Estimated Percentage Applicable to Town (2)	Estimated Share of Overlapping Debt (3)
Debt repaid with property taxes - Wake County	\$ 1,762,270,000	1.1556%	\$ 20,364,286
Subtotal, overlapping debt			20,364,286
Town of Knightdale direct debt			7,353,985
Total direct and overlapping debt			\$ 27,718,271

NOTES:

- (1) Supplied by Wake County Finance Department
Portion of this debt that is outstanding Wake County school bonds, \$1,436,833,078
- (2) The percentage of overlapping debt applicable to the town is estimated using assessed property values. The applicable percentage represents the town's total assessed value divided by Wake County's total assessed value.

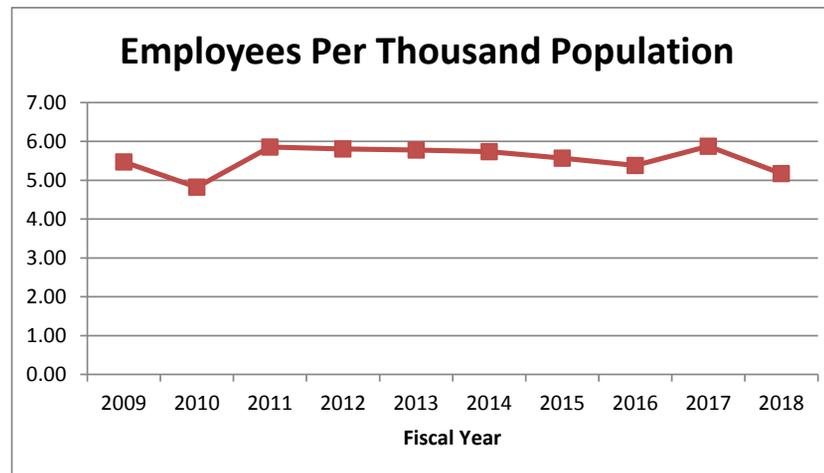
Town of Knightdale Assessed Value	\$ 1,666,555,814
Wake County Assessed Value (1)	144,219,213,822
Percentage applicable to Knightdale	1.1556%

- (3) Overlapping debt does not include the debt of the Special Airport District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Employee Positions Authorized by Department
 Last Ten Fiscal Years

Table 14

Fiscal Year	General Government	Public Safety	Parks and Recreation	Development Services	Public Works	Fiscal Year Total
2009	8.0	31.0	5.0	8.00	8.0	60.00
2010	8.75	31.0	5.0	7.00	8.0	59.75
2011	8.75	38.0	5.0	7.00	8.0	66.75
2012	8.75	38.0	5.0	7.00	8.0	66.75
2013	9.75	38.0	5.0	7.00	9.0	68.75
2014	9.75	39.0	5.0	7.00	10.0	70.75
2015	10.00	39.0	6.0	5.00	13.0	73.00
2016	11.00	39.0	6.0	6.00	11.0	73.00
2017	10.00	45.0	6.0	7.00	13.0	81.00
2018	12.00	46.0	7.0	6.00	11.0	82.00



Number of employees data provided by Town of Knightdale Human Resources Division.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

Table 15

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Administration</i>										
Agendas prepared and delivered 5 days before Council meetings	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Minutes prepared within 3 working days of Council meetings	95%	80%	90%	90%	75%	100%	58%	100%	100%	100%
Meeting minutes completed without error	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Human Resources</i>										
Employees successfully completing probation period	100%	100%	100%	100%	93%	99%	100%	100%	89%	82%
Employee turnover	5%	0%	6%	6%	7%	3%	18%	4%	14%	9%
<i>Finance</i>										
Bank statement reconciled within 7 days of receipt	100%	75%	92%	92%	100%	100%	100%	45%	100%	100%
Month is closed out within 20 days of month end	100%	100%	100%	100%	92%	100%	100%	92%	100%	100%
Accuracy of bank deposits submitted to the bank	99%	99%	99%	99%	99%	98%	96%	98%	98%	99%
Average accuracy rate in forecasting all major revenues	88%	98%	98%	99%	95%	95%	95%	95%	99%	100%
Accuracy rate in forecasting ad valorem revenue tax revenue.	98%	97%	97%	99%	99%	97%	97%	98%	100%	100%
Number of budget amendments requiring council approval	20	14	15	13	11	20	9	11	11	9
<i>Development Services Department</i>										
Permits issued:										
Commercial	127	42	66	48	67	43	58	107	81	129
Residential	98	152	131	168	246	149	152	228	266	185
<i>Police Department</i>										
Investigative report supplement compliance rates	NA	NA	NA	NA	98%	100%	100%	100%	100%	100%
Investigation clearance rates	NA	NA	NA	NA	53%	60%	48%	51%	52%	53%
Average response time to calls for service (minutes : seconds)	4:30	11:05	3:45	3:41	3:41	4:22	5:07	5:05	4:46	5:17
Number Part I Crimes	NA	NA	NA	NA	514	441	455	407	355	376
Number of reports taken	NA	NA	NA	NA	1,163	1,104	1,136	1,120	1,178	1,122
Number of arrests made	NA	NA	NA	NA	311	337	322	330	357	323

TOWN OF KNIGHTDALE, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

Table 15

	Continued									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Fire Department</i>										
Average response time to calls for service (minutes : seconds)	4:18	4:12	4:24	4:28	4:38	4:47	4:55	5:01	5:17	5:07
Average personnel responding to structure related calls	12.9	11	10	11.7	13.6	14.2	13.0	12.1	11.5	9.12
Training hours for all staff & volunteers	7543	8,041	8,188	8,813	9,141	8,399	9,818	9,171	11,674	10,071
Fire loss for the year	\$337,995	\$70,790	\$188,900	\$234,802	\$1,139,628	\$231,308	\$487,141	\$443,230	\$532,854	\$616,351
Value of property saved	\$10,319,470	\$9,628,944	\$6,942,755	\$5,667,695	\$22,228,757	\$8,490,218	\$7,843,396	\$5,668,883	\$7,280,616	\$7,066,049
Percentage of property loss	3.17%	0.73%	2.65%	3.98%	5.13%	2.62%	5.85%	7.82%	6.72%	8.02%
Total calls	959	1,002	1,067	1,252	1,294	1,217	1,348	1,364	1,490	1,504
<i>Public Works (2)</i>										
Residential tons collected yearly										
Solid Waste	2,437.21	NA	2,739.88	2,582.00	2,087.90	5,342.00	3,033.91	3,503.72	3,959.20	4,528.00
Recycling	486.93	NA	506.56	657.00	703.10	740.32	551.60	625.82	706.38	1,223.00
Mulching / compost (6)	80.00	NA	NA	NA	782.70	1,600.00	1,368.00	-	2,250.00	3,080.00
Households served	3,180	3,525	3,615	3,736	4,042	4,302	3,455	4,092	4,662	5,133
<i>Parks and Recreation (3)</i>										
Participants in camps and recreation programs										
Baseball (Spring & Fall)	348	403	403	428	397	389	394	437	469	446
Softball (Spring & Fall)	69	103	99	104	103	60	38	61	261	487
Basketball (Summer & Winter beginning 2010)	327	485	424	386	467	528	525	564	995	1,226
Swimming Pool	10,016	9,240	12,017	9,535	8,627	8,174	7,718	6,563	5,673	6,482
Swim Lessons	209	271	320	304	205	288	163	156	140	97
Track Out Camp (4) (5)	1,125	1,014	4,222	3,506	4,197	4,252	4,297	3,663	3,715	362
Summer Camp	NA	902	928	1,095	1,108	1,005	979	1,190	1,155	1,111

Notes:

NA = Not Available at this time.

(2) Information provided from the Town of Knightdale Public Works Department and NC Dept. of Environment and Natural Resources.

(3) The Parks & Recreation maintains the detailed information shown here on a calendar year basis.

(4) The Track Out Program matches the Wake County Public School Year Round Calendar, which runs from July to not register for Track 2 in fiscal year 2012. Did not register for Track 2 in fiscal year 2015. Did not register for Track 2 or 3 in fiscal year 2016.

(6) No mulching or composting done in FY16 due to position vacancy. Resumed in July 2016.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 16

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol Units	23	23	27	27	27	27	32	32	35	35
K-9 Units	-	-	-	2	2	2	2	2	2	1
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	3	3	3	3	3	3	3	3	3	3
Ladder Trucks	-	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	41.93	41.93	43.06	43.06	45.02	47.74	48.33	48.33	50.95	56.30
Streetlights	N/A	N/A	N/A	1,381	1,401	1,429	1,429	1,450	1,472	1,617
Traffic signals (1)	-	-	-	-	-	-	-	-	-	-
Parks and Recreation										
Parks (3)	3	3	3	3	3	4	4	4	4	4
Acreage	37.16	37.16	37.16	37.16	37.16	106.80	106.80	106.80	106.80	106.80
Playgrounds	2	2	2	2	2	4	4	4	4	4
Baseball / softball diamonds (2)	5	5	5	5	5	9	9	9	9	9
Soccer / football fields	1	1	1	1	1	4	4	4	4	4
Community Centers	1	1	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Mingo Creek Greenway (miles)	-	-	-	-	1.1	3.3	3.3	3.3	3.3	3.3
Bus	1	1	1	1	1	1	1	1	1	1

Sources: Various Town Departments

Notes:

No capital indicators are available for general government function.

- 1 All traffic signals in Town Limits owned and operated by NC Department of Transportation
- 2 Baseball / softball fields are owned by Wake County, but maintained by Town of Knightdale.
- 3 Knightdale Station Park - Land purchased in 2010. Park opened on July 19, 2013.
- 4 access to 6 additional courts at the High School based on JUA with WCPSS

N/A Data not available.

TOWN OF KNIGHTDALE, NORTH CAROLINA
Demographic Statistics
 Last Ten Fiscal Years

Table 17

Fiscal Year	(1) Knightdale Population	(1) Wake County Population	Knightdale Personal Income (thousands of dollars)	Wake County (2) Personal Income (thousands of dollars)	(2) Per Capita Income	(1) Median Family Income	(4) Unemployment Rate Percentage
2009	10,967	866,438	\$436,717	\$39,424,220	\$39,821	\$62,073	8.2
2010	12,393	892,409	\$513,070	\$41,432,611	\$41,400	\$62,073	8.3
2011	11,401	900,993	\$493,435	\$43,320,456	\$43,280	\$68,308	8.4
2012	11,493	907,314	\$515,335	\$46,320,314	\$44,839	\$71,922	7.9
2013	11,904	925,938	\$548,739	\$47,064,181	\$46,097	\$75,285	7.4
2014	12,340	945,143	\$787,181	\$50,257,552	\$63,791	\$70,512	5.1
2015	13,102	985,310	\$853,726	\$53,028,913	\$65,160	\$71,066	5.0
2016	13,560	1,007,631	\$902,811	(5)	\$66,579	\$72,591	4.3
2017	13,786	1,026,748	(5)	(5)	(5)	\$64,399	3.6
2018	15,849	1,072,203	(5)	(5)	(5)	\$67,167	3.4

NOTES:

(1) North Carolina Office of State Budget and Management

(2) Wake County annual CAFR report. Numbers are for Wake County.

Separate figures for the Town are not available.

Knightdale total personal income estimated as Wake County per capita income x Knightdale population.

(3) US Census Bureau - American Community Survey 5-Year estimates 2011 to 2014

US Census Bureau - 200 Census Data 2005 -2010.

(4) North Carolina Department of Commerce

Numbers are for Wake County. Separate figures for the Town are not available.

(5) Information is not yet available.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Employers

Current Year and Prior Year

Table 18

Employer		2018				2009			
		Employment Range				Employment Range (2)			
Wake County Public School System, <i>All Knightdale Locations.</i>	1	500	-	550	9.24%	550	-	600	9.68%
Schneider Electric	2	450	-	500	8.36%	500	-	500	8.42%
Wal-Mart Store #1816	3 (tie)	150	-	200	3.08%	150	-	200	2.95%
Target	3 (tie)	150	-	200	3.08%	125	-	150	2.32%
Wake Stone	3 (tie)	150	-	200	3.08%	50		60	0.93%
Lowe's Home Improvement	6 (tie)	125	-	150	2.42%	140	-	160	2.53%
The Home Depot	6 (tie)	125	-	150	2.42%	75		100	1.47%
Electronic Systems Protection	8	100	-	125	1.98%				
Lowe's Foods	9 (tie)	75	-	100	1.54%	100	-	125	1.89%
Weathermaster Heating & Air	9 (tie)	75	-	100	1.54%	100	-	125	1.89%
Town of Knightdale	9 (tie)	75	-	100	1.54%				
Wellington Nursing Center						100		125	1.89%
Total of Top Employers, in a range		1,975	to	2,375		1,890	to	2,145	
Total Estimated Employed in Town (2)		5,683				5,939			
Estimated Percentage of Total Employment Represented by Top Employers		38.27%				33.97%			

Notes:

Data obtained from the Town of Knightdale Development Services Department and the Raleigh Chamber of Commerce.

New employers in the Town of Knightdale prefer presenting the employment information in ranges.

Percentages presented are based upon the median of the respective range.

(1) Individual school employment numbers presented in the prior year have been restated for consistency with the current year presentation.

Square D and Schneider Electric have been combined in this restatement for consistency with the current year presentation.

(2) Estimated employment based on Capital Area Metropolitan Planning Organization projections.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Commercial Activity

Last Ten Calendar Years

Table 19

Building Permits (1)

Calendar Year	All Commercial		New Residential		Total	
	Number	Value	Number	Value	Number	Value
2008	143	89,109,842	174	22,401,561	317	111,511,403
2009	69	13,802,065	130	24,305,128	199	38,107,193
2010	56	6,449,164	126	22,242,753	182	28,691,917
2011	64	8,588,038	137	24,275,987	201	32,864,025
2012	63	9,879,743	200	36,728,786	263	46,608,529
2013	40	2,144,704	242	37,804,599	282	39,949,303
2014	51	3,054,938	135	25,878,037	186	28,932,975
2015	70	16,426,116	215	43,877,276	285	60,303,392
2016	112	38,441,256	222	42,174,824	334	80,616,080
2017	112	38,855,235	255	50,777,123	367	89,632,358

NOTES:

(1) Compiled by the Town of Knightdale Development Services Department. Residential does not include alterations or additions. (Jan-Dec)



Environmental Pond



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This section includes information relating to federal and state financial assistance, in conformity with the provisions of Government Auditing Standards, published by the General Accounting Office. Included are a schedule of federal and state financial assistance, and the auditor's report on compliance with requirements applicable to each major Federal program and on the internal control structure and compliance with applicable laws and regulations.

COMPLIANCE SECTION

**Report on Internal Control over Financial Reporting and On Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of Town Council
Town of Knightdale, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Knightdale, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises the Town of Knightdale's basic financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Knightdale's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Knightdale's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Knightdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Joyce and Company, CPA
Cary, North Carolina

November 19, 2018

**Report on Compliance for the Major State Program;
Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of Town Council
Town of Knightdale, North Carolina

Report on Compliance for the Major State Program

We have audited the Town of Knightdale, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Knightdale's major state program for the year ended June 30, 2018. The Town of Knightdale's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Knightdale's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Knightdale's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Town of Knightdale's compliance.

Opinion on the Major State Program

In our opinion, the Town of Knightdale complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Knightdale is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Knightdale’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Joyce and Company, CPA
Cary, North Carolina

November 19, 2018

**TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2018**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	
• Noncompliance material to financial statement noted	_____ Yes	_____ <u>X</u> No	

Federal Awards

The Town of Knightdale has no major federal programs.

State Awards

- Material weakness(es) identified? _____ yes X no
- Significant deficiency (s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major state program: Unmodified

Identification of major state program: Powell Bill

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

Section IV. State Award Findings and Questioned Costs

None.

TOWN OF KNIGHTDALE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2018

Finding 2015-1

Grant reimbursements requests, recording of grant activity and grant accounts receivable

Status: Corrected

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal Direct and Pass-Through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Total Expenditures</u>
Federal Grants:						
Cash Programs:						
<u>United States Department of Homeland Security</u>						
Direct Program						
Federal Emergency Management Agency						
Assistance to Firefighters Operations and Safety Program	97.044	N/A	167,924	-	-	167,924
Passed Through North Carolina Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4285-DR-NC	17,982	5,994	-	23,976
<u>United States Department of Justice</u>						
Direct Program						
Bulletproof Vest Partnership	16.607	N/A	1,303	-	1,303	2,606
Total assistance-federal programs			187,209	5,994	1,303	194,506
State Grants:						
Cash Programs:						
<u>North Carolina Department of Transportation</u>						
Non-State System Street-Aid Allocation						
Powell Bill	N/A	DOT-4	-	918,236	-	918,236
Total federal and state assistance			\$ 187,209	\$ 924,230	\$ 1,303	\$ 1,112,742

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation -The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Knightdale under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of Knightdale, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Knightdale.

Summary of Significant Accounting Policies Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.