

**Town of Knightdale
North Carolina**



**Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2010**

**TOWN OF
KNIGHTDALE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2010

PREPARED BY

JAMES C. OVERTON

FINANCE DIRECTOR

MEMBERS OF TOWN COUNCIL



Town Council as of June 30, 2010

From Left to Right: Council Member James Roberson, Council Member Timothy Poirier, Mayor Russell B. Killen, Council Member Terrence Gleason, Council Member Jeff Eddins, Mayor Pro Tem Mike Chalk.

(Individual contact information is available through the Town Clerk, telephone 919-217-2220)

TOWN OF KNIGHTDALE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF KNIGHTDALE

NORTH CAROLINA

Introductory Section - 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



TOWN OF KNIGHTDALE

950 Steeple Square Court ● Knightdale, NC 27545

Office (919) 217-2210 ● Fax (919) 217-2209

www.knightdalenc.gov

james.overton@ci.knightdalenc.gov

November 4, 2010

The Honorable Mayor Russell B. Killen,
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, 2010. 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 unqualified 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 2010

Fire Department

The Fire Department purchased a 1997 Pierce 105 ft. ladder truck and related equipment costing \$453,000 with proceeds of a grant from the Federal Emergency Management Agency in the amount of \$430,350.

East Wake Television Studio

The Town of Knightdale constructed a new television studio, adjacent to Town Hall, at a cost of \$127,069 for East Wake Television, a local Public Educational and Government station operated under an interlocal agreement by the Towns of Knightdale, Wendell, Rolesville and Zebulon. The Town received a grant of \$25,000 from the North Carolina Rural Economic Development Center for this construction project. East Wake Television will repay \$100,000 to the Town in 5 annual installment of \$20,000 each beginning in June, 2010. The outstanding balance on this loan at June 30, 2010 was \$80,000. On July 1, 2010, East Wake Television was incorporated as a separate non-profit organization.

Public Works and Engineering Departments

The Town completed street improvements and repairs to Lynwood Road at a cost of \$144,765. The Town also received a grant of \$113,650 from the Federal Highway Administration for landscaping improvements at the intersection of Interstate 540 and Knightdale Boulevard, the Town's western gateway. As of June 30, 2010, the Town has expended \$46,692 for this project which should be completed in the fall of 2010. The Town has also

expended \$87,374 in engineering and design fees for street improvements on First Avenue in historic downtown Knightdale. Construction on this project will begin in fiscal year 2011.

Knightdale 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 will include multi-purpose athletic fields, campgrounds, walking trails, amphitheatre, playground, and a dog park. Future additions may also include a community recreation center. 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. Design work on the new park is currently underway with construction work to begin in the summer of 2011.

Mingo Creek Greenway

The United States Department of Transportation has awarded a grant to the City of Raleigh and the Town of Knightdale for the construction of a greenway from the Town of Knightdale to connect with other trails in Wake County. The grant will be administered by the City of Raleigh, which will construct a greenway trail from Raleigh to the Neuse River and a bridge across the river. The Town of Knightdale will construct a greenway trail from Hodge Road on the western side of town to connect with the bridge at the Neuse River (Phase I). Phase II of the project will be a trail from Hodge Road to Smithfield Road on the eastern side of town which will connect to the new park. The estimated cost of Phase I is \$614,000, of which \$250,000 will be paid from grant proceeds. Construction on this project is expected to begin in fiscal year 2011.

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. According to the current U.S. Census, the population of Wake County (892,409) grew 41% over the past nine years. In only 20 years (1980-2000) Wake County more than doubled its total population. State demographic projections, published by the North Carolina Office of Budget and Management indicate that the Wake County population is expected to increase 49.3% over the next thirteen years, to 1,173,840 residents in the year 2020. As of June 2010, this area of the state has an unemployment rate of 8.3% compared to the statewide rate of 10.0%. The median family income for a family is \$62,073.

Knightdale continues to benefit from the Triangle area's growth and popularity. The 2000 Census was one of the first documentations of Knightdale's growth. The Census showed that Knightdale was the 13th fastest growing town in the state from 1990 to 2000, increasing 216.2% over the ten-year period. Knightdale was recognized as the fastest growing town in North Carolina in 2009. The Town's population is 12,393 (as of July 1, 2009), which represents a 13% growth rate for the year. 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 will exceed 13,000 in 2011 and is projected to grow to over 35,300 by 2025. Although rapid growth is not expected every year, the Town does anticipate population growth to continue for the foreseeable future.

In calendar year 2009, the Town Planning Department issued 199 combined residential and commercial building permits; representing a total value of \$38,107,193 million in construction. Currently, residential construction is feeling the effects of the nationwide housing crisis. Nevertheless, First Citizens Bank opened its new facility in Knightdale during FY 2010 and two apartment complexes representing nearly 600 new dwelling units were completed. Refer to the Commercial Activity table in the Statistical Section for further details. Knightdale's corporate limits consist of approximately 6.21 square miles, or 3,976.98 acres, 640 acres per square mile, while the planning department's extraterritorial jurisdiction covers 14.77 square miles, or 9,452.8 acres.

State

The latest expectations are that the recession is over, but it will continue to feel like we are still in a recession as current economic conditions show little sign of recovery. These conditions are expected to persist through this fall and into 2011. On a statewide level, a recent report from the Fiscal Research Division (an agency of the North Carolina General Assembly) released in October states that the stagnant, slow growth scenario will likely continue into 2011. Also, \$3.2 billion of temporary taxes and one time ARRA grant funds used for the state's 2011 budget will not be available in 2012. After two years of decline, sales tax revenue is expected to grow by 1.5% in the next fiscal year. Sales and use taxes were down 5.1% statewide for FY 2010. High unemployment rates are expected to continue throughout 2011. Sales tax revenues for Knightdale were up 2% for fiscal year 2010 as compared to the previous year, but are still below 2008 levels. The sales and use tax activity is the most useful to gauge the impact for Knightdale. Knightdale's sales and use tax projections for FY 2011 are up 3.6% compared to the final, actual collections for FY 2010.

National

Nationally, the economic downturn is primarily a result of the real estate and financial markets. The stock market has recovered a portion of its losses from the previous year and earning reports from many companies show increased profitability. However; foreclosures remain up and unemployment nationwide is still above 9% with little improvement in the foreseeable future. Despite historically low mortgage rates, the housing market shows no sign of improvement. Sales of new and existing homes and new mortgage applications are at near record lows. However, retail and automobile sales have improved in recent months and this trend is expected to continue through Christmas and into 2011. Like many other towns and businesses across the U.S., Knightdale is not immune to the effects of the struggling economy. However, residential and commercial construction activity has increased in Knightdale during recent months.

A full summary of the national economy is far beyond the scope of this document. Interest rates are at low levels, but obtaining credit is still a very difficult exercise for many families, small businesses and corporate entities. New Stimulus funding programs are expected to aid the struggling economy, but these jobs may only be temporary. The Town of Knightdale has received several stimulus grants to add additional police officers and firefighters, and grant funds for energy efficient improvements to Town buildings and the construction of the Mingo Creek Greenway.

How the State economy and national economy will affect Knightdale is a serious question. Because the Town is not economically dependent upon one employer, it may weather the crisis better than other towns in the State. Currently, no spending cuts have been ordered. Economic vigilance is the current operating status.

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 Finance Department 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, 2010, resulted in no instances of material weaknesses in the internal control structure.

CASH MANAGEMENT AND RISK MANAGEMENT

Cash Management. The Town uses a central depository system to pool moneys from all funds to facilitate disbursements and investments. All depositories are designed by the Town Council and collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30 and a Council adopted policy. Cash temporarily idle during the year was invested in interest-bearing accounts, principally certificates of deposits and with the North Carolina Capital Management Trust. The governmental fund types recorded investment income of \$22,027 for fiscal year 2010. At June 30, 2010, the Town's deposits had a carrying value of \$5,688,883 and a bank balance of \$5,768,446. All Town official depositories collateralize the deposits in excess of amounts insured by the FDIC by the Pooling Method. At June 30, 2010, \$637,420 of the bank balance was covered by federal depository insurance and the remaining balance was covered by collateral held under the Pooling Method.

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 an insurance pool administered by the North Carolina League of Municipalities, which provides workers' compensation with coverage of \$500,000 per accident, \$500,000 per employee and a \$500,000 coverage limit. The Town purchases insurance to provide the following types of major coverage: general liability (\$2,000,000), property (\$6,100,943), auto liability (\$1,000,000), crime for employee dishonesty (\$10,000), public officials' liability (\$1,000,000), law enforcement liability (\$1,000,000) and an umbrella policy with a general aggregate of \$2,000,000. The coverage has deductibles up to \$25,000.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The Town of Knightdale sponsors a single-employer defined benefit pension plan for its public safety employees (Separation Allowance). Each year, an independent actuary calculates the amount of the annual contribution that the Town of Knightdale may make to the pension plan to ensure the plan will be able to fully meet its obligations to retired employees on a timely basis. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures would be made from the General Fund, which is maintained on the modified accrual basis. As of the last actuarial evaluation (December 31, 2009) Knightdale had 23 active members and 1 retired member receiving benefits.

The Town of Knightdale also contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. This plan includes all Town employees. The rate of contribution is determined each year by actuarial factors. The Town of Knightdale has no obligation in connection with employee benefits offered through this plan beyond its contributions to the LGERS.

A Supplemental Retirement Income Plan (a 401K plan) is also provided to all Town employees. For the fiscal year ended June 30, 2010, the Town contributed each month an amount equal to 5.0% of each non-law enforcement employee's salary. Contributions of 5.0% of their monthly salary were made for law enforcement officers, as required by State law. All amounts are contributed and invested immediately and employees may also make voluntary contributions to the plan. The Department of State Treasurer and Board of Trustees administer the plan.

The Town of Knightdale also provides post retirement health care benefits for certain retirees. As of the end of fiscal year 2010, there were four retired employee receiving those benefits. These benefits are financed on a pay as you go basis. By current GAAP standards, the Town began recognizing an estimated liability for other post employment benefits to current employees in the financial statements for fiscal year 2009-10. At June 30, 2010, the net other postemployment benefits obligation for retiree health care was \$225,871.

Additional information on the pension and post employment benefits can be found in the notes to the financial statements located on pages 65-72.

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 25-37, 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, 2009. This is the eighteenth (18th) 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.

Among North Carolina cities and towns, fewer than 25 municipalities receive awards both for Achievement in Financial Reporting and for Distinguished Budget Presentation. A detailed budget document, covering Fiscal Year 2009 was submitted to the GFOA as part of the Distinguished Budget Presentation Award program. Knightdale received its 10th distinguished budget award for that submission. A copy of the Fiscal Year 2010 budget should be considered a companion document to the Comprehensive Annual Financial Report. The detailed 2009-10 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 Finance Department. We would like to extend a special thanks to Keith Joyce, CPA. All typesetting and page layout for this document was done in-house, 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, 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.

Seth Lawless
Town Manager

James C. Overton
Finance Director

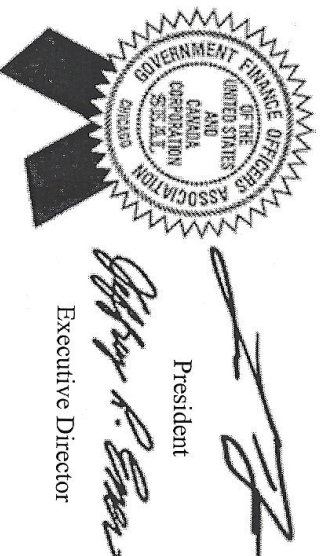
Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Knightdale
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



TOWN OF KNIGHTDALE, NORTH CAROLINA
KEY APPOINTED AND ADMINISTRATIVE POSITIONS

as of June 30, 2010

Seth Lawless
Town Manager

James C. Overton
Finance Director

Suzanne Yeatts
*Human Resources Director/
Town Clerk*

Fred Boone
Town Engineer

Shawn Brown
*Public Safety Director/
Police Chief*

Timothy Guffey
Fire Chief

Tina Cheek
Parks & Recreation Director

Chris Hills
Planning Director

Tracy Pedigo
Public Works Director

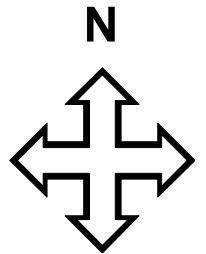
Joanna Gombatz
Accounting Operations Manager

TOWN OF KNIGHTDALE



Knightdale

NORTH CAROLINA



TOWN OF KNIGHTDALE, NORTH CAROLINA BOARDS & COMMITTEES

Please note that the following boards are presented in summary only. For more information about these boards, please visit the Town of Knightdale's web page at www.knightdalenc.gov

LAND USE AND REVIEW BOARD

- The Town Council appoints the Land Use and Review Board
- The board shall develop plans for the orderly growth and development of Knightdale and its environs. Such plans shall 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 shall seek 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 shall formulate and recommend 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 accord with the comprehensive plan. The board shall review and make recommendations to the Town Council on proposed plats of land subdivision, applications for special use permits, or proposed amendments to the zoning map, Unified Development Ordinance, Comprehensive Plan or Town Code of Ordinances; and shall conduct public hearings and hearings giving reasonable notice to the public thereof.
- The board shall initiate, promote and assist in the implementation of programs for general community beautification within the town's planning jurisdiction; shall provide leadership and guidance in matters of community design and appearance to individuals and public or private agencies and organizations; and shall formulate and recommend to the Town Council the adoption or amendment of ordinances that will serve to enhance the appearance of the community.
- The board shall strive 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 shall hear and decide appeals from any order, decision, requirement, or interpretation make 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 & RECREATION ADVISORY BOARD

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

OLD TOWN OVERSIGHT COMMITTEE

- This committee meets with representatives from the Knightdale Planning Department.
- Issues affecting the older, downtown part of Knightdale are reviewed. Recommendations are forwarded to the town council as appropriate.

COMPREHENSIVE LAND USE PLAN UPDATE COMMITTEE

- This committee is charged with updating the Town of Knightdale's Comprehensive Land Use Plan.
- The Body is comprised of one Town Council member, two Land Use Review Board members, two Old Town Oversight Committee members, and a mixture of six citizens from the City limits and ETJ.

It is important to note that at different times during the year, council may determine that a board/group should be formed to study a specific project. This group would work on that one item and once the recommendation has been made, the group would dissolve.

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, web site 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 is called Moore's Creek Bridge, and 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 up 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 10,322, 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 and cable television 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. Four 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 and the Christmas Parade.

The Knightdale Swim Club 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 hire 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 12,393 per the latest State Office of Budget and Management estimate, while Wake County has an estimated population of 892,409. In 2010 the median family income in Knightdale was projected to be \$62,073. The Wake County unemployment rate as of April 2009 was 8.3%. The average temperature is 60 degrees and the annual rainfall is 45 inches. The Town's land area consists of 6.21 square miles. The Town of Knightdale maintains 41.93 miles of hard-surface streets in the city limits according to the town Engineering Division.

TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT

LEGISLATIVE

The Legislative Department consists of the Town Council, which is comprised of the Mayor and five Council Members, and is selected by the registered voters of the Town of Knightdale. The Human Resources Director/Town Clerk is the only full time employee in this group.

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 Rotary Club, the East Wake Education Foundation, East Wake TV and the East Wake Business Alliance. The Assistant Town Manager splits his time between the Administration Department and supervising the administrative aspects of the Public Safety Department

FINANCE

Responsibilities of the department are to administer the financial affairs of the Town under the direction of the Finance Director. This encompasses investing all Town funds, maintaining accounting and financial records, billing and collecting all Town moneys, preparing the biweekly payroll, preparing the Comprehensive Annual Financial Report, preparing the Annual Operating Budget and Capital Improvements Budget & Plan, and performing special projects such as monthly statistical reports, cash flow projections, providing centralized purchasing services, and maintaining network/computer systems. The department consists of the Finance Director, Accounting Operations Manager, Purchasing Agent, Payroll Specialist/Accountant I, Customer Service Clerk, and the Information Technology Administrator.

PLANNING

The Planning Department consists of two major areas, long range and current issues. Comprehensive planning is concerned with the long-range planning of the Town, such as land use planning, thoroughfare planning, demographic and population projections. Current planning is concerned with providing all permit applications and information for such items as building permits, rezoning applications, sign permits, inspections, etc. Also, records of permits issued and plans approved are maintained by this office. This department consists of the Planning Director, (2) Planner II, a Zoning Technician, a Code Enforcement Officer and a Permits Clerk.

<p style="text-align: center;">TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)</p>

PUBLIC SAFETY

The mission of the Public Safety Department is to protect the lives and property of the citizens and visitors to Knightdale. The department is broken in to two divisions- Fire and Police. In addition to fire and police protection, the department provides investigative services, a School Resource officer to Wake County schools, training in baby-sitting for teens and a bicycle rodeo for children. The department is under the direction of a Public Safety Director/Police Chief. The Police Division consists of Lieutenants, a Detective, a School Resource Officer, Public Safety Officers and an Administrative Assistant. The Fire Division is made up of the Fire Chief, 3 Fire Apparatus Drivers and approximately 20 volunteer firemen.

PUBLIC WORKS

The Public Works Department is responsible for cutting grass and maintaining Town right-of-way; painting and repairing of Town buildings; general maintenance and repair of streets and storm drainage structures; ice and snow removal, as well as leaf pick-up in the autumn. The department also handles general repairs and maintenance of Town vehicles. This department consists of the Public Works Director, Operations Supervisor, Maintenance Workers, and the Town Custodian.

ENGINEERING

The Town Engineer, heads this department. The Town Engineer performs professional level design and review work on behalf of the Town. Thus, reliance on outside engineers is significantly reduced and review time is reduced. This department consists of the Town Engineer and the Construction Inspector.

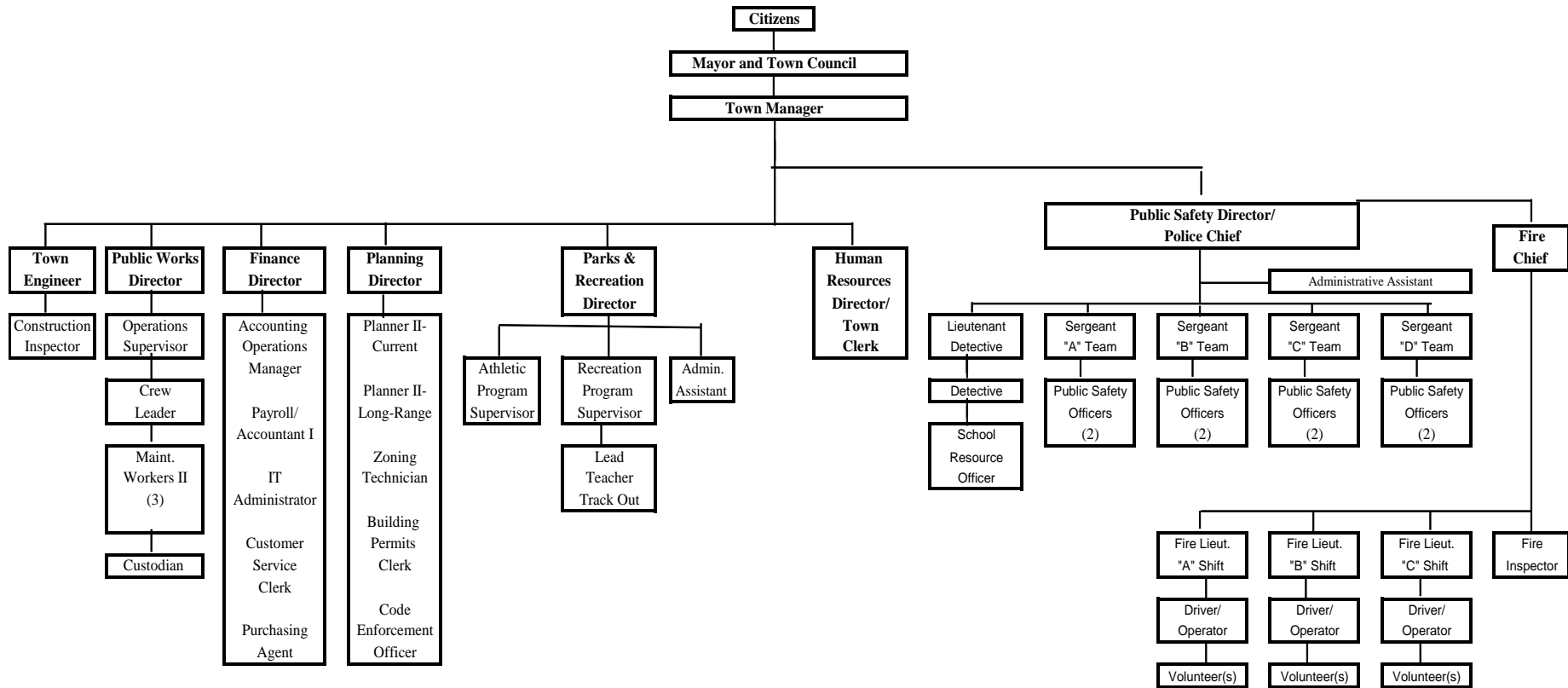
<p style="text-align: center;">TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)</p>

PARKS AND RECREATION

The Parks and Recreation Department is responsible for comprehensive planning; public relations; park acquisition and development; policy and procedure implementation; instructional programs; Summer Day Camp Programs; and Recreation Center Programs. Organizing, planning and implementing athletic programs for adults and children of the Town, including basketball, tennis and softball programs; swimming programs; and coordinating all outside school facilities with the Knightdale Area Soccer League and Pop Warner Football are also duties of the Parks and Recreation Department. The maintenance and repair of the Town parks and ball fields, and the grounds around certain Town buildings are included in the Parks and Recreation Department's responsibilities. Maintenance workers may also do small construction projects in and around Town facilities. In preparation for Wake County Public Schools conversion to year round school calendars, the Parks and Recreation Department established a "Track Out Program." Drawing on the staff experience from administering summer camps, Town officials designed a program for child care during the 3-week breaks each different group, or "track", gets from school. This department is also responsible for the Knightdale Swim Club and the Knightdale Community Center. This department consists of the Parks and Recreation Director, an Administrative Assistant, Program Supervisors, Landscape Maintenance Worker and Parks Worker.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Organizational Chart for Fiscal Year 2010



Note: Certain Departments are presented in one box to indicate a less hierarchal nature in the department.

See also the Town's budget document submitted to the GFOA for a descriptions of reorganizations at the start of Fiscal Year 2010. www.knightdalenc.gov



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TOWN OF KNIGHTDALE

NORTH CAROLINA

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

104 Brady Court; Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining information of the Town of Knightdale, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Knightdale, North Carolina's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the General Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2010 on our consideration of the Town of Knightdale's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Knightdale, North Carolina. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and state awards as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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 nonmajor fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

JOYCE AND COMPANY, CPA

November 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Knightdale Town management offers the 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, 2010. Readers are encouraged to read the information presented here in conjunction with the transmittal letter located on pages 1-6 of this report and the Town's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

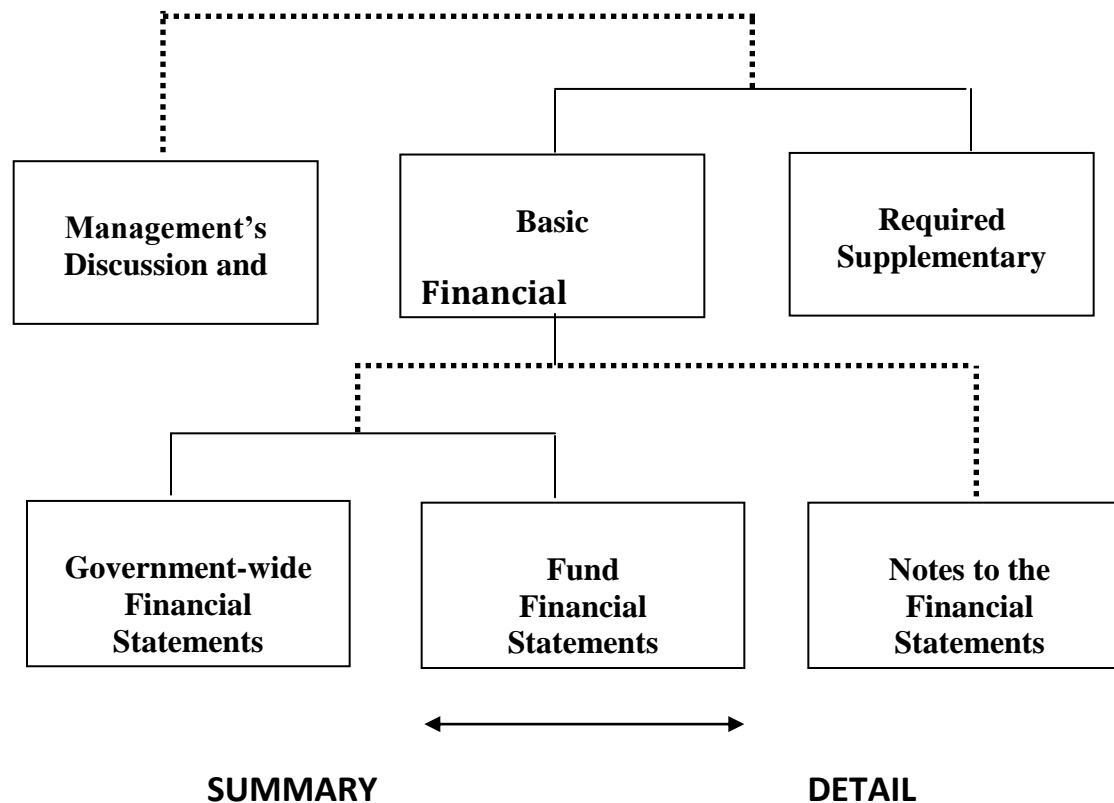
- The assets of the Town of Knightdale exceeded its liabilities at the close of the fiscal year by \$33,265,692 (*net assets*).
- The Town's total net assets increased over the course of this year's operations by \$116,800 (0.35%). Net assets for business-type activities *increased* \$18,336 (0.70%). The net assets related to governmental activities *increased* \$98,464 (0.32%).
- During the year, the Town's governmental activities revenues of \$9,624,501 exceeded the governmental expenses by \$98,464. The majority of this increase (\$339,710) is from increased property tax revenue associated with the revaluation of property in Knightdale.
- 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 the Raleigh are remitted to the City 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 \$5,219,015 with a net change of \$216,481 in fund balance. Approximately 74% of this total amount, or \$3,875,647 is available for spending at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,930,259 or 21.66% 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 between 25% and 30%.
- 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, 2010 was \$2,476,952 or 27.98% of the General Fund's expenditures, transfers out and adjusted for debt financed expenditures. Fund balance as a percentage of spending increased this year mainly due to a reduction in amounts transferred to other funds..
- The Town of Knightdale's current debt due within one year for general obligations and installment notes (\$716,779) decreased \$233,034 during the current fiscal year. Of this amount, the City of Raleigh will transfer \$370,155 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 \$893,376 (11.30%) during the current fiscal year. The Town paid several loans in full on vehicles, equipment and the Town Hall. The Town issued installment notes of \$60,059 to purchase a new telephone system.
- The Town of Knightdale maintained its bonds ratings of AA and A2 with Standard and Poor's and Moody's, respectively. The Town has a bond rating of 81 from the North Carolina Municipal Council.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and *other supplementary information in addition to the basic financial statements themselves*. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide 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*.

Figure 1
Required Components of Annual Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial 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

	Fund Statements		
	Government-wide 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 assets • 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 assets • Statement of revenues, expenses and changes in net assets • 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 Statements

The government-wide statements (Exhibits 1 and 2) report information about the Town as a whole using accounting methods similar to those used by private sector companies. The statement of net assets 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 assets* and how they have changed. Net assets, the difference between the Town's assets and liabilities, is one way to measure the Town's financial health, or *position*.

- Over time, increases or decreases in the Town's net assets 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, and parks departments, and general administration. Property taxes and local option sales taxes 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, one capital project which Knightdale will potentially complete 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 funds - not the Town as a whole. Funds, a group of related accounts, are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. 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 and proprietary.

- Governmental funds - Most of the Town's basic services are included in governmental funds, which 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 are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- 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.

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 54-83.

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 begins on page 84 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total net assets increased 0.35% over the course of this year's operations. Net assets of the business-type activities increased \$18,336. Certain funds are still held by the Town to fund the construction of a new sewer facility on behalf of the City of Raleigh. Total net assets of the governmental activities increased \$98,464, as long term debt continues to decrease. As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Knightdale exceeded liabilities by \$33,265,692 as of June 30, 2010. However, the largest portion (80.06%) reflects the Town's 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 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 assets, \$434,244 (1.31%), represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, \$6,198,228 (18.63%), 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.

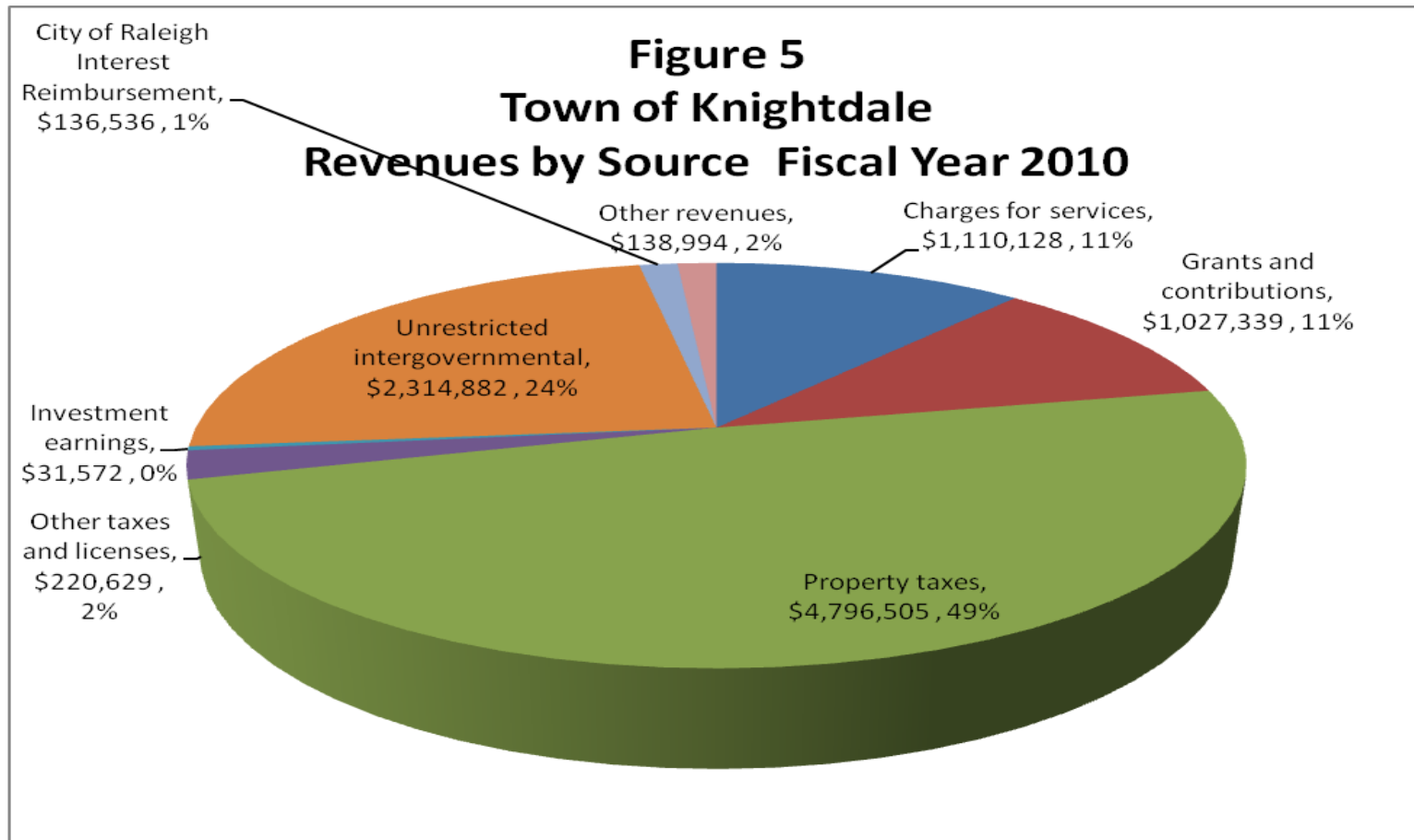
- Wake County bills and collects all property tax due to the Town of Knightdale. The percent of net levy collected for the year was 97.76%, increasing from 97.14% in the prior year.
- The Town's assessed value at year end (\$1,184,914,436) grew 7.77% as compared to fiscal year 2009 values. The Town continues to benefit from construction of new homes, apartments and retail establishments. Property tax collections were up 8.1%.
- Total Governmental Activities expenses increased 4.72% during fiscal year 2010 as the Town primarily due to increase in public safety expenditures and the liability for other postemployment benefits.

Figure 3
Town of Knightdale's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,092,127	\$ 5,903,593	\$ 5,027,350	\$ 5,838,692	\$11,119,477	\$11,742,285
Capital assets	<u>30,105,151</u>	<u>30,539,441</u>	<u>628,502</u>	<u>98,510</u>	<u>30,733,653</u>	<u>30,637,951</u>
Total assets	<u>36,197,278</u>	<u>36,443,034</u>	<u>5,655,852</u>	<u>5,937,202</u>	<u>41,853,130</u>	<u>42,380,236</u>
Long-term liabilities outstanding	4,357,456	4,436,265	2,512,000	2,882,155	6,869,456	7,318,420
Other liabilities	<u>1,220,848</u>	<u>1,486,259</u>	<u>497,134</u>	<u>426,665</u>	<u>1,717,982</u>	<u>1,912,924</u>
Total liabilities	<u>5,578,304</u>	<u>5,922,524</u>	<u>3,009,134</u>	<u>3,308,820</u>	<u>8,587,438</u>	<u>9,231,344</u>
Net assets:						
Invested in capital assets, net of related debt	26,004,718	25,878,475	628,502	98,510	26,633,220	25,976,985
Restricted	434,244	362,226	-	-	434,244	362,226
Unrestricted	<u>4,180,012</u>	<u>4,279,809</u>	<u>2,018,216</u>	<u>2,529,872</u>	<u>6,198,228</u>	<u>6,809,681</u>
Total net assets	<u>\$30,618,974</u>	<u>\$30,520,510</u>	<u>\$ 2,646,718</u>	<u>\$ 2,628,382</u>	<u>\$33,265,692</u>	<u>\$33,148,892</u>

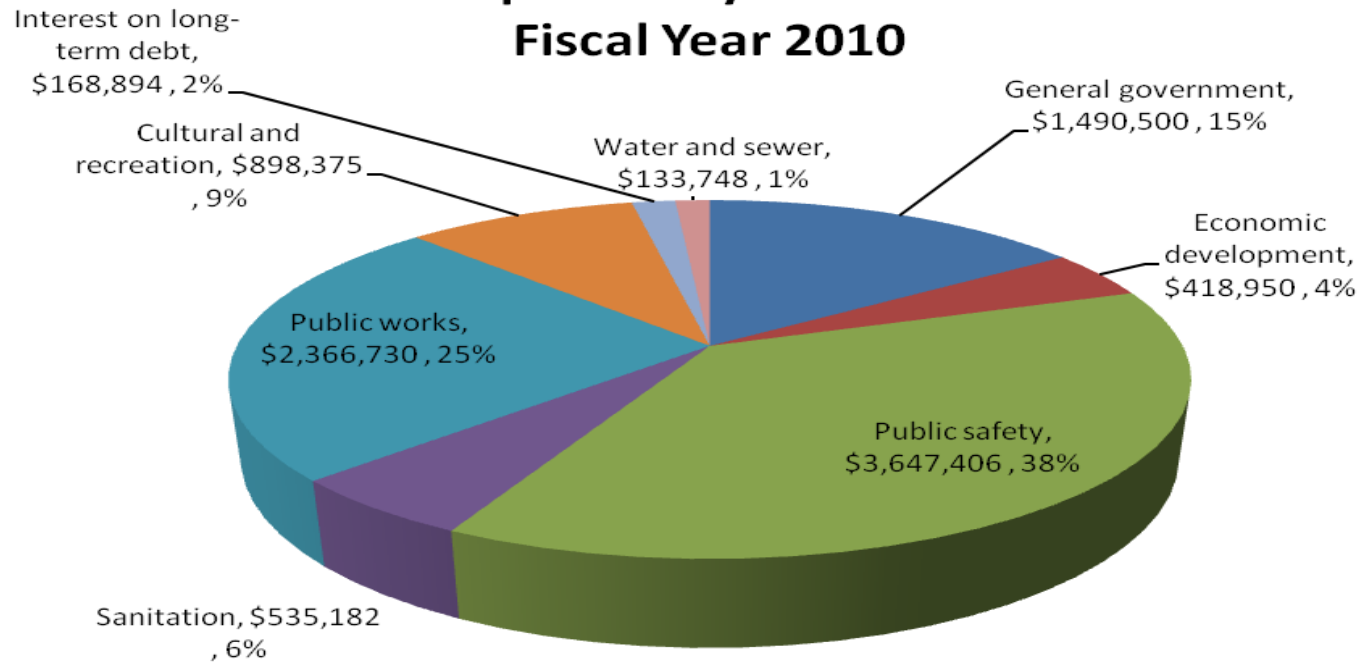
Figure 4
Town of Knightdale Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,110,128	\$ 1,615,100	\$ -	\$ -	\$ 1,110,128	\$ 1,615,100
Operating grants and contributions	518,147	400,597	-	-	518,147	400,597
Capital grants and contributions	509,192	460,355	-	-	509,192	460,355
General revenues:						
Property taxes	4,796,505	4,456,795	-	-	4,796,505	4,456,795
Other taxes	220,629	206,738	-	-	220,629	206,738
Grants and contributions not restricted to specific programs	2,314,882	2,253,064	-	-	2,314,882	2,253,064
Unrestricted investment earnings	22,027	74,465	146,081	192,393	168,108	266,858
Other revenues	132,991	136,315	6,003	-	138,994	136,315
Total revenues	<u>9,624,501</u>	<u>9,603,429</u>	<u>152,084</u>	<u>192,393</u>	<u>9,776,585</u>	<u>9,795,822</u>
Expenses:						
General government	1,490,500	1,237,945	-	-	1,490,500	1,237,945
Public safety	3,647,406	3,378,339	-	-	3,647,406	3,378,339
Transportation	2,366,730	2,296,984	-	-	2,366,730	2,296,984
Environmental protection	535,182	520,985	-	-	535,182	520,985
Economic and physical development	418,950	571,441	-	-	418,950	571,441
Cultural and recreation	898,375	916,189	-	-	898,375	916,189
Interest on long-term debt	168,894	217,628	-	-	168,894	217,628
Water and sewer	-	-	133,748	149,315	133,748	149,315
Total expenses	<u>9,526,037</u>	<u>9,139,511</u>	<u>133,748</u>	<u>149,315</u>	<u>9,659,785</u>	<u>9,288,826</u>
Change in net assets before transfers	<u>98,464</u>	<u>463,918</u>	<u>18,336</u>	<u>43,078</u>	<u>116,800</u>	<u>506,996</u>
Transfers	-	(3)	-	3	-	-
Extraordinary item: loss on assets transferred to City of Raleigh	-	-	-	(126,834)	-	(126,834)
Change in net assets	<u>98,464</u>	<u>463,915</u>	<u>18,336</u>	<u>(83,753)</u>	<u>116,800</u>	<u>380,162</u>
Net assets, July 1	<u>30,520,510</u>	<u>30,056,595</u>	<u>2,628,382</u>	<u>2,712,135</u>	<u>33,148,892</u>	<u>32,768,730</u>
Net assets, June 30	<u>\$ 30,618,974</u>	<u>\$ 30,520,510</u>	<u>\$ 2,646,718</u>	<u>\$ 2,628,382</u>	<u>\$ 33,265,692</u>	<u>\$ 33,148,892</u>



The Town of Knightdale's total revenues were \$9,776,585 for the fiscal year ended June 30, 2010.
The City of Raleigh reimburses the Town of Knightdale for interest on debt related to the water and sewer utility fund.

**Figure 6
Town of Knightdale
Expenses by Function
Fiscal Year 2010**



The Town of Knightdale's total expenditures were \$9,659,785 for the fiscal year ended June 30, 2010. Water and sewer expenses have dropped to an insignificant amount, as the City of Raleigh has assumed control of the utility system.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net assets by \$98,464.

Revenues-Governmental Activities

- Ad Valorem Taxes make up 49.8% 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 2010 was 40 cents with an assessed value of \$1,184,914,436 (per Wake County tax report). Knightdale's tax base grew 7.77% from fiscal year 2009. The Town's property was revalued in fiscal year 2008 which resulted in a large increase in assessed values for fiscal year 2009. The Town continues to experience commercial and residential growth, although economic conditions have begun to slow construction projects in the Town. Wake County continues to act as a tax collector for the Town, with current year collections at 97.76%.
- There were no contributions of infrastructure from developers during the current fiscal year, following very high amounts in recent years. 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 26% 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.
- 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 decreased 3.87% (\$11,208) this year and is included in Operating Grants and Contributions. The decrease is due to less Powell Bill funds available for allocation at that State level.
- This year, permit and fee revenue decreased 57% (\$183,412) due to a drastic decrease in housing construction as a result of the recession.
- Sales and Services (includes recreation revenue and solid waste service fees) revenue increased approximately 4.5% (\$41,416). As the population of the Town increases, these revenues should also increase. A portion of this can be attributed to an increase in sanitation, recycling and yard waste fee collections.
- Investment earnings dropped as interest rates continued to fall to record low rates during fiscal year 2010.
- Capital grants and contributions consists of federal and state grants for the purchase of a new fire truck (\$430,350), construction of a television studio for East Wake TV (\$25,000), and landscaping and gateway improvements (\$29,342). The Town also received a contribution of vacant land valued at \$24,500 from Mallaby Baptist Church in 2010.

Expenditures-Governmental Activities

- The primary expenditures are divided into eight different categories: Public Safety, Cultural and Recreational, Transportation, General Government, Environmental Protection, Economic Development, Capital Outlay and Debt Service.
- Public Safety expenditures increased approximately 6% from fiscal year 2009. The increase was due to the purchase of new police vehicles and increase in salaries in the Fire Department.
- Cultural and Recreational expenditures were down approximately 11%, due to transferring some maintenance responsibilities to the Public Works department. Also, recreation expenditures in fiscal year 2009 included capital outlay of \$81,440 for the purchase of a 66 passenger bus.
- Public Works is responsible for street maintenance, streetlights, sidewalks, and public buildings maintenance. Expenditures increased by \$478,054 (43%) in fiscal year 2010. The Town hired additional personnel in the Engineering Department and also paid infrastructure reimbursements to developers in the amount of \$278,411 in fiscal year 2010.

- Economic development expenditures were down approximately 25% from 2009, due to vacancies in the Planning Department and less development activity due to the recession.
- General Government consists of the Legislative Department, Administrative Department, East Wake Television and Finance Department. This category represents 14% of total expenditures.
- Actual debt service expenditures decreased 3% as the Town paid off loans for vehicles and equipment and the construction of Town Hall.

BUSINESS-TYPE ACTIVITIES

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 capital projects underway. 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 is holding approximately \$2 million to finance a sewage siphon station currently under construction. The project should be completed in fiscal year 2011 and will be dedicated to the City of Raleigh upon completion. Construction in progress at June 30, 2010 totaled \$628,502.
- 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.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted, 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, unreserved 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, unreserved fund balance of the General Fund was \$1,930,259 while total fund balance for the General Fund reached \$3,239,557. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.3% of total General Fund expenditures. This ratio is used by the Town Council for internal management purposes. The Council's conservative policy is to maintain unrestricted, undesignated fund balance between 25% and 30% of expenditures. Fund balance available for appropriation calculated in accordance with state law includes funds available, but limited in purpose. By this calculation, Knightdale has a fund balance available for appropriation of \$2,476,952 or 28.6% of General Fund expenditures.

As of June 30, 2010, the governmental funds of the Town of Knightdale reported a combined fund balance of \$5,219,015, a 4.3% increase over last year. Increased property tax revenues contributed to the higher amount.

General Fund Budgetary Highlights-Fiscal Year 2010

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.

- General Fund Revenues were virtually on target for the estimated revenue marks. The Ad Valorem collections exceeded budget by \$31,121. Permits and fees were less than budgeted amounts by(\$28,487) due to the less development activity as a result of the slowdown in the economy. Unrestricted intergovernmental revenues were under budget by (\$2,145) due to the State of North Carolina withholding 67% of the beer and wine tax distribution.

Proprietary Fund Highlights- Fiscal Year 2010

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 and business-type activities as of June 30, 2010, totals \$30,733,653 net of accumulated depreciation and including construction in progress. These assets include land, buildings, machinery, equipment, roads and infrastructure, vehicles, park facilities, and isolated ongoing water and sewer projects. Major capital transactions during the year are detailed below.

- Vehicles were purchased as follows: Police 3 Dodge Chargers - \$103,602; Planning Ford Truck - \$17,210; and Fire Department Fire Truck – \$446,736.
- Purchase of a new telephone system \$60,931 financed with an installment purchase agreement of \$60,059 payable in 60 monthly installments of \$1,111 including interest.
- The following capital projects were completed during the current fiscal year: streets improvements on Lynnwood Road \$144,765 and construction of a television studio for East Wake TV \$127,069.
- There were no contributions of streets sidewalks and infrastructure from developers during fiscal year 2010. Any water and sewer lines constructed by developers would become the property of the City of Raleigh.
- Mallaby Baptist Church donated a parcel of vacant land valued at \$24,500 to the Town of Knightdale.
- In past years, the Town participated with Wake County Public School System to build the Knightdale Community Center, attached to Forestville Road Elementary School. The Town's portion was accounted for in two capital projects, separating the water and sewer portion and all other general costs. The projects have been held open for multiple years pending a final resolution of unapproved change orders. At this point, no resolution can be predicted and holding the projects open serves no useful financial reporting purpose. This project was closed in the fiscal year ended June 30, 2008. The final adjustments did create a reduction in what was believed to be the final cost. The total amount of the disputed change orders is \$196,407.
- The Town of Knightdale purchased approximately 73 acres of land in July 2010 for the future construction of a park for the citizens of Knightdale. The park will include athletic fields, camping facilities, amphitheatre, dog park and other recreational activities. The cost of the land was \$2,920,000. The land was financed using Build America Bonds in the amount of \$2,821,500, payable in 10 annual installments of \$282,150 plus interest at 3.08% (after rebate), beginning in July 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 7,119,441	\$ 7,094,941	\$ -	\$ -	\$ 7,119,441	\$ 7,094,941
Construction in progress	302,185	308,825	628,502	98,510	930,687	407,335
Streets and infrastructure	17,796,757	18,361,669	-	-	17,796,757	18,361,669
Building	3,128,566	2,008,603	-	-	3,128,566	2,008,603
Other improvements	485,828	1,674,787	-	-	485,828	1,674,787
Equipment	278,919	324,659	-	-	278,919	324,659
Vehicles and motorized equipment	993,455	765,957	-	-	993,455	765,957
Total	<u>\$30,105,151</u>	<u>\$30,539,441</u>	<u>\$ 628,502</u>	<u>\$ 98,510</u>	<u>\$30,733,653</u>	<u>\$30,637,951</u>

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements on pages 62-64.

Figure 8
Town of Knightdale's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 631,579	\$ 684,211	\$ 1,855,421	\$ 2,020,790	\$ 2,487,000	\$ 2,705,001
Installment purchase agreements	3,468,854	3,949,604	1,026,734	1,221,817	4,495,588	5,171,421
Eastern Wake Volunteer Fire Dept	27,609	27,151	-	-	27,609	27,151
Total outstanding debt	<u>\$ 4,128,042</u>	<u>\$ 4,660,966</u>	<u>\$ 2,882,155</u>	<u>\$ 3,242,607</u>	<u>\$ 7,010,197</u>	<u>\$ 7,903,573</u>

Long-term Debt

As of June 30, 2010, the Town of Knightdale had total bonded debt outstanding of \$2,487,000. This outstanding debt is backed by the full faith and credit of the Town. Of that total, \$1,855,421 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. As of June 30, 2010, the Town has no other bonded debt; the remaining Town debt relates to installment lease purchase agreements and payments to the Eastern Wake Volunteer Fire Dept for ad-valorem taxes on annexed property formerly located within the Eastern Wake Fire District. The Town of Knightdale's total debt decreased, net of new issues and repayments, \$893,376 during the current fiscal year.

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 \$87,843,613, which is well above the Town's current total debt outstanding. The Town has installment purchase agreements authorized but unissued in the amount of \$2,821,500 for the acquisition of land for a new park.

Additional debt information can be found in the notes of the Basic Financial Statements, located on pages 74-78.

GRANT FUNDS

The Police Division received \$13,243 in grant revenue and controlled substance taxes this year as the Town's share of drug money seized during police activity. As of June 30, 2010, the town has \$37,120 reserved for drug enforcement and police purposes. The money will be used to purchase necessary equipment and support anti-drug activity. The Fire Division received \$6,065 distribution for the Firemen's Relief Fund from the NC Dept of Insurance. The accumulated funds totaling \$34,438 are available to provide immediate relief to firemen or their families in the event of a firefighting injury. These restricted funds totaling \$71,558 are shown as fund balance reserved for public safety in the General Fund.

NEXT YEAR'S BUDGET'S HIGHLIGHTS & ECONOMIC FACTORS

- Tax Rate increased by 1 cent to 41¢ per \$100.
- Slight growth in property tax base.
- Sales tax budgeted flat.
- Cost of living adjustment of 2.5% for Town employees.
- Merit raises budgeted at 1% of total salaries.
- \$32,327 of Fund Balance, (prior years' equity) used to balance the budget.
- No layoffs; No furloughs.
- 4 new police officers and 3 new firefighters are included in the new budget. Of these 7 new employees, the town has received Federal grants to pay for salaries, benefits and equipment for 5 new employees.
- Assistant Town Manager position is currently vacant. The former Assistant Manager was promoted to Town Manager upon retirement of the former Town Manager.
- Longevity payments still in place.
- Health insurance contribution increased from \$514 to \$539 per employee per month. The Town changed insurance carriers and also increased the amount of deductibles for employees.
- Sanitation fees for residential customers reduce by \$0.35 per month due to a reduction in contracted service fees charged to the Town by Waste Industries for garbage collection services.
- On July 1, 2010, East Wake Television was incorporated as a separate legal entity from the Town of Knightdale. The new non-profit organization is governed by a Board of Directors consisting of the Town Managers of Knightdale, Wendell, Zebulon and Rolesville. The funds remaining in the East Wake TV Special Revenue Fund as of June 30, 2010 in the amount of \$34,070 will be transferred to the new non-profit organization in fiscal year 2011.

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 of requests for additional information should be directed to the Finance Director, Town of Knightdale, 950 Steeple Square Court, Knightdale, N.C. 27545.

BASIC FINANCIAL STATEMENTS

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS

June 30, 2010

EXHIBIT 1

Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,783,690	\$ 2,133,746	\$ 6,917,436
Receivables:			
Taxes	203,519	-	203,519
Accounts	166,040	-	166,040
Accrued interest	11,048	-	11,048
Notes-current	-	370,155	370,155
Due from other governments	770,739	11,449	782,188
Prepaid expenses	10,291	-	10,291
Restricted cash	146,800	-	146,800
Note receivable-noncurrent	-	2,512,000	2,512,000
Capital assets:			
Land, improvements and construction in progress	7,421,626	628,502	8,050,128
Other capital assets, net of depreciation	22,683,525	-	22,683,525
 TOTAL ASSETS	 \$ 36,197,278	 \$ 5,655,852	 \$ 41,853,130

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS

June 30, 2010

EXHIBIT 1

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 300,442	\$ 117,417	\$ 417,859
Unearned revenues	53,260	-	53,260
Accrued salaries	191,404	-	191,404
Accrued interest	96,985	9,562	106,547
Due within one year:			
Compensated absences	232,133	-	232,133
Bonds and notes payable	346,624	370,155	716,779
Due in more than one year:			
Compensated absences	84,891	-	84,891
Net pension obligation	265,276	-	265,276
Net other postemployment benefits obligation	225,871	-	225,871
Bonds and notes payable	3,781,418	2,512,000	6,293,418
TOTAL LIABILITIES	5,578,304	3,009,134	8,587,438
NET ASSETS			
Invested in capital assets, net of related debt	26,004,718	628,502	26,633,220
Restricted for Powell Bill	215,886	-	215,886
Restricted for public safety	71,558	-	71,558
Restricted for loan covenant	146,800	-	146,800
Unrestricted	4,180,012	2,018,216	6,198,228
TOTAL NET ASSETS	\$ 30,618,974	\$ 2,646,718	\$ 33,265,692

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, 2010

EXHIBIT 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-type	
Expenses		Services	Grants and	Grants and	Activities	Activities	Total
			Contributions	Contributions			
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 1,490,500	\$ 1,250	\$ 92,566	\$ 49,500	\$ (1,347,184)	\$ -	\$ (1,347,184)
Public safety	3,647,406	35,431	131,927	430,350	(3,049,698)	-	(3,049,698)
Transportation	2,366,730	8,080	284,567	29,342	(2,044,741)	-	(2,044,741)
Environmental protection	535,182	590,782	9,087	-	64,687	-	64,687
Economic and physical development	418,950	102,752	-	-	(316,198)	-	(316,198)
Cultural and recreational	898,375	371,833	-	-	(526,542)	-	(526,542)
Interest on long-term debt	168,894	-	-	-	(168,894)	-	(168,894)
Total governmental activities	9,526,037	1,110,128	518,147	509,192	(7,388,570)	-	(7,388,570)
Business-type activities							
Water and sewer	133,748	-	-	-	-	(133,748)	(133,748)
TOTAL	\$ 9,659,785	\$ 1,110,128	\$ 518,147	\$ 509,192	(7,388,570)	(133,748)	(7,522,318)
General revenues							
Taxes:							
Property taxes, levied for general purposes					4,796,505	-	4,796,505
Other taxes and licenses					220,629	-	220,629
Grants and contributions not restricted to specific programs					2,314,882	-	2,314,882
Unrestricted investment earnings					22,027	146,081	168,108
Miscellaneous					117,836	6,003	123,839
Gain on disposition of capital assets					15,155	-	15,155
Total general revenues and transfers					7,487,034	152,084	7,639,118
Change in net assets					98,464	18,336	116,800
Net assets-beginning, as previously reported					30,567,468	2,628,382	33,195,850
Prior period adjustment					(46,958)	-	(46,958)
Net assets-beginning, as restated					30,520,510	2,628,382	33,148,892
Net assets-ending					\$ 30,618,974	\$ 2,646,718	\$ 33,265,692

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

EXHIBIT 3

	Major		Nonmajor		Total
	General	General	Special		Total
	Capital	Capital	Revenue	Governmental	
	Reserve	Projects	Funds	Funds	
General					
ASSETS					
Cash and cash equivalents	\$ 2,838,436	\$ 1,930,844	\$ 5,235	\$ 9,175	\$ 4,783,690
Receivables:					
Taxes	203,519	-	-	-	203,519
Accounts	165,040	-	-	1,000	166,040
Accrued interest	11,048	-	-	-	11,048
Due from other governments	699,713	-	29,342	41,684	770,739
Due from other funds	1,000	-	-	-	1,000
Prepaid expenditures	10,291	-	-	-	10,291
Restricted cash	146,800	-	-	-	146,800
TOTAL ASSETS	\$ 4,075,847	\$ 1,930,844	\$ 34,577	\$ 51,859	\$ 6,093,127
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 263,716	\$ -	\$ 20,033	\$ 16,693	\$ 300,442
Accrued salaries	191,308	-	-	96	191,404
Due to other funds	-	-	-	1,000	1,000
Deferred revenue	328,006	-	-	-	328,006
Unearned revenue	53,260	-	-	-	53,260
TOTAL LIABILITIES	836,290	-	20,033	17,789	874,112
FUND BALANCES					
Reserved for:					
State statute	752,314	-	-	-	752,314
Encumbrances	112,449	-	-	-	112,449
Streets-Powell Bill	215,886	-	-	-	215,886
Prepaid expenditures	10,291	-	-	-	10,291
Public safety	71,558	-	-	-	71,558
East Wake TV	-	-	-	34,070	34,070
Debt service	146,800	-	-	-	146,800
Unreserved, General Fund:					
Designated for subsequent year's expenditures	32,327	-	-	-	32,327
Undesignated	1,897,932	-	-	-	1,897,932
Unreserved, reported in:					
Capital Projects Fund	-	1,930,844	14,544	-	1,945,388
TOTAL FUND BALANCES	3,239,557	1,930,844	14,544	34,070	5,219,015
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,075,847	\$ 1,930,844	\$ 34,577	\$ 51,859	\$ 6,093,127

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 ASSETS
GOVERNMENTAL FUNDS

June 30, 2010

EXHIBIT 3

Fund balances-total governmental funds \$ 5,219,015

Amounts reported for governmental activities in the statement
of net assets 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	\$ 37,214,553	
Less accumulated depreciation	<u>(7,109,402)</u>	30,105,151

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	(4,128,042)	
Compensated absences	(317,024)	
Net pension obligation	(265,276)	
Net other postemployment benefits (OPEB) obligation	<u>(225,871)</u>	(4,936,213)

Deferred revenue in governmental funds is susceptible to
full accrual on the entity-wide statements.

Deferred revenue	328,006
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Other liabilities are not due and payable in the current period
and therefore are not reported in the governmental funds.

Accrued interest payable	<u>(96,985)</u>
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Net assets of governmental activities	<u>\$ 30,618,974</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, 2010

EXHIBIT 4

Page 1 of 2

	Major			Nonmajor	
	General Fund	General Capital Reserve	General Capital Projects	Special Revenue Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 4,787,815	\$ -	\$ -	\$ -	\$ 4,787,815
Other taxes and licenses	132,504	79,867	-	-	212,371
Unrestricted intergovernmental	2,314,882	-	-	-	2,314,882
Restricted intergovernmental	381,876	-	484,692	136,271	1,002,839
Permits and fees	138,183	9,147	-	-	147,330
Sales and services	958,625	7,510	-	1,250	967,385
Investment earnings	14,480	7,407	140	-	22,027
Miscellaneous	102,339	-	-	15,497	117,836
TOTAL REVENUES	8,830,704	103,931	484,832	153,018	9,572,485
EXPENDITURES					
Current					
General government	1,283,987	-	-	38,260	1,322,247
Public safety	3,198,459	-	-	82,863	3,281,322
Transportation	1,586,331	-	-	-	1,586,331
Environmental protection	535,182	-	-	-	535,182
Economic and physical development	430,008	-	-	-	430,008
Cultural and recreational	844,184	-	-	-	844,184
Capital outlay	-	-	666,180	-	666,180
Debt service					
Note principal	544,926	-	-	-	544,926
Note interest	161,272	-	-	-	161,272
Bond principal	52,632	-	-	-	52,632
Bond interest	27,474	-	-	-	27,474
TOTAL EXPENDITURES	8,664,455	-	666,180	121,123	9,451,758
REVENUES OVER (UNDER) EXPENDITURES	166,249	103,931	(181,348)	31,895	120,727

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, 2010

EXHIBIT 4

Page 2 of 2 (continued)

	Major			Nonmajor	
	General Fund	General Capital Reserve	General Capital Projects	Special Revenue Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	\$ -	\$ 245,108	\$ 176,626	\$ 22,175	\$ 443,909
Transfers to other funds	(247,283)	(176,626)	-	(20,000)	(443,909)
Sale of capital assets	35,695	-	-	-	35,695
Installment notes from financing issued	60,059	-	-	-	60,059
TOTAL OTHER FINANCING SOURCES (USES)	(151,529)	68,482	176,626	2,175	95,754
NET CHANGE IN FUND BALANCE	14,720	172,413	(4,722)	34,070	216,481
FUND BALANCE - Beginning of Year, as previously reported	3,271,795	1,758,431	19,266	-	5,049,492
Prior period adjustment	(46,958)	-	-	-	(46,958)
FUND BALANCE - Beginning of Year, as restated	3,224,837	1,758,431	19,266	-	5,002,534
FUND BALANCE - End of Year	\$ 3,239,557	\$ 1,930,844	\$ 14,544	\$ 34,070	\$ 5,219,015

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, 2010

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	\$	216,481
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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	\$	913,856	
Less current year depreciation		<u>(1,352,106)</u>	(438,250)

Installment note proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net
assets. 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	(60,059)	
Eastern Wake Volunteer Fire Department note payable	(4,575)	
Principal payments	<u>597,558</u>	532,924

(continued)

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, 2010

EXHIBIT 4

Page 2 of 2

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 deferred revenues	\$	12,361	
Donated assets		<u>24,500</u>	\$ 36,861

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

Basis of fixed assets sold	\$	(20,540)	
Change in accrued interest payable		19,852	
Change in compensated absences		8,259	
Change in net pension obligation		(31,252)	
Change in net other postemployment benefits obligation		<u>(225,871)</u>	(249,552)

Change in net assets of governmental activities			<u>\$ 98,464</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 AND GENERAL CAPITAL RESERVE FUND

For the Year Ended June 30, 2010

EXHIBIT 5

Page 1 of 2

	GENERAL FUND				GENERAL CAPITAL RESERVE FUND			
	2010		2010		2010		2010	
	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
REVENUES								
Ad valorem taxes	\$ 4,636,936	\$ 4,756,694	\$ 4,787,815	\$ 31,121	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	168,342	165,342	132,504	(32,838)	70,000	70,000	79,867	9,867
Unrestricted intergovernmental revenues	2,213,497	2,317,027	2,314,882	(2,145)	-	-	-	-
Restricted intergovernmental revenues	273,258	383,651	381,876	(1,775)	-	-	-	-
Permits and fees	166,669	166,670	138,183	(28,487)	70,000	70,000	9,147	(60,853)
Sales and services	934,282	950,783	958,625	7,842	-	-	7,510	7,510
Investment earnings	63,486	63,486	14,480	(49,006)	20,000	20,000	7,407	(12,593)
Miscellaneous	181,237	61,737	102,339	40,602	-	-	-	-
TOTAL REVENUES	8,637,707	8,865,390	8,830,704	(34,686)	160,000	160,000	103,931	(56,069)
EXPENDITURES								
General government	1,232,177	1,362,557	1,283,987	78,570	-	-	-	-
Public safety	3,191,629	3,296,678	3,198,459	98,219	-	-	-	-
Transportation	1,877,548	1,638,495	1,586,331	52,164	-	-	-	-
Environmental protection	-	545,790	535,182	10,608	-	-	-	-
Economic and physical development	498,357	479,602	430,008	49,594	-	-	-	-
Cultural & recreation	907,635	919,710	844,184	75,526	-	-	-	-
Debt service								
Bond and note principal	597,813	597,813	597,558	255	-	-	-	-
Bond and note interest	213,107	189,225	188,746	479	-	-	-	-
TOTAL EXPENDITURES	8,518,266	9,029,870	8,664,455	365,415	-	-	-	-
Revenues over (under) expenditures	119,441	(164,480)	166,249	330,729	160,000	160,000	103,931	(56,069)

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 AND GENERAL CAPITAL RESERVE FUND
For the Year Ended June 30, 2010
EXHIBIT 5

Page 2 of 2

	GENERAL FUND				GENERAL CAPITAL RESERVE FUND			
	2010				2010			
	Budget		Actual Amounts	Variance with	Budget		Actual Amounts	Variance with
			(Budgetary	Final Budget -			(Budgetary	Final Budget -
			Basis)	Positive			Basis)	Positive
	Original	Final		(Negative)	Original	Final		(Negative)
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	\$ -	\$ -	\$ -	\$ -	\$ 225,108	\$ 225,108	\$ 245,108	\$ 20,000
Transfers to other funds	(492,869)	(247,283)	(247,283)	-	(346,885)	(346,885)	(176,626)	170,259
Sale of fixed assets	11,500	11,500	35,695	24,195	-	-	-	-
Installment note proceeds	212,450	60,060	60,059	(1)	-	-	-	-
Appropriated Fund Balance	149,478	340,203	-	(340,203)	(38,223)	(38,223)	-	38,223
TOTAL OTHER FINANCING SOURCES (USES)	(119,441)	164,480	(151,529)	(316,009)	(160,000)	(160,000)	68,482	228,482
Net change in fund balance	\$ -	\$ -	14,720	\$ 14,720	\$ -	\$ -	172,413	\$ 172,413
FUND BALANCE - beginning of year			3,271,795				1,758,431	
Prior period adjustment			(46,958)				-	
FUND BALANCE - beginning of year, as restated			3,224,837				1,758,431	
FUND BALANCE - end of year			\$ 3,239,557				\$ 1,930,844	

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

EXHIBIT 6

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,133,746
Due from other governments	11,449
Note receivable-current portion	370,155
Total current assets	<u>2,515,350</u>

Noncurrent assets:

Note receivable-noncurrent portion	2,512,000
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Capital assets:

Construction in progress	628,502
Total noncurrent assets	<u>3,140,502</u>

TOTAL ASSETS	<u><u>\$ 5,655,852</u></u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 117,417
Accrued interest	9,562
Bonds payable-current	166,368
Notes payable-current	203,787
Total current liabilities	<u>497,134</u>

Noncurrent liabilities:

Bonds payable-noncurrent	1,689,053
Notes payable-noncurrent	822,947
Total noncurrent liabilities	<u>2,512,000</u>

TOTAL LIABILITIES	<u>3,009,134</u>
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NET ASSETS

Invested in capital assets	628,502
Unrestricted	2,018,216
TOTAL NET ASSETS	<u>\$ 2,646,718</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 ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2010

EXHIBIT 7

OPERATING REVENUES	\$ -
OPERATING EXPENSES	-
Operating income	-
NON-OPERATING REVENUES (EXPENSES)	
Development fees	
Water development fees	3,200
Sewer development fees	2,803
City of Raleigh - Payment of water and sewer fees	(37)
Interest earnings	146,081
Interest expense	(133,711)
Net non-operating revenues (expenses)	18,336
CHANGE IN NET ASSETS	18,336
NET ASSETS - Beginning of Year	2,628,382
NET ASSETS - End of Year	\$ 2,646,718

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, 2010

EXHIBIT 8

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from developers	\$ 606,265
Cash paid to City of Raleigh for fees collected	(437,882)
	<hr/>
Net cash provided by noncapital financing activities	168,383
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(526,437)
Developer reimbursements	(107,778)
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	360,452
Principal paid on debt	(360,452)
Interest paid on debt	(136,536)
	<hr/>
Net cash used for capital and related financing activities	(770,751)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	146,081
	<hr/>
Net decrease in cash and cash equivalents	(456,287)

Cash and cash equivalents - Beginning of the year	2,590,033
	<hr/>
Cash and cash equivalents - End of the year	\$ 2,133,746
	<hr/> <hr/>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 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 assets and the statement of activities report information on all of the 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. Non-operating revenues, such as investment earnings, result from ancillary activities.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 and state-shared revenues. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services.

General Capital Reserve Fund – The General Capital Reserve Fund is used to account for financial resources to be held for capital projects prior to construction.

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 non-major governmental funds:

Short Term Suspension Grant Special Revenue Fund – This fund is used to account for grant funds that are restricted for use for a particular purpose.

East Wake Television Special Revenue Fund – This fund is used to account for Public Educational and Government (PEG) channel revenues received from the State of North Carolina for the operation of a local public access and government cable TV channel. This TV channel is operated as a joint venture and is funded by the Towns of Knightdale, Wendell, Zebulon and Rolesville.

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 Fund is composed of two sub-funds: Water and Sewer Operations and Utility Capital Projects, which are consolidated for financial reporting purposes. 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, pay long term debt and complete capital projects. This merger is discussed more fully in Note 7. Knightdale conducts no day-to-day water and sewer operations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Wake County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Knightdale. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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. Annual budget ordinances are adopted for the general, capital reserve, special revenue and proprietary funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the General Capital Projects Fund and then Utility Capital Project Fund. The enterprise fund project is consolidated with the Water and Sewer operating fund for reporting purposes. 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 object 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 AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

The 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 FINANCIAL STATEMENTS

June 30, 2010

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 securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

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.

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 1, 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, 2009.

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, 2010 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 are recorded at their estimated fair value at the date of donation. 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

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

9. 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 240 hours and use this in lieu of vacation. Exempt employees lose any time accumulated over 240 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.

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.

10. NET ASSETS/FUND BALANCES

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted net assets; and unrestricted. Restricted net assets 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The governmental fund types classify fund balances as follows:

Reserved

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under State law [G.S. 159-8 (a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets-Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

Reserved for Public Safety - portion of fund balance, 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.

Reserved for East Wake TV – portion of fund balance, which represents funds accumulated for the operation of PEG Channel 22. This is an educational and government channel broadcasting in Eastern Wake County, operated under an interlocal agreement with the Towns of Wendell, Rolesville and Zebulon.

Reserved 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.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 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, and 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 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, 2010, the Town's deposits had a carrying value of \$5,688,883 and a bank balance of \$5,768,446. Of the bank balance, \$637,420 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2010, the Town's petty cash fund totaled \$1,300.

2. INVESTMENTS

At June 30, 2010, the Town of Knightdale had \$1,374,053 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. CAPITAL ASSETS

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 7,094,941	\$ 24,500	\$ -	\$ -	\$ 7,119,441
Construction in progress	308,825	716,793	4,863	(718,570)	302,185
Total capital assets not being depreciated	7,403,766	741,293	4,863	(718,570)	7,421,626
Capital assets being depreciated:					
Buildings	2,861,292	-	-	1,387,860	4,249,152
Other improvements	2,058,233	-	-	(1,260,791)	797,442
Roads and infrastructure	21,290,325	-	-	144,765	21,435,090
Equipment	839,233	76,251	-	-	915,484
Vehicles and motorized equipment	1,961,437	120,811	133,225	446,736	2,395,759
Total capital assets being depreciated	29,010,520	197,062	133,225	718,570	29,792,927
Less accumulated depreciation for:					
Buildings	852,689	162,926	-	104,971	1,120,586
Other improvements	383,446	33,139	-	(104,971)	311,614
Roads and infrastructure	2,928,656	709,677	-	-	3,638,333
Equipment	514,574	121,991	-	-	636,565
Vehicles and motorized equipment	1,195,480	324,373	117,549	-	1,402,304
Total accumulated depreciation	5,874,845	1,352,106	117,549	-	7,109,402
Total capital assets being depreciated, net	23,135,675	(1,155,044)	15,676	718,570	22,683,525
Governmental activity capital assets, net	\$ 30,539,441	\$ (413,751)	\$ 20,539	\$ -	\$ 30,105,151

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Business-type activities:					
Water and Sewer Fund					
Capital assets not being depreciated:					
Construction in progress	\$ 98,510	\$ 529,992	\$ -	\$ -	\$ 628,502

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

General government	\$ 101,520
Public safety	408,157
Transportation	786,472
Environmental protection	-
Economic and physical development	2,295
Cultural and recreational	53,662
	<hr/>
Total depreciation expense	\$ 1,352,106

Construction commitments

The Town has active construction projects as of June 30, 2010. At year-end, the Town's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
Hodge Road Siphon project	\$506,172	\$168,141
Landscaping and Gateway project	46,692	84,308
Total	<hr/> \$552,864	<hr/> \$252,449

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

B. LIABILITIES

1. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Knightdale contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.72%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Knightdale are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009 and 2007 were \$163,363, \$159,948 and \$149,973, respectively. The contributions made by the Town equaled the required contributions for each year.

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. 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2009 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
Total	<u>24</u>

A separate report was not issued for the plan.

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Annual Pension Cost and Net Pension Obligation.

The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$51,819
Interest on net pension obligation	16,967
Adjustment to annual required contribution	<u>(14,742)</u>
Annual pension cost	54,044
Contributions made	<u>22,792</u>
Increase in net pension obligation	31,252
Net pension obligation beginning of year	<u>234,024</u>
Net pension obligation end of year	<u>\$265,276</u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$35,708	0.00%	\$206,652
June 30, 2009	\$46,658	41.33%	\$234,024
June 30, 2010	\$54,044	42.17%	\$265,276

Funded Status and Funding Progress.

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$720,810. The covered payroll (annual payroll of active employees covered by the plan) was \$1,454,904 and the ratio of the UAAL to the covered payroll was 49.54 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010 were \$103,523, which consisted of \$71,325 from the Town and \$32,198 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, 2010 were \$157,017, which consisted of \$99,856 from the Town and \$57,161 from employees.

e. Firemen's and Rescue Squad Workers Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Knightdale, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Workers' Pension Fund. 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributed \$2,760 on behalf of volunteer firemen for the fiscal year ended June 30, 2010. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

f. Other Post Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of April 20, 2005, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) under the following terms and conditions:

1. The Town pays 100% of retiree's health insurance for employees hired before April 20, 2005, when:
 - a. They have at least ten (10) years of service with the Town, and
 - b. They retire under the Local Government Employees Retirement System, and
 - c. Their age and creditable service in LGERS equals at least 72.
 - d. At age 65, the Town will pay 100% of a Medicare Supplemental Insurance Policy.
2. The Towns pays retiree health insurance for employees hired on or after April 20, 2005 as follows:
 - a. 100% with 25 or more years of service
 - b. 75% with 22 to 24 years of service
 - c. 50% with 18 to 21 years of service
 - d. 25% with 15 to 17 years of service
 - e. At age 65, the Town will pay \$50 per month toward a Medicare Supplemental Insurance Policy.
3. Employees with at least ten years of service with the Town and are qualified to retire in LGERS may purchase health insurance through the Town with the employee paying the premium.
4. Retiring Town employees that have Town health insurance may purchase health insurance for their dependents at the Town's group rates with the employee paying the premium.

The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	1	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	35	23
Total	<u>36</u>	<u>24</u>

Funding Policy. The Town pays the cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town's members pay premiums for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.99% of annual covered payroll. For the current year, the Town contributed \$11,734 or 0.35% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.19% and 0.16% of covered payroll, respectively. There were no contributions made by employees, except for dependent dental coverage in the amount of \$183. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Annual required contribution	\$237,605
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>237,605</u>
Contributions made	<u>(11,734)</u>
Increase (decrease) in net OPEB obligation	225,871
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$225,871</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 were as follows:

Fiscal Year Ended June 30, 2010	Annual OPEB Cost	Percentage of Annual OPEB Cost contributed	Net OPEB Obligation
2010	\$237,605	4.9%	\$225,871

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,419,933. The covered payroll (annual payroll of active employees covered by the plan) was \$3,399,751, and the ratio of the UAAL to the covered payroll was 71.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

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 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the Town made contributions to the State for death benefits of \$2,997. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .05% and .14% of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

2. DEFERRED / UNEARNED REVENUES

The balance in deferred / unearned revenues at year-end is composed of the following elements:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

General Fund:

	<i>Deferred Revenue</i>	<i>Unearned Revenue</i>	<i>Total</i>
Prepaid taxes not yet earned	\$ -	\$ 8,379	\$ 8,379
Prepaid privilege licenses	-	41,397	41,397
Prepaid privilege licenses	-	3,484	3,484
Taxes receivable (Net)	203,519	-	203,519
Decal receivable	55,210	-	55,210
Sanitation receivables	69,277	-	69,277
Total deferred revenues	<u>\$ 328,006</u>	<u>\$ 53,260</u>	<u>\$ 381,266</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 Town purchases insurance to provide the following types of major coverage: general liability (\$2,000,000), property (\$6,100,943), inland marine (\$433,197), auto liability (\$1,000,000), public officials' liability (\$1,000,000), law enforcement liability (\$1,000,000) and an umbrella policy (\$2,000,000). The coverage has deductibles up to \$25,000. There have been no significant reductions in insurance coverage from coverage in the prior year by major categories of risk. 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 and tax collector are each individually bonded for \$150,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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, 2010, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

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 Utility Fund. 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, 2010 are composed of the following individual issues:

Serviced by the General Fund:

\$1,000,000, 2002 Public Improvement bonds due in annual installments of \$52,632 plus interest through 2022; interest is at 4%.	\$ 631,579
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Serviced by the Water and Sewer Fund:

\$2,800,000, 2002 Water and Sewer bonds due in annual installments of \$147,368 plus interest through 2022; interest is at 4%.	1,768,421
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1976 Water bonds due in annual installments of increasing amounts through 2012; interest at 5%.	19,000
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1984 Sewer bonds due in annual installments of increasing amounts through 2017; interest at 5%.	<u>68,000</u>
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Total	<u>\$ 2,487,000</u>
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At June 30, 2010, The Town of Knightdale had installment purchase agreements authorized but unissued of \$2,821,500 and a legal debt margin of \$87,843,613.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 52,632	\$ 25,368	\$ 166,368	\$ 75,382
2012	52,632	23,263	165,368	68,537
2013	52,631	21,158	157,369	61,742
2014	52,631	19,053	157,369	55,347
2015	52,632	16,947	158,368	48,953
2016-2020	263,158	53,158	755,842	150,192
2021-2024	<u>105,263</u>	<u>6,474</u>	<u>294,737</u>	<u>18,126</u>
Total	<u>\$ 631,579</u>	<u>\$ 165,421</u>	<u>\$ 1,855,421</u>	<u>\$ 478,279</u>

6. INSTALLMENT NOTE INDEBTEDNESS

The Town also has various installment notes for buildings, equipment and vehicles. Installment notes payable at June 30, 2010 are composed of the following individual notes:

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$3,000,000 installment obligation to Wachovia for a park and sewer project issued 06-15-01; semi-annual payments of \$139,915 which includes interest at 4.64%; secured by land, equipment and remaining escrow balance	\$ 483,130	\$ 966,260
\$262,825 installment obligation to BB&T for a fire truck and equipment issued 04-29-02; semi-annual payments of \$16,772 which includes interest at 4.89%; secured by vehicles and equipment	63,180	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$266,184 installment obligation to NCDOT for water line relocation issued 07-01-04; payments annually beginning 10-13-06 of \$62,893 which includes imputed interest at 4%, secured by water line improvements	\$ -	\$ 60,474
\$2,500,000 installment debt to the USDA for the Public Safety Building issued 07-13-05; annual payments of \$146,800 which includes interest at 4.125%; secured by land and building	2,279,970	-
\$175,000 installment obligation to Wachovia for vehicles issued 8-21-08; semiannual payments of \$30,822 which includes interest at 3.19%; secured by vehicles	89,592	-
\$325,000 installment obligation to Wachovia for a fire truck issued 06-28-06; semi-annual payments of \$20,270 which includes interest at 4.43%; secured by a fire truck	211,562	-
\$350,000 installment obligation to BB&T for a fire truck issued 05-16-08; semi-annual payments of \$20,709 which includes interest at 3.32%; secured by a fire truck	288,904	-
\$60,059 installment debt to BB&T for a telephone system issued 10-29-09; monthly payments of \$1,111 which includes interest at 3.55%; secured by equipment	52,516	-
Subtotal installment notes payable for buildings, vehicles and equipment	3,468,854	1,026,734
\$5,003 installment debt (0.53%) to the Eastern Wake Fire-Rescue Dept for involuntary annexation issued 11-17-06; annual payments of \$608 including interest	3,316	-
\$3,409 installment debt (0.37882%) to Eastern Wake Fire-Rescue Dept for voluntary annexation issued 12-08-05; annual payments of \$414 which includes interest at 4.27%	2,153	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$16,110 installment debt (1.79%) to the Eastern Wake Fire-Rescue Dept for involuntary annexation issued 11-17-04; annual payments of \$1,958 which includes interest	\$ 9,810	\$ -
\$2,430 installment debt (0.27%) to the Eastern Wake Fire-Rescue Dept for involuntary annexation issued 02-07-05; annual payments of \$295 including interest	1,509	-
\$4,574 installment debt (0.53%) to the Eastern Wake Fire-Rescue Dept for involuntary annexation issued 11-17-09; annual payments of \$654 including interest	3,921	-
\$9,708 installment debt (1.0786%) to Eastern Wake Fire-Rescue Dept for voluntary annexation issued 12/07; annual payments of \$1,218 which includes interest	6,900	-
Subtotal Eastern Wake Fire – Rescue Dept annexation	27,609	-
Total	<u>\$ 3,496,463</u>	<u>\$ 1,026,734</u>

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 293,992	\$ 141,708	\$ 203,787	\$ 45,659
2012	275,182	129,696	150,040	36,514
2013	221,440	119,073	157,083	29,471
2014	230,772	109,741	164,455	22,098
2015	230,387	100,128	172,175	14,378
2016-2020	601,740	395,478	179,194	7,460
2021-2025	429,114	304,886	-	-
2026-2030	525,227	208,773	-	-
2031-2035	642,869	91,131	-	-
2036	45,740	1,887	-	-
Total	<u>\$ 3,496,463</u>	<u>\$1,602,501</u>	<u>\$ 1,026,734</u>	<u>\$ 155,580</u>

C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 684,211	\$ -	\$ 52,632	\$ 631,579	\$ 52,632
Installment notes	3,976,755	64,634	544,926	3,496,463	293,992
Compensated absences	325,283	117,219	125,478	317,024	232,133
Other postemployment benefits	-	225,871	-	225,871	-
Net pension obligation	234,024	54,044	22,792	265,276	-
Governmental activity long-term liabilities	<u>\$ 5,220,273</u>	<u>\$ 461,768</u>	<u>\$ 745,828</u>	<u>\$ 4,936,213</u>	<u>\$ 578,757</u>
Business-type activities:					
General obligation bonds	\$ 2,020,789	\$ -	\$ 165,368	\$ 1,855,421	\$ 166,368
Installment notes	1,221,818	-	195,084	1,026,734	203,787
Business-type activity long-term liabilities	<u>\$ 3,242,607</u>	<u>\$ -</u>	<u>\$ 360,452</u>	<u>\$ 2,882,155</u>	<u>\$ 370,155</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Compensated absences for governmental activities typically have been liquidated in the General Fund.

7. INTERFUND BALANCES AND ACTIVITY

Balances due to / from other funds at June 30, 2010, consist of the following:

From Fund	To Fund	Amount	Purpose
Short Term Suspension Fund	General Fund	\$ 1,000	To fund expenses in grant fund
East Wake Television Fund	General Capital Reserve	80,000	Loan for construction of TV studio
	Total	<u>\$ 81,000</u>	

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

The General Capital Reserve fund transferred \$100,000 to the General Capital Projects Fund in fiscal years 2009 and 2010 for the construction of a TV studio for East Wake Television. These funds will be repaid to the General Capital Reserve Fund by East Wake Television in 5 annual installments of \$20,000 beginning June 15, 2010 through June 15, 2014. After the first payment of \$20,000 on June 15, 2010, the remaining balance at June 30, 2010 was \$80,000. Annual payments are budgeted in the East Wake Television Special Revenue Fund. This interfund loan is non-interest bearing.

During the fiscal year ended June 30, 2010, the Town had interfund transfers as follows:

From Fund	To Fund	Amount	Purpose
General Fund	East Wake Television Fund	\$ 12,175	To transfer restricted revenues
General Fund	Short Term Suspension Fund	10,000	Grant matching funds
General Fund	General Capital Reserve	225,108	To fund future capital projects
East Wake Television Fund	General Capital Reserve	20,000	To repay interfund loan for TV studio
General Capital Reserve	General Capital Projects	97,850	Construction loan for TV studio
General Capital Reserve	General Capital Projects	22,250	To purchase fire truck
General Capital Reserve	General Capital Projects	8,361	To fund infrastructure reimbursements
General Capital Reserve	General Capital Projects	48,165	To fund Lynnwood Rd. improvements
	Total	<u>\$ 443,909</u>	

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NOTE 3 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2010, the Town determined that certain invoices for legal fees received in 2010 and relating to legal services provided in fiscal year 2009, had been omitted from accounts payable in the prior year. Therefore, an adjustment to beginning fund balance and beginning net assets has been recorded to account for those payables, the net effect of which decreased beginning fund balance and net assets by \$46,958 in the General Fund.

NOTE 4 – 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 \$3,635 to the Council during the fiscal year ended June 30, 2010.

NOTE 5 – JOINT VENTURES

East Wake Television

The Town, in conjunction with the Towns of Rolesville, Wendell and Zebulon, operates a local public, educational and government (PEG) cable TV channel. East Wake TV is funded by state shared video programming franchise taxes collected by the State of North Carolina and remitted to the 4 participating Towns. These funds are restricted for the operation of local PEG channels. East Wake TV is recorded as a special revenue fund of the Town of Knightdale for the fiscal year ended June 30, 2010. 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 Knightdale, Rolesville, Wendell and Zebulon. Each Town contributed \$18,692 to East Wake TV during the fiscal year ended June 30, 2010. 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, 2010. East Wake TV operates from a studio built by the Town of Knightdale. Under the terms of an interlocal agreement, the non-profit organization will assume an interfund construction loan payable to the Town of Knightdale's Capital Reserve Fund in the amount of \$80,000. The loan is payable in 4 remaining annual installments of \$20,000 beginning on June 15, 2011 through June 15, 2014. The loan is non-interest bearing. As of June 30, 2010, the Town of Knightdale held \$34,070 in fund balance reserved for East Wake TV. These funds will be transferred to the new non-profit organization during fiscal year beginning July 1, 2010.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010, the Town reported revenues and expenditures for the payments of \$2,760 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, 2010. 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 6 – 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.

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, 2010, there are two 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, 2010, the Town has a contingent liabilities related to these developer agreements as shown below:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Developer	Legal Fees	Street Improvements	Water and Sewer Improvements
Kimco Wakefield	\$ -	\$613,758	\$175,126
Various Developers	83,800	-	-
Holly Homes LLC	-	-	6,003
Total	<u>\$83,800</u>	<u>\$613,758</u>	<u>\$181,129</u>

Unemployment Taxes

The Town elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for benefit payments could accrue in the year following discharge of an employee.

NOTE 7 – 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 will transfer the remaining Utility Capital Projects upon completion or mutual agreement. As of June 30, 2010, the Town of Knightdale has \$628,502 of construction in progress in the proprietary funds for the Hodge Road Siphon Project. The project will be completed in fiscal year 2011 and the sewer improvements will be transferred to the City of Raleigh.

The accompanying statement of net assets shows total notes receivable of \$2,882,155 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$370,155 due within one year and \$2,512,000 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 \$496,988 (\$360,452 principal plus \$136,536 interest) for debt service payments related to proprietary fund long term debt. As of June 30, 2010, the financial statements include current accounts payable to the City of Raleigh in the amount of \$34,137 related to water and sewer fees collected by Knightdale for the City of Raleigh.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 – COMPARATIVE DATA / RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the Town's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

TOWN OF KNIGHTDALE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Ten years ended December 31, 2009

Actuarial Valuation Date December 31st	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-c)/c)
2009	\$ -	\$ 720,810	\$ 720,810	0%	\$ 1,454,904	49.54%
2008	-	499,299	499,299	0%	1,191,634	41.90%
2007	-	371,500	371,500	0%	1,197,294	31.03%
2006	-	272,769	272,769	0%	992,302	27.49%
2005	-	241,728	241,728	0%	914,460	26.43%
2004	-	216,888	216,888	0%	783,252	27.69%
2003	-	193,068	193,068	0%	720,222	26.81%
2002	-	214,093	214,093	0%	646,394	33.12%
2001	-	237,746	237,746	0%	538,823	44.12%
2000	-	123,195	123,195	0%	492,824	25.00%

TOWN OF KNIGHTDALE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Ten years ended June 30, 2010

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2010	\$	51,819	43.98%
2009		46,658	41.33%
2008		35,708	0.00%
2007		31,890	0.00%
2006		29,971	0.00%
2005		25,167	0.00%
2004		23,246	24.08%
2003		22,397	62.89%
2002		15,162	43.83%
2001		9,988	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	5.00%
Projected salary increases	4.5 to 12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

TOWN OF KNIGHTDALE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
Year ended December 31, 2009

Actuarial Valuation Date December 31st	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-c)/c)
2009	\$ -	\$ 2,419,933	\$ 2,419,933	0%	\$ 3,399,751	71.18%

TOWN OF KNIGHTDALE, NORTH CAROLINA
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year ended June 30, 2010

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2010	\$	237,605	4.94%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at December 31, 2009.

Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.50% - 5.00%
Post-Medicare trend rate	9.00% - 5.00%
Year of ultimate trend rate	2017
Includes inflation at	3.75%

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 1 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 4,643,079	\$ 4,672,322	\$ 29,243	\$ 4,314,193
Prior years	93,684	91,768	(1,916)	93,195
Penalties and interest	19,931	23,725	3,794	21,600
Total	4,756,694	4,787,815	31,121	4,428,988
Other taxes and licenses				
Motor vehicle licenses	38,470	39,908	1,438	37,179
Gross receipts on rental vehicles	22,306	21,029	(1,277)	-
Motor fuel tax refunds	9,875	9,213	(662)	10,029
Fuel excise tax refund	5,513	6,220	707	5,845
Privilege licenses	89,178	56,134	(33,044)	66,710
Total	165,342	132,504	(32,838)	119,763
Unrestricted intergovernmental revenues				
Local option sales tax	1,719,413	1,707,341	(12,072)	1,660,860
Telecommunications sales tax	-	91,005	91,005	94,910
Utility franchise tax	425,115	322,644	(102,471)	305,362
Piped natural gas tax	-	44,116	44,116	43,436
Video programming franchise taxes	103,530	101,240	(2,290)	76,668
Wine and beer tax	43,594	15,642	(27,952)	44,070
ABC profits	25,375	32,894	7,519	24,804
Total	2,317,027	2,314,882	(2,145)	2,250,110
Restricted intergovernmental revenues				
Grants	24,149	15,076	(9,073)	43,771
State street aid	278,411	278,411	-	289,619
PEG Channel support	-	-	-	61,870
Controlled substance tax	-	3,555	3,555	-
Asset forfeiture - US Department of Justice	10,000	9,688	(312)	-
Solid waste disposal tax	5,600	9,087	3,487	2,954
Town of Wendell - Information Technician contract	16,000	16,000	-	-
Wake County Public Schools - Resource officer	37,838	37,838	-	37,838
NC Department of Transportation - Mowing contract	6,156	6,156	-	-
Firemen's relief fund	5,497	6,065	568	5,337
Total	383,651	381,876	(1,775)	441,389

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 2 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Permits and fees				
Development fees	\$ 4,658	\$ 4,482	\$ (176)	\$ 3,529
Certificate of occupancy fees	14,024	8,850	(5,174)	13,731
Subdivision recording fees	1,418	1,345	(73)	1,325
Permit fees	71,700	60,978	(10,722)	138,240
Review fees	25,570	4,197	(21,373)	51,211
Inspection fees	30,700	19,460	(11,240)	96,474
Miscellaneous fees	500	3,440	2,940	398
Fire inspection fees	11,500	28,566	17,066	8,773
Officer fees	6,600	6,865	265	7,914
Total	166,670	138,183	(28,487)	321,595
Sales and services				
Sanitation				
Sanitation fees	434,100	438,254	4,154	410,103
Yard waste fees	4,040	4,453	413	4,479
Recycle fees	146,700	152,662	5,962	139,346
Recreation				
Program fees	86,445	97,863	11,418	44,897
Camp fees	110,690	93,186	(17,504)	101,090
Sponsor fees	9,135	7,275	(1,860)	6,404
Parade entry fees	1,097	2,250	1,153	1,075
Pool fees	29,000	42,025	13,025	43,908
Recreation center fees	29,576	39,459	9,883	68,255
Track out fees	100,000	81,198	(18,802)	97,652
Total	950,783	958,625	7,842	917,209
Investment earnings	63,486	14,480	(49,006)	51,302

(continued)

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 3 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Other revenues				
Miscellaneous	\$ 5,998	\$ 22,289	\$ 16,291	\$ 69,077
Red light camera fees	-	27,069	27,069	8,951
Rental fees	29,369	46,151	16,782	28,843
Insurance proceeds	25,870	4,870	(21,000)	-
Cable television franchise	-	-	-	11,807
Fines and forfeitures	500	1,960	1,460	4,360
Total	61,737	102,339	40,602	123,038
 TOTAL REVENUES	 8,865,390	 8,830,704	 (34,686)	 8,653,394
EXPENDITURES				
General government				
Town council				
Current				
Personnel services	150,047	148,894	1,153	146,563
Operations & maintenance	196,521	142,887	53,634	195,143
Total	346,568	291,781	54,787	341,706
Administration				
Current				
Personnel services	288,503	283,142	5,361	218,559
Operations & maintenance	87,830	18,700	69,130	45,291
Capital outlay	-	58,973	(58,973)	-
Total	376,333	360,815	15,518	263,850
Finance				
Current				
Personnel services	376,557	379,860	(3,303)	350,424
Operations & maintenance	190,389	190,600	(211)	122,343
Capital outlay	72,710	60,931	11,779	-
Total	639,656	631,391	8,265	472,767

(continued)

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 4 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
East Wake Television				
Current				
Personnel services	\$ -	\$ -	\$ -	\$ 6,035
Operations & maintenance	-	-	-	16,145
Capital outlay	-	-	-	47,369
Total	-	-	-	69,549
Total general government	1,362,557	1,283,987	78,570	1,147,872
Public safety				
Police				
Current				
Personnel services	1,648,650	1,627,248	21,402	1,599,273
Operations & maintenance	454,147	414,891	39,256	386,323
Capital outlay	130,300	103,602	26,698	42,234
Total	2,233,097	2,145,741	87,356	2,027,830
Fire				
Current				
Personnel services	888,037	889,121	(1,084)	845,576
Operations & maintenance	175,544	163,597	11,947	172,028
Capital outlay	-	-	-	26,507
Total	1,063,581	1,052,718	10,863	1,044,111
Total public safety	3,296,678	3,198,459	98,219	3,071,941
Transportation				
Public works				
Current				
Personnel services	498,433	496,221	2,212	471,793
Operations & maintenance	661,455	599,898	61,557	508,693
Capital Outlay	-	15,320	(15,320)	15,013
Total	1,159,888	1,111,439	48,449	995,499

(continued)

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 5 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Engineering				
Current				
Personnel services	\$ 170,673	\$ 170,797	\$ (124)	\$ 82,346
Operations & maintenance	29,523	25,684	3,839	30,432
Total	200,196	196,481	3,715	112,778
Streets and Highways				
Infrastructure reimbursement	278,411	278,411	-	-
Total	278,411	278,411	-	-
Total transportation	1,638,495	1,586,331	52,164	1,108,277
Environmental Protection				
Sanitation				
Current				
Operations & maintenance	545,790	535,182	10,608	520,985
Total environmental protection	545,790	535,182	10,608	520,985
Economic and physical development				
Planning and Zoning				
Current				
Personnel services	334,566	329,214	5,352	464,337
Operations & maintenance	82,749	50,946	31,803	81,610
Capital outlay	17,250	17,210	40	-
Total	434,565	397,370	37,195	545,947
Special appropriations				
Current				
Special appropriations	45,037	32,638	12,399	25,494
Total economic and physical development	479,602	430,008	49,594	571,441

(continued)

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 6 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Cultural & recreation				
Parks and Recreation				
Current				
Personnel services	\$ 318,734	\$ 293,053	\$ 25,681	\$ 304,146
Operations & maintenance	243,512	224,400	19,112	229,529
Capital outlay	-	-	-	81,440
Total	562,246	517,453	44,793	615,115
Knightdale Pool				
Current				
Personnel services	8,074	8,799	(725)	8,700
Operations & maintenance	86,614	74,758	11,856	83,984
Total	94,688	83,557	11,131	92,684
Community Park and Recreation Center				
Current				
Personnel services	52,203	54,209	(2,006)	51,275
Operations & maintenance	109,956	98,627	11,329	94,541
Total	162,159	152,836	9,323	145,816
Track Out Program				
Current				
Personnel services	65,477	69,299	(3,822)	59,503
Operations & maintenance	35,140	21,039	14,101	36,966
Total	100,617	90,338	10,279	96,469
Total cultural and recreational	919,710	844,184	75,526	950,084

(continued)

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 7 of 7

	2010			2009
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Debt service				
Note principal	\$ 545,181	\$ 544,926	\$ 255	\$ 544,839
Note interest	161,751	161,272	479	179,836
Bond principal	52,632	52,632	-	52,632
Bond interest	27,474	27,474	-	29,579
Total debt service	787,038	786,304	734	806,886
 TOTAL EXPENDITURES	 9,029,870	 8,664,455	 365,415	 8,177,486
 Revenues over (under) expenditures	 (164,480)	 166,249	 330,729	 475,908
 OTHER FINANCING SOURCES (USES)				
Transfers to:				
General Capital Reserve	(225,108)	(225,108)	-	(636,737)
General Capital Projects	-	-	-	(308,619)
Utility Fund	-	-	-	(3)
Short Term Suspension Fund	(10,000)	(10,000)	-	-
East Wake Television Fund	(12,175)	(12,175)	-	-
Sale of fixed assets	11,500	35,695	24,195	-
Installment Debt Proceeds	60,060	60,059	(1)	175,000
Appropriated fund balance	340,203	-	(340,203)	-
TOTAL OTHER FINANCING SOURCES (USES)	164,480	(151,529)	(316,009)	(770,359)
 NET CHANGE IN FUND BALANCE	 \$ -	 14,720	 \$ 14,720	 (294,451)
 FUND BALANCE - beginning of year		3,271,795		3,566,246
 Prior period adjustment		(46,958)		-
 FUND BALANCE - beginning of year, as restated		3,224,837		3,566,246
 FUND BALANCE - end of year		\$ 3,239,557		\$ 3,271,795

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

For the Year Ended June 30, 2010

	2010		
	Short Term Suspension Grant	East Wake Television	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 9,175	\$ 9,175
Accounts receivable	1,000	-	1,000
Due from other governments	16,683	25,001	41,684
TOTAL ASSETS	\$ 17,683	\$ 34,176	\$ 51,859
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 16,683	\$ 10	\$ 16,693
Accrued salaries	-	96	96
Due to other funds	1,000	-	1,000
TOTAL LIABILITIES	17,683	106	17,789
FUND BALANCES			
Reserved for:			
East Wake Television Fund	-	34,070	34,070
TOTAL FUND BALANCES	-	34,070	34,070
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,683	\$ 34,176	\$ 51,859

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, 2010

	2010		
	Short Term Suspension Grant	East Wake Television	Total Non-Major Governmental Funds
REVENUES			
Restricted intergovernmental revenues	\$ 61,505	\$ 74,766	\$ 136,271
Sales and services	-	1,250	1,250
Other revenues	11,358	4,139	15,497
TOTAL REVENUES	72,863	80,155	153,018
EXPENDITURES			
General government	-	38,260	38,260
Public Safety	82,863	-	82,863
TOTAL EXPENDITURES	82,863	38,260	121,123
Revenues over (under) expenditures	(10,000)	41,895	31,895
OTHER FINANCING SOURCES (USES)			
Transfers from:			
General Fund	10,000	12,175	22,175
Transfers to:			
General Capital Reserve	-	(20,000)	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	(7,825)	2,175
NET CHANGE IN FUND BALANCE	-	34,070	34,070
FUND BALANCE - beginning of year	-	-	-
FUND BALANCE - end of year	\$ -	\$ 34,070	\$ 34,070

TOWN OF KNIGHTDALE, NORTH CAROLINA
SPECIAL REVENUE FUND - SHORT TERM SUSPENSION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	2010		
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES			
Restricted intergovernmental revenues			
US Department of Justice Grant	\$ 66,931	\$ 61,505	\$ (5,426)
NC Department of Crime Control and Public Safety	7,500	-	(7,500)
Total	<u>74,431</u>	<u>61,505</u>	<u>(12,926)</u>
Other revenues			
Contributions	7,500	11,358	3,858
Total	<u>7,500</u>	<u>11,358</u>	<u>3,858</u>
TOTAL REVENUES	<u>81,931</u>	<u>72,863</u>	<u>(9,068)</u>
EXPENDITURES			
Public safety			
Short Term Suspension			
Current			
Personnel services	40,141	38,187	1,954
Operations & maintenance	51,790	44,676	7,114
Total public safety	<u>91,931</u>	<u>82,863</u>	<u>9,068</u>
TOTAL EXPENDITURES	<u>91,931</u>	<u>82,863</u>	<u>9,068</u>
Revenues over (under) expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers from:			
General Fund	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - beginning of year		<u>-</u>	
FUND BALANCE - end of year		<u>\$ -</u>	

TOWN OF KNIGHTDALE, NORTH CAROLINA
SPECIAL REVENUE FUND - EAST WAKE TELEVISION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	2010		
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES			
Restricted intergovernmental revenues			
PEG Channel support	\$ 74,764	\$ 74,766	\$ 2
Total	74,764	74,766	2
Sales and services			
Sponsorships and advertising	-	1,250	1,250
Total	-	1,250	1,250
Other revenues			
Contributions	1,000	4,139	3,139
Total	1,000	4,139	3,139
TOTAL REVENUES	75,764	80,155	4,391
EXPENDITURES			
General government			
East Wake Television			
Current			
Personnel services	4,300	3,959	341
Operations & maintenance	42,945	34,301	8,644
TOTAL EXPENDITURES	47,245	38,260	8,985
Revenues over (under) expenditures	28,519	41,895	13,376
OTHER FINANCING SOURCES (USES)			
Transfers from:			
General Fund	12,175	12,175	-
Transfers to:			
General Capital Reserve	(20,000)	(20,000)	-
Appropriation to fund balance	(20,694)	-	20,694
TOTAL OTHER FINANCING SOURCES (USES)	(28,519)	(7,825)	20,694
NET CHANGE IN FUND BALANCE	\$ -	34,070	\$ 34,070
FUND BALANCE - beginning of year		-	
FUND BALANCE - end of year		<u>\$ 34,070</u>	

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

For The Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010			2009
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Other taxes and licenses:				
Restricted motor vehicle fees	\$ 70,000	\$ 79,867	\$ 9,867	\$ 74,401
Permits and fees:				
Streets-in-lieu fees	5,000	-	(5,000)	42,870
Parking-in-lieu fees	-	-	-	11,388
Transportation fees	55,000	8,080	(46,920)	144,998
Recreation-in-lieu fees	10,000	1,067	(8,933)	154,125
Sales and services:				
Recreation program fees	-	7,510	7,510	-
Investment earnings	20,000	7,407	(12,593)	22,407
TOTAL REVENUES	160,000	103,931	(56,069)	450,189
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	225,108	225,108	-	656,737
East Wake Television Fund	-	20,000	20,000	-
Transfers to:				
General Fund	-	-	-	(20,000)
General Capital Projects Fund	(346,885)	(176,626)	170,259	(261,565)
Fund Balance:				
Appropriation to Fund Balance	(38,223)	-	38,223	-
TOTAL OTHER FINANCING SOURCES (USES)	(160,000)	68,482	228,482	375,172
NET CHANGE IN FUND BALANCE	\$ -	172,413	\$ 172,413	825,361
FUND BALANCE - beginning of year		1,758,431		933,070
FUND BALANCE - end of year		\$ 1,930,844		\$ 1,758,431

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 1 of 2

	2010			2009
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Water operating revenues				
Tap-on and connection fees	\$ 22,000	\$ -	\$ (22,000)	\$ -
Meter installation fees	45,000	-	(45,000)	-
Other operating receipts	3,000	-	(3,000)	-
Total	70,000	-	(70,000)	-
Sewer operating revenues				
Tap-on and connection fees	10,000	-	(10,000)	-
Other operating receipts	2,000	-	(2,000)	-
Total	12,000	-	(12,000)	-
Total operating revenues	82,000	-	(82,000)	-
Water non-operating revenues				
Capacity fees	80,000	-	(80,000)	-
Acreage fees	50,000	-	(50,000)	-
Nutrient reduction charge	190,800	-	(190,800)	-
Fee in lieu of water improvements	-	3,200	3,200	-
Total	320,800	3,200	(317,600)	-
Sewer non-operating revenues				
Capacity fees	60,000	-	(60,000)	-
Acreage fees	20,000	-	(20,000)	-
Development fees	86,500	-	(86,500)	-
Fee in lieu of sewer improvements	-	2,803	2,803	-
Total	166,500	2,803	(163,697)	-
TOTAL REVENUES	569,300	6,003	(563,297)	-

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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

Page 2 of 2

	2010			2009
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES				
Water & Sewer				
City of Raleigh fees	\$ 482,800	\$ 37	\$ 482,763	\$ -
Developer reimbursements	86,500	-	86,500	25
TOTAL EXPENDITURES	569,300	37	569,263	25
Total revenues over (under) expenditures	-	5,966	5,966	(25)
OTHER FINANCING SOURCES (USES)				
Transfers from				
General Fund	-	-	-	3
Utility Capital Reserve	-	-	-	143,608
Debt Service				
City of Raleigh - reimbursement of debt service payments	563,310	496,988	(66,322)	557,547
Interest	(193,310)	(136,536)	(56,774)	(151,707)
Debt principal	(370,000)	(360,452)	(9,548)	(405,851)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	143,600
Total revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>5,966</u>	<u>\$ 5,966</u>	<u>143,575</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Principal paid on debt		360,452		405,851
Payments received on notes receivable		(360,452)		(405,851)
Intrafund transfers		-		(143,608)
Decrease (increase) in accrued interest		2,825		2,417
Loss on transfer of assets to City of Raleigh		-		(126,834)
Capital project-				
Investment earnings		<u>9,545</u>		<u>40,697</u>
NET INCOME (LOSS)	<u>\$</u>	<u>18,336</u>		<u>\$ (83,753)</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
UTILITY CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
From Inception To June 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total To Date
REVENUES				
Developers reimbursements	\$ -	\$ 45,000	\$ -	\$ 45,000
Investment earnings	-	486,605	9,545	496,150
TOTAL REVENUES	-	531,605	9,545	541,150
EXPENDITURES				
Capital projects:				
Sewer improvement project	2,395,768	98,510	529,992	628,502
TOTAL EXPENDITURES	2,395,768	98,510	529,992	628,502
Revenues over (under) expenditures before other financing sources (uses)	(2,395,768)	433,095	(520,447)	(87,352)
OTHER FINANCING SOURCES				
Transfers from:				
Utility Fund	-	5,050	-	5,050
Utility Capital Reserve Fund	1,400,000	1,726,266	-	1,726,266
Installment notes from financing issued	995,768	377,859	-	377,859
TOTAL OTHER FINANCING SOURCES	2,395,768	2,109,175	-	2,109,175
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,542,270	\$ (520,447)	\$ 2,021,823

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Current Levy	Collections and Credits	Uncollected Balance June 30, 2010
2010	\$ -	\$ 4,779,605	\$ 4,672,322	\$ 107,283
2009	126,881	-	84,531	42,350
2008	23,518	-	8,224	15,294
2007	12,348	-	1,397	10,951
2006	9,472	-	412	9,060
2005	5,531	-	208	5,323
2004	3,710	-	111	3,599
2003	3,503	-	318	3,185
2002	3,449	-	42	3,407
2001	3,070	-	3	3,067
2000	3,346	-	3,346	-
Total	\$ 194,828	\$ 4,779,605	\$ 4,770,914	\$ 203,519

RECONCILIATION WITH REVENUES

Taxes - Ad Valorem - General Fund	\$ 4,787,815
Add (deduct):	
Penalties and interest	(23,725)
Releases, rebates and adjustments	6,824
Total Collections and Credits	\$ 4,770,914

TOWN OF KNIGHTDALE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY

June 30, 2010

	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	\$ 1,201,525,631	0.40	\$ 4,807,288	\$ 4,618,051	\$ 189,237
Registered motor vehicles taxed at prior year's rate	28,434,570	0.40	114,140	-	114,140
Penalties	-		6,521	6,521	-
Total	1,229,960,201		4,927,949	4,624,572	303,377
Discoveries:					
Prior year taxes			31,839	23,947	7,892
Total	1,229,960,201		4,959,788	4,648,519	311,269
Abatements	(45,045,765)	0.40	(180,183)	(172,492)	(7,691)
Total property valuation	<u>\$ 1,184,914,436</u>				
Net levy			4,779,605	4,476,027	303,578
Uncollected taxes at June 30, 2010			107,283	51,568	55,715
Current year's taxes collected			\$ 4,672,322	\$ 4,424,459	\$ 247,863
Current levy collection percentage			<u>97.76%</u>	<u>98.85%</u>	<u>81.65%</u>



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TOWN OF KNIGHTDALE

NORTH CAROLINA

Statistical Section - The statistical section, unaudited, presents comparative statistical data, graphs, and other pertinent information of the Town. This section may be further divided to the following:

Financial Trends (Tables 1 to 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 to 9) , containing information to help the reader assess the Town's tax base and revenue from property taxes.

Debt Capacity (Tables 10 to 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 and 15), 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 16 to 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 Assets by Component

Last Nine Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities									
Invested in capital assets, net of related debt	\$4,041,521	\$6,261,198	\$12,954,064	\$15,429,709	\$19,364,428	\$24,236,450	\$25,886,116	\$25,878,475	\$26,004,718
Restricted	2,091,577	3,536,167	-	408,305	546,747	721,391	374,673	362,226	434,244
Unrestricted	1,480,552	496,549	1,252,788	1,236,693	4,608,868	4,165,983	3,795,806	4,279,809	4,180,012
Total governmental activities net assets	<u>\$7,613,650</u>	<u>\$10,293,914</u>	<u>\$14,206,852</u>	<u>\$17,074,707</u>	<u>\$24,520,043</u>	<u>\$29,123,824</u>	<u>\$30,056,595</u>	<u>\$30,520,510</u>	<u>\$30,618,974</u>
Business-type Activities									
Invested in capital assets, net of related debt	\$5,709,407	\$4,826,395	\$6,249,094	\$10,142,753	\$1,468,245	\$1,463,495	\$138,513	\$98,510	\$628,502
Restricted	-	-	1,732,118	248,089	-	-	-	-	-
Unrestricted	4,160,636	6,118,565	5,011,114	3,992,984	3,835,706	2,972,717	2,573,622	2,529,872	2,018,216
Total business-type activities net assets	<u>\$9,870,043</u>	<u>\$10,944,960</u>	<u>\$12,992,326</u>	<u>\$14,383,826</u>	<u>\$5,303,951</u>	<u>\$4,436,212</u>	<u>\$2,712,135</u>	<u>\$2,628,382</u>	<u>\$2,646,718</u>
Primary Government									
Invested in capital assets, net of related debt	\$9,750,928	\$11,087,593	\$19,203,158	\$25,572,462	\$20,832,673	\$25,699,945	\$26,024,629	\$25,976,985	\$26,633,220
Restricted	2,091,577	3,536,167	1,732,118	656,394	546,747	721,391	374,673	362,226	434,244
Unrestricted	5,641,188	6,615,114	6,263,902	5,229,677	8,444,574	7,138,700	6,369,428	6,809,681	6,198,228
Total primary government net assets	<u>\$17,483,693</u>	<u>\$21,238,874</u>	<u>\$27,199,178</u>	<u>\$31,458,533</u>	<u>\$29,823,994</u>	<u>\$33,560,036</u>	<u>\$32,768,730</u>	<u>\$33,148,892</u>	<u>\$33,265,692</u>

Notes:

1. The Town of Knightdale implemented GASB Statement 34 during the fiscal year ended June 30, 2002.
Ultimately, ten years of fiscal information will be presented
2. During Fiscal Year 2006, the Town of Knightdale merged its business-type activity with the City of Raleigh.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Changes in Net Assets

Last Nine Fiscal Years

(accrual basis of accounting)

Table 2

Expenses

Governmental activities:

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	\$1,108,984	\$1,004,251	\$1,124,904	\$1,157,084	\$1,231,354	\$1,554,942	\$1,678,580	\$1,237,945	1,490,500
Public safety	1,658,297	1,542,428	1,937,233	1,874,429	2,170,091	2,693,784	3,189,681	3,378,339	3,647,406
Public works	476,385	604,994	1,075,841	1,121,032	1,155,980	1,520,650	3,717,007	2,296,984	2,366,730
Environmental protection	-	-	-	-	-	-	-	520,985	535,182
Economic development	-	-	-	-	-	-	-	571,441	418,950
Cultural and recreational	723,831	672,397	2,684,396	829,087	844,994	953,912	999,956	916,189	898,375
Interest on long-term debt	100,716	133,723	144,452	126,787	187,678	219,065	213,735	217,628	168,894
Total governmental activities expenses	\$4,068,213	\$3,957,793	\$6,966,826	\$5,108,419	\$5,590,097	\$6,942,353	\$9,798,959	\$9,139,511	\$9,526,037

Business-type activities:

Water and sewer	2,145,328	2,372,969	2,689,297	2,872,621	2,808,455	176,251	308,128	149,315	133,748
Total business-type activities expenses	2,145,328	2,372,969	2,689,297	2,872,621	2,808,455	176,251	308,128	149,315	133,748
Total primary government expenses	\$6,213,541	\$6,330,762	\$9,656,123	\$7,981,040	\$8,398,552	\$7,118,604	\$10,107,087	\$9,288,826	\$9,659,785

Program Revenues

Governmental activities:

Charges for service:

General government	\$159,343	\$247,065	\$228,486	\$228,384	\$318,428	\$250,789	\$245,921	\$304,908	\$ 1,250
Public safety	-	-	-	11,383	16,812	17,145	19,068	16,687	35,431
Public works	259,540	257,744	265,144	284,469	854,770	782,327	466,284	776,099	8,080
Environmental protection	-	-	-	-	-	-	-	-	590,782
Economic development	-	-	-	-	-	-	-	-	102,752
Cultural and recreational	182,525	171,160	177,132	211,125	309,771	290,171	389,067	517,406	371,833
Operating grants and contributions	281,036	2,514,755	560,402	284,639	285,157	230,133	392,971	400,597	518,147
Capital grants and contributions	-	-	5,630,732	2,644,413	6,047,567	4,281,017	2,054,202	460,355	509,192
Total governmental activities program revenue	\$882,444	\$3,190,724	\$6,861,896	\$3,664,413	\$7,832,505	\$5,851,582	\$3,567,513	\$2,476,052	\$2,137,467

Business-type activities:

Charges for service:

Water and sewer	2,183,540	2,607,777	3,137,698	3,729,491	4,690,198	610,182	-	-	-
Operating grants and contributions	-	765,827	1,376,201	-	45,000	-	-	-	-
Capital grants and contributions	-	-	-	205,320	2,693,216	-	-	-	-
Total business-type activities program revenues	2,183,540	3,373,604	4,513,899	3,934,811	7,428,414	610,182	-	-	-
Total primary government program revenues	\$3,065,984	\$6,564,328	\$11,375,795	\$7,599,224	\$15,260,919	\$6,461,764	\$3,567,513	\$2,476,052	\$2,137,467

TOWN OF KNIGHTDALE, NORTH CAROLINA
Changes in Net Assets

Last Nine Fiscal Years

(accrual basis of accounting)

Table 2 (continued)

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense) / Revenue									
Governmental activities	\$ (3,185,769)	\$ (767,069)	\$ (104,930)	\$ (1,444,006)	\$ 2,242,408	\$ (1,090,771)	\$ (6,231,446)	\$ (6,663,459)	\$ (7,388,570)
Business-type activities	38,212	1,000,635	1,824,602	1,062,190	4,619,959	433,931	(308,128)	(149,315)	(133,748)
Total primary government net revenue /(expense)	<u>\$ (3,147,557)</u>	<u>\$ 233,566</u>	<u>\$ 1,719,672</u>	<u>\$ (381,816)</u>	<u>\$ 6,862,367</u>	<u>\$ (656,840)</u>	<u>\$ (6,539,574)</u>	<u>\$ (6,812,774)</u>	<u>\$ (7,522,318)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes, levied for general purpose	\$ 1,949,817	\$ 2,125,503	\$ 2,277,470	\$ 2,524,868	\$ 2,964,521	\$ 3,211,186	\$ 3,764,366	\$ 4,456,795	\$ 4,796,505
Other taxes and licenses	897,686	958,085	54,036	76,679	71,811	90,276	111,506	206,738	220,629
Unrestricted intergovernmental revenues	97,529	209,624	1,320,280	1,372,298	1,515,494	1,684,976	2,399,221	2,253,064	2,314,882
Unrestricted investment earnings	62,933	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027
Miscellaneous	197,602	152,991	178,215	267,495	655,657	355,591	228,540	136,315	132,991
Transfers	-	-	-	-	(12,224)	-	216,529	(3)	-
Total governmental activities	<u>3,205,567</u>	<u>3,494,562</u>	<u>3,869,782</u>	<u>4,311,861</u>	<u>5,351,568</u>	<u>5,694,552</u>	<u>6,943,406</u>	<u>7,127,374</u>	<u>7,487,034</u>
Business-type activities:									
Unrestricted investment earnings	123,192	74,282	60,987	141,010	209,862	338,757	278,875	192,393	146,081
Gain /(Loss) on abandoned capital project	-	-	-	-	-	(4,750)	-	-	-
City of Raleigh - reimbursement interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	6,003
Transfers	-	-	-	-	12,224	-	(216,529)	3	-
Extraordinary item (loss on transfer of assets to Raleigh)	-	-	-	-	(13,902,400)	(13,426)	(1,478,295)	(126,834)	-
Total business-type activities	<u>123,192</u>	<u>74,282</u>	<u>60,987</u>	<u>141,010</u>	<u>(13,680,314)</u>	<u>320,581</u>	<u>(1,415,949)</u>	<u>65,562</u>	<u>152,084</u>
Total primary government	<u>\$ 3,328,759</u>	<u>\$ 3,568,844</u>	<u>\$ 3,930,769</u>	<u>\$ 4,452,871</u>	<u>\$ (8,328,746)</u>	<u>\$ 6,015,133</u>	<u>\$ 5,527,457</u>	<u>\$ 7,192,936</u>	<u>\$ 7,639,118</u>
Change in Net Assets									
Governmental activities	\$ 19,798	\$ 2,727,493	\$ 3,764,852	\$ 2,867,855	\$ 7,593,976	\$ 4,603,781	\$ 711,960	\$ 463,915	\$ 98,464
Business-type activities	161,404	1,074,917	1,885,589	1,203,200	(9,060,355)	754,512	(1,724,077)	(83,753)	18,336
Total primary government	<u>\$ 181,202</u>	<u>\$ 3,802,410</u>	<u>\$ 5,650,441</u>	<u>\$ 4,071,055</u>	<u>\$ (1,466,379)</u>	<u>\$ 5,358,293</u>	<u>\$ (1,012,117)</u>	<u>\$ 380,162</u>	<u>\$ 116,800</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 908,679	\$ 1,040,676	\$ 997,272	\$ 968,808	\$ 843,605	\$ 1,080,454	\$ 1,281,443	\$ 1,584,857	\$ 1,120,396	\$ 1,309,298
Unreserved	1,458,058	1,333,813	1,488,434	1,318,637	1,851,912	2,792,920	2,301,379	1,981,389	2,104,441	1,930,259
Total General Fund	<u>\$ 2,366,737</u>	<u>\$ 2,374,489</u>	<u>\$ 2,485,706</u>	<u>\$ 2,287,445</u>	<u>\$ 2,695,517</u>	<u>\$ 3,873,374</u>	<u>\$ 3,582,822</u>	<u>\$ 3,566,246</u>	<u>\$ 3,224,837</u>	<u>\$ 3,239,557</u>
All other governmental funds										
Reserved	-	-	170,691	63,611	64,235	66,792	71,359	55,586	-	34,070
Unreserved, reported in:										
Special revenue funds	635,605	410,324	737,186	770,356	779,047	1,388,265	1,556,839	877,484	1,758,431	-
Capital project funds	516,512	872,553	1,749,537	65,133	(34,445)	88,235	22,637	56,693	19,266	1,945,388
Total all other governmental funds	<u>\$ 1,152,117</u>	<u>\$ 1,282,877</u>	<u>\$ 2,657,414</u>	<u>\$ 899,100</u>	<u>\$ 808,837</u>	<u>\$ 1,543,292</u>	<u>\$ 1,650,835</u>	<u>\$ 989,763</u>	<u>\$ 1,777,697</u>	<u>\$ 1,979,458</u>

Note:

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
Changes in Fund Balance of Governmental Funds

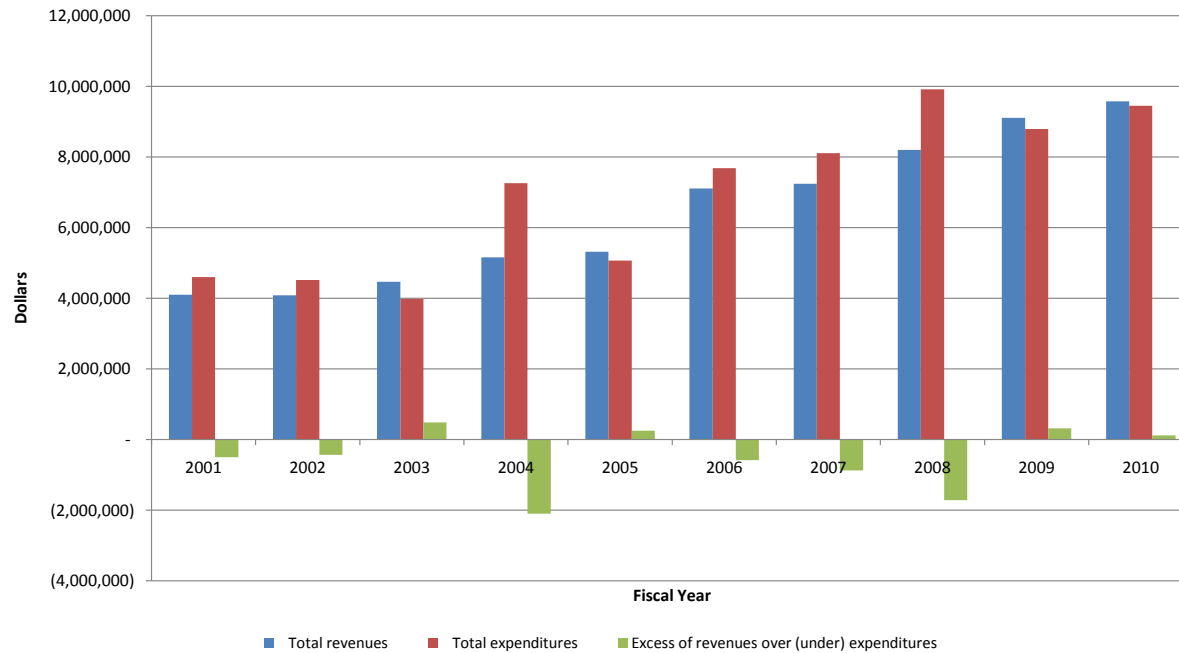
Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Ad valorem taxes	\$ 1,786,881	\$ 1,945,036	\$ 2,089,537	\$ 2,302,633	\$ 2,513,176	\$ 2,949,288	\$ 3,184,962	\$ 3,697,892	\$ 4,428,988	\$ 4,787,815
Other taxes and licenses	858,387	896,953	957,052	53,414	74,488	69,665	88,392	94,528	119,763	212,371
Unrestricted intergovernmental	253,879	97,529	209,624	1,320,280	1,372,298	1,515,494	1,684,976	2,399,221	2,253,064	2,314,882
Restricted intergovernmental	408,113	281,036	335,033	561,402	284,639	285,157	230,133	434,893	400,597	1,002,839
Permits and fees	132,159	159,343	247,065	258,864	239,767	335,240	267,934	264,989	321,595	147,330
Sales and services	396,207	442,065	426,333	444,099	491,796	1,137,608	1,074,922	851,642	1,344,991	967,385
Investment earnings	162,278	62,933	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027
Miscellaneous	101,914	197,602	152,991	177,215	267,495	655,657	355,591	228,540	160,876	117,836
Total revenues	4,099,818	4,082,497	4,465,994	5,157,688	5,314,180	7,104,418	7,239,433	8,194,949	9,104,339	9,572,485
Expenditures										
General government	760,399	1,005,076	902,483	945,177	1,074,989	1,145,215	1,471,925	1,591,893	1,686,944	1,322,247
Public safety	1,177,728	1,569,356	1,436,828	1,713,456	1,735,101	2,000,395	2,502,029	2,839,365	3,021,260	3,281,322
Public works	741,215	471,828	554,480	832,267	795,895	631,817	982,507	3,019,257	1,614,249	1,586,331
Environmental protection	-	-	-	-	-	-	-	-	-	535,182
Economic development	-	-	-	-	-	-	-	-	-	430,008
Cultural and recreation	527,218	551,953	490,382	602,908	720,860	807,402	902,940	950,595	868,644	844,184
Capital outlay	1,153,517	595,313	189,620	2,685,488	261,917	2,625,122	1,557,773	757,229	787,870	666,180
Debt service :										
Principal	174,905	217,844	271,949	330,491	346,505	359,166	495,035	537,192	597,471	597,558
Interest	60,996	100,790	134,498	143,120	129,844	116,763	197,996	216,114	209,415	188,746
Total expenditures	4,595,978	4,512,160	3,980,240	7,252,907	5,065,111	7,685,880	8,110,205	9,911,645	8,785,853	9,451,758
Excess of revenues over (under) expenditures	(496,160)	(429,663)	485,754	(2,095,219)	249,069	(581,462)	(870,772)	(1,716,696)	318,486	120,727
Other financing sources (uses)										
Transfers in	772,277	830,618	421,827	670,024	99,772	8,000	344,188	1,017,419	1,230,921	443,909
Transfers out	(667,338)	(830,618)	(421,827)	(670,024)	(99,772)	-	(344,188)	(800,890)	(1,230,924)	(443,909)
Sale of fixed assets	-	-	-	-	-	-	-	-	-	35,695
Bonds issued	-	-	1,000,000	-	-	-	-	-	-	-
Installment debt issued	1,049,000	568,175	-	68,165	50,200	2,482,365	682,760	592,000	175,000	60,059
Assumption of debt in annexations	-	-	-	-	18,540	3,409	5,003	9,708	-	-
Miscellaneous other expenditures	-	-	-	(30,378)	-	-	-	-	-	-
Total other financing sources (uses)	1,153,939	568,175	1,000,000	37,787	68,740	2,493,774	687,763	818,237	174,997	95,754
Net change in fund balance	\$ 657,779	\$ 138,512	\$ 1,485,754	\$ (2,057,432)	\$ 317,809	\$ 1,912,312	\$ (183,009)	\$ (898,459)	\$ 493,483	\$ 216,481
Debt service as a percentage of noncapital expenditures	7.4%	8.9%	12.0%	11.6%	11.0%	10.4%	11.8%	9.0%	11.2%	9.8%

Town of Knightdale, North Carolina
All Governmental Fund Types
Revenues, Expenditures and Excess (Deficit)
Last Ten Fiscal Years



TOWN OF KNIGHTDALE, NORTH CAROLINA

Governmental Activities, Property Tax Revenue

Last Nine Fiscal Years

(accrual basis of accounting)

Table 5

Fiscal Year	Tax Rate	Property Tax	Property Tax Adjusted to Current Rate
2002	\$0.44	\$1,949,817	\$1,772,561
2003	0.46	2,125,503	1,848,263
2004	0.48	2,277,470	1,897,892
2005	0.50	2,524,868	2,019,894
2006	0.50	2,964,521	2,371,617
2007	0.50	3,211,186	2,568,949
2008	0.50	3,764,366	3,011,493
2009	0.40	4,456,795	4,456,795
2010	0.40	4,796,505	4,796,505

Note:

The Town of Knightdale implemented GASB Statement 34 during the fiscal year ended June 30, 2002.

Ultimately, ten years of fiscal information will be presented

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

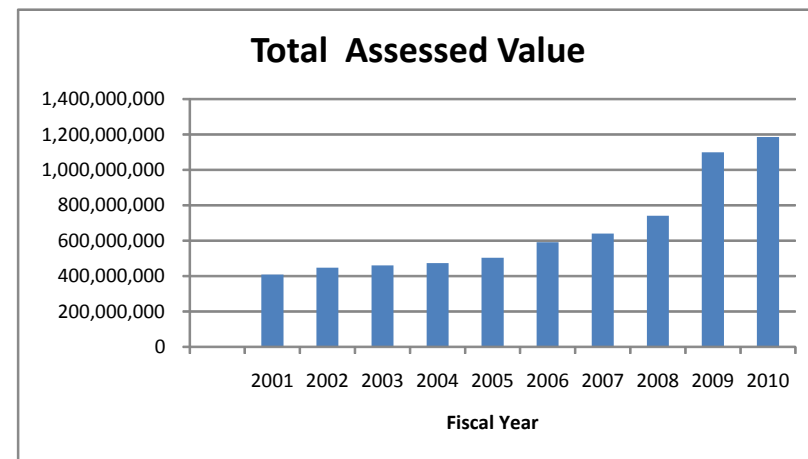
Last Ten Fiscal Years

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
2001	(3)	\$326,707,184	\$72,376,938	\$9,068,145	\$408,152,267	\$0.44	\$416,481,905	98%
2002		355,483,475	83,008,500	9,145,750	447,637,725	0.44	476,210,346	94%
2003		371,094,556	80,398,663	8,644,215	460,137,434	0.46	484,355,194	95%
2004		382,049,693	81,939,043	8,291,667	472,280,403	0.48	497,137,266	95%
2005		413,210,159	82,242,403	8,010,422	503,462,984	0.50	541,358,047	93%
2006		498,332,526	83,576,736	8,673,918	590,583,180	0.50	635,035,677	93%
2007		535,663,990	96,095,619	7,690,622	639,450,231	0.50	752,294,389	85%
2008		628,348,790	105,643,962	6,507,904	740,500,656	0.50	740,500,656	100%
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%

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 2009 (tax year 2008).
- (3) Prior revaluation year.



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
2001 (2)	\$0.44	\$0.564	\$1.004
2002	0.44	0.564	1.004
2003	0.46	0.564	1.024
2004	0.48	0.604	1.084
2005	0.50	0.604	1.104
2006	0.50	0.604	1.104
2007	0.50	0.634	1.134
2008	0.50	0.678	1.178
2009 (2)	0.40	0.534	0.934
2010	0.40	0.534	0.934

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 2009 (tax year 2008).
- (3) There are no special tax districts within the Town of Knightdale. The tax rates listed above are Town wide property tax rates.

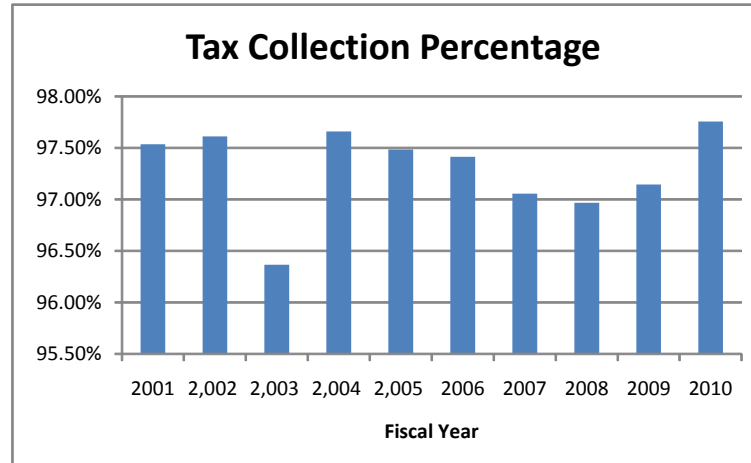
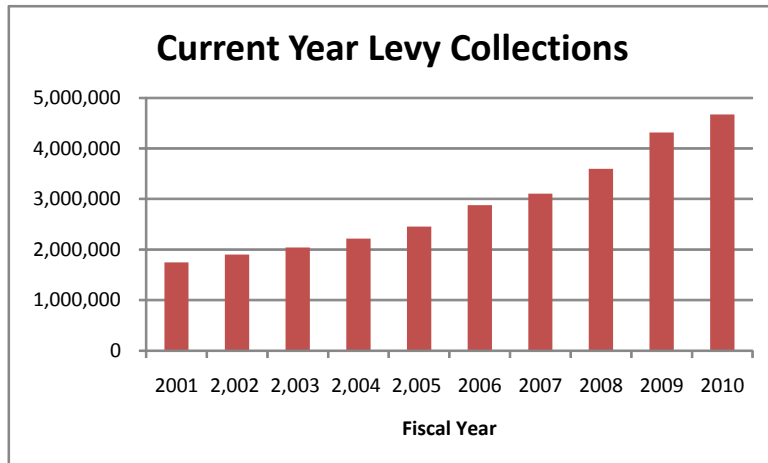
TOWN OF KNIGHTDALE, NORTH CAROLINA

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
2001	\$1,790,250	\$1,746,105	97.53%	\$33,748	\$1,779,853	99.42%	\$73,737	4.12%
2002	1,945,779	1,899,278	97.61%	41,719	1,940,997	99.75%	78,519	4.04%
2003	2,119,988	2,042,922	96.36%	41,100	2,084,022	98.30%	114,485	5.40%
2004	2,267,754	2,214,679	97.66%	78,238	2,292,917	101.11%	89,322	3.94%
2005	2,515,619	2,452,297	97.48%	51,631	2,503,928	99.54%	101,013	4.02%
2006	2,953,293	2,876,888	97.41%	61,172	2,938,060	99.48%	116,246	3.94%
2007	3,201,115	3,106,828	97.05%	68,063	3,174,891	99.18%	142,470	4.45%
2008	3,708,082	3,595,606	96.97%	83,662	3,679,268	99.22%	167,022	4.50%
2009	4,441,324	4,314,443	97.14%	93,195	4,413,518	99.37%	194,828	4.39%
2010	4,779,605	4,672,322	97.76%	91,768	4,764,090	99.68%	203,519	4.26%



TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2010			2001		
		Assessed	Percentage Of Total Assessed	Rank	Assessed	Percentage Of Total Assessed	Rank
Taxpayer (1)	Type of Enterprise	Valuation	Valuation		Valuation	Valuation	
Kimco Wakefield Knightdale L.P.	Real Estate	\$35,156,686	2.97%	1	\$ -	-	
Greystone WW Co. LLC	Real Estate	30,000,716	2.53%	2	-	-	
Widewaters Knightdale Co. LLC	Real Estate	25,149,497	2.12%	3	-	-	
Crosland Knightdale LLC	Real Estate	22,748,864	1.92%	4	-	-	
Lowe's Home Centers, Inc.	Retail	18,728,427	1.58%	5	-	-	
Wake Stone Corporation	Manufacturer	17,910,745	1.51%	6	-	-	
Laurens Way Co LTD Partnership	Real Estate/Apartments	14,716,009	1.24%	7	13,817,926	3.39%	1
TG LVF Eastpoint LLC	Manufacturer	13,029,617	1.10%	8	-	-	
Kohls Department Stores, Inc.	Retail	11,434,532	0.97%	9	-	-	
Target Corporation	Retail	10,697,172	0.90%	10	-	-	
BellSouth Telephone	Utility	-			5,838,699	1.43%	2
F & F Capital, Inc.	Real Estate	-			5,541,571	1.36%	3
Wal-Mart	Retail	-			5,405,007	1.32%	4
Capstone Atlantic VI	Insurance	-			4,926,062	1.21%	5
Time Warner Entertainment	Cable TV	-			3,964,116	0.97%	6
HCPI Knightdale, Inc.	Health Care	-			3,599,101	0.88%	7
Steeple Square LLC	Real Estate	-			2,986,081	0.73%	8
Spectrum Homes, Inc.	Real Estate	-			2,514,338	0.62%	9
TNI Delaware, Inc	Manufacturer	-			2,402,191	0.59%	10
Totals		\$199,572,265	9.22%		\$ 50,995,092	12.49%	
Total Assessed Value		\$1,184,914,436			\$ 408,152,267		

(1) Data obtained from the Wake County Revenue Department

TOWN OF KNIGHTDALE, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years

Table 10

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed value	\$ 408,152,267	\$ 447,637,725	\$ 460,137,434	\$ 472,280,403	\$ 503,462,984	\$ 590,583,180	\$ 639,450,231	\$ 740,500,656	\$ 1,099,469,450	\$ 1,184,914,436
Debt limit (8% of assessed value)	32,652,181	35,811,018	36,810,995	37,782,432	40,277,039	47,246,654	51,156,018	59,240,052	87,957,556	94,793,155
Debt applicable to limit:										
Total outstanding debt	4,424,635	4,666,552	8,064,916	7,522,930	6,968,929	9,085,370	8,955,510	8,730,740	7,903,573	7,010,197
Debt authorized but un-issued		5,500,000								2,821,500
Less debt applicable top business-type activities										
Enterprise Fund debt	-	-	-	-	-	-	-	-	-	(2,882,155)
Total net debt applicable to limit	4,424,635	10,166,552	8,064,916	7,522,930	6,968,929	9,085,370	8,955,510	8,730,740	7,903,573	6,949,542
Legal debt margin	\$ 28,227,546	\$ 25,644,466	\$ 28,746,079	\$ 30,259,502	\$ 33,308,110	\$ 38,161,284	\$ 42,200,508	\$ 50,509,312	\$ 80,053,983	\$ 87,843,613
Total net debt applicable to the limit, as a percentage of the total debt limit	13.55%	28.39%	21.91%	19.91%	17.30%	19.23%	17.51%	14.74%	8.99%	7.33%
Total net debt applicable to the limit, as a percentage of assessed value	1.08%	2.27%	1.75%	1.59%	1.38%	1.54%	1.40%	1.18%	0.72%	0.59%

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 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	Population	Debt Per Capita
	GO Bonds	Installment Purchases	GO Bonds	Installment Purchases					
2001	\$ -	\$ 2,160,139	\$ 247,500	\$ 2,016,996	\$ 4,424,635	\$ 408,152,267	1.08%	5,958	\$ 743
2002	-	2,510,470	226,500	1,929,582	4,666,552	447,637,725	1.04%	6,278	743
2003	1,000,000	2,238,521	3,005,500	1,820,895	8,064,916	460,137,434	1.75%	6,360	1,268
2004	947,371	2,028,824	2,839,632	1,707,103	7,522,930	472,280,403	1.59%	6,484	1,160
2005	894,737	1,803,693	2,678,263	1,592,236	6,968,929	503,462,984	1.38%	6,660	1,046
2006	842,105	3,982,932	2,515,895	1,744,438	9,085,370	590,583,180	1.54%	6,938	1,310
2007	789,474	4,228,293	2,350,526	1,587,217	8,955,510	639,450,231	1.40%	8,877	1,009
2008	736,842	4,345,441	2,186,158	1,462,299	8,730,740	740,500,656	1.18%	9,813	890
2009	684,211	3,976,755	2,020,789	1,221,818	7,903,573	1,099,469,450	0.72%	10,967	721
2010	631,579	3,496,463	1,855,421	1,026,734	7,010,197	1,184,914,436	0.59%	12,393	566

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

Table 12

Fiscal Year	GO Bonds	Installment Purchases	Net General Obligation Debt	Total Personal Income	Debt as a % of Personal Income	Population	Debt Per Capita
2001	\$ -	\$ 2,160,139	\$ 2,160,139	\$216,686,502	1.00%	5,958	\$ 363
2002	-	2,510,470	2,510,470	\$224,965,852	1.12%	6,278	400
2003	1,000,000	2,238,521	3,238,521	\$228,095,040	1.42%	6,360	509
2004	947,371	2,028,824	2,976,195	\$238,669,556	1.25%	6,484	459
2005	894,737	1,803,693	2,698,430	\$260,372,700	1.04%	6,660	405
2006	842,105	3,982,932	4,825,037	\$285,075,482	1.69%	6,938	695
2007	789,474	4,228,293	5,017,767	\$374,982,234	1.34%	8,877	565
2008	736,842	4,345,441	5,082,283	\$409,113,783	1.24%	9,813	518
2009	684,211	3,976,755	4,660,966	N/A	N/A	10,967	425
2010	631,579	3,496,463	4,128,042	N/A	N/A	12,393	333

NOTES:

(1) See Table 16 for personal income data

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

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	\$ 1,794,370,000	0.997%	<u>\$ 17,896,881</u>
Subtotal, overlapping debt			17,896,881
Town of Knightdale direct debt			<u>4,128,042</u>
Total direct and overlapping debt			<u><u>\$ 22,024,923</u></u>

NOTES:

(1) Supplied by Wake County Finance Department

Portion of this debt that is outstanding Wake County school bonds, \$1,598,127,549

(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	\$ 1,184,914,436
Wake County Assessed Value (1)	<u>118,801,424,109</u>
Percentage applicable to Knightdale	<u><u>0.997%</u></u>

(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.

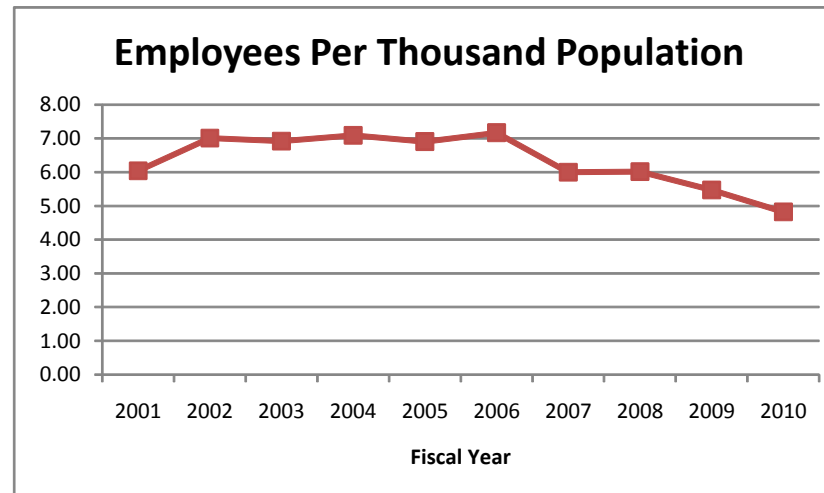
TOWN OF KNIGHTDALE, NORTH CAROLINA

Employee Positions Authorized by Department

Last Ten Fiscal Years

Table 14

Fiscal Year	General Government	Public Safety	Parks and Recreation	Engineering/ Planning	Public Works	Fiscal Year Total
2001	6.0	14.0	5.0	4.0	7.0	36.0
2002	7.0	20.0	5.0	4.0	8.0	44.0
2003	7.0	20.0	5.0	4.0	8.0	44.0
2004	7.0	22.0	5.0	4.0	8.0	46.0
2005	7.0	22.0	4.0	5.0	8.0	46.0
2006	7.5	27.0	5.0	5.25	5.0	49.75
2007	8.75	29.0	5.0	5.50	5.0	53.25
2008	8.0	31.0	5.0	8.00	7.0	59.00
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



TOWN OF KNIGHTDALE, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

Table 15

Function	Fiscal Year									
	2001	2002	2003	2004 (2)	2005 (2)	2006 (2)	2007	2008	2009	2010
<i>Legislative Department</i>										
meetings	91%	70%	100%	NA	NA	100%	100%	100%	100%	100%
Minutes prepared within 3 working days of Council meetings	91%	NA	NA	NA	NA	100%	100%	89%	95%	80%
Meeting minutes completed without error	91%	89%	100%	NA	NA	95%	95%	100%	100%	100%
Employees successfully completing probation period	100%	100%	100%	NA	NA	100%	100%	100%	100%	100%
Employee turnover	11%	7%	10%	NA	NA	NA	5%	7%	5%	0%
<i>Finance Department</i>										
Bank statement reconciled within 7 days of receipt	75%	100%	100%	66%	100%	58%	100%	83%	100%	75%
Month is closed out within 15 days of month end	83%	75%	83%	NA	NA	NA	100%	100%	100%	100%
Accuracy of bank deposits submitted to the bank	98%	95%	98%	NA	NA	96%	98%	98%	99%	99%
Average accuracy rate in forecasting all major revenues	98%	98%	88%	98%	94%	89%	94%	85%	88%	98%
Accuracy rate in forecasting ad valorem revenue tax revenue.	99%	96%	99%	99%	98%	92%	99%	97%	98%	97%
Number of budget amendments requiring council approval	26	12	20	NA	28	18	11	16	20	14
<i>Planning Department</i>										
Permits issued: (1)										
Commercial	28	43	41	37	130	93	71	143	127	42
Residential	99	82	124	238	275	294	269	174	98	152
<i>Public Safety Department</i>										
<i>Police Division</i>										
Reports submitted on time and accurately	92%	95%	90%	88%	81%	84%	88%	85%	80%	NA
Follow-up investigations closed within 30 days.	34%	30%	30%	78%	83%	92%	85%	97%	83%	NA
Average response time to calls for service (minutes : seconds)	4:46	4:48	3:15	6:48	6:42	NA	4:22	4:00	4:30	NA

TOWN OF KNIGHTDALE, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

Table 15

Continued

	Fiscal Year									
	2001	2002	2003	2004 (3)	2005 (3)	2006 (3)	2007	2008	2009	2010
<i>Fire Division (First year of operation, FY 2003)</i>										
Average response time to calls for service (minutes : seconds)	NA	NA	4:26	4:37	4:44	4:25	3:53	4:03	4:18	NA
Average personnel responding to structure related calls	NA	NA	15.0	13.5	13.4	12.5	11.8	11.5	12.9	NA
Training hours for all staff & volunteers	NA	NA	5,515	5,263	5,552	6,635	6,932	6,656	7543	NA
Fire loss for the year	NA	NA	\$75,200	\$56,020	\$63,050	\$171,270	\$97,700	\$208,593	\$337,995	NA
Value of property saved	NA	NA	\$3,279,490	\$1,550,451	\$1,785,630	\$2,548,377	\$6,888,223	\$23,104,086	\$10,319,470	NA
Percentage of property loss	NA	NA	2.24%	3.49%	3.41%	6.30%	1.40%	0.89%	3.17	NA
Total calls	NA	NA	608	618	800	782	921	928	959	NA
<i>Public Works (3)</i>										
Residential tons collected yearly										
Solid Waste	2,363	1,782.00	1,921.51	2,046.23	1,924.24	1,985.57	2,382.32	2,357.00	2,437.21	NA
Recycling	230.00	266.00	255.72	327.81	364.04	328.81	379.90	434.00	486.93	NA
Mulching / compost	NA	92.66	122.34	92.26	88.27	110.75	80.60	53.00	80.00	NA
Households served	1,891	1,991	2,064	2,158	2,359	2,595	2,546	3,180	3,180	NA
<i>Parks and Recreation (4)</i>										
Participants in camps and recreation programs	893	998	NA	NA	NA	NA	NA	NA	NA	NA
Baseball	NA	NA	336	362	376	433	301	267	348	327
Softball	NA	NA	50	47	47	60	52	92	69	71
Basketball	NA	NA	338	387	403	408	275	355	327	334
Swimming Pool	NA	NA	7,716	6,508	6,622	6,957	8,001	9,927	10,016	9,240
Swim Lessons	NA	NA	NA	NA	NA	151	121	137	209	271
Track Out Camp (5)	NA	NA	NA	NA	NA	NA	NA	1,256	1,125	1,014

Notes:

NA = Not Available at this time.

TBD = To Be Determined and/or confirmed by other agency

The Water and Sewer utility system was merged with the City of Raleigh in May 2006. Thus, past operational data is not presented.

(1) The Planning Department maintains this information on a calendar year basis.

(2) In this three year period, the department head turnover rate was 66%. Because the Fire Division was created at this time, it is excluded from this calculation.

Information during this time of high turnover is limited.

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

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

(5) The Track Out Program matches the Wake County Public School Year Round Calendar, which runs from July to June.

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

Table 16

Fiscal Year	(1) Knightdale Population	(1) Wake County Population	Knightdale Personal Income (thousands of dollars)	Wake County (2) Personal Income (thousands of dollars)	(3) Per Capita Income	(4) Median Family Income	(5) Unemployment Rate Percentage
2001	5,958	633,516	\$216,687	\$23,901,575	\$36,369	\$66,100	3.8
2002	6,278	661,472	\$224,966	\$24,024,425	\$35,834	\$71,300	5.9
2003	6,360	681,498	\$228,095	\$24,634,866	\$35,864	\$69,800	5.9
2004	6,484	702,440	\$238,670	\$26,508,696	\$36,809	\$69,800	4.7
2005	6,660	725,334	\$260,373	\$28,348,805	\$39,095	\$69,800	4.4
2006	6,938	757,346	\$285,075	\$31,580,978	\$41,089	\$71,600	3.7
2007	8,877	793,401	\$374,982	\$34,623,447	\$42,242	(6)	3.9
2008	9,813	831,537	\$409,114	\$36,190,313	\$41,691	\$74,900	4.8
2009	10,967	866,438	(6)	(6)	(6)	\$88,722	8.2
2010	12,393	892,409	(6)	(6)	(6)	\$76,852	8.3

NOTES:

(1) North Carolina Office of State Budget and Management

(2) Bureau of Economic Analysis. 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) Bureau of Economic Analysis, via North Carolina Employment Security Commission .

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

(4) Dept. of Housing & Urban Development, via North Carolina Employment Security Commission.

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

(5) North Carolina Employment Security Commission.

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

(6) Information is Unavailable.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Employers

Current Year and Restated Prior Year

Table 17

Employer		2010				2006			
		Employment Range				Restated (1) Employment Range (3)			
Wake County Public School System, <i>All Knightdale Locations.</i>	1	550	-	600	11.90%	400	-	450	11.30%
Schneider Electric	2	450	-	500	9.83%	400	-	450	11.30%
Wal-Mart Store #1816	3 (tie)	125	-	150	2.85%	125	-	150	3.65%
Lowe's Home Improvement	3 (tie)	125	-	150	2.85%	100	-	125	2.99%
Target	3 (tie)	125	-	150	2.85%				
Kohl's	6 (tie)	100	-	125	2.33%				
Wellington Nursing Center	6 (tie)	100	-	125	2.33%	100	-	125	2.99%
Lowe's Foods	8 (tie)	75	-	100	1.81%				
Weathermaster Heating & Air	8 (tie)	75	-	100	1.81%	100	-	125	2.99%
The Home Depot	8 (tie)	75	-	100	1.81%				
Best Buy	8 (tie)	75	-	100	1.81%				
Total of Top Employers, in a range		1,875	to	2,200		1,225	to	1,425	
Total Estimated Employed in Town (2)		4,830				3,762			
Estimated Percentage of Total Employment Represented by Top Employers		42.18%				35.22%			

Notes:

Data obtained from the Town of Knightdale Planning Department and the Capital Area Municipal Planning Organization.

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 Municipal Planning Organization projections.

(3) Employment data by employer for fiscal years prior to 2006 is not available.

TOWN OF KNIGHTDALE, NORTH CAROLINA

Commercial Activity

Last Ten Calendar Years

Table 18

Building Permits (1)

Calendar Year	Commercial		Residential		Total	
	Number	Value	Number	Value	Number	Value
2000	15	\$ 3,219,367	133	\$ 13,111,157	148	\$ 16,330,524
2001	28	9,003,225	99	10,785,759	127	19,788,984
2002	43	23,726,400	82	5,817,161	125	29,543,561
2003	41	22,380,504	124	13,472,040	165	35,852,544
2004	37	5,078,800	238	30,649,605	275	35,728,405
2005	96	30,246,131	194	30,248,440	290	60,494,571
2006	93	17,687,288	295	44,499,865	388	62,187,153
2007	71	12,579,698	269	48,559,543	340	61,139,241
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

NOTES:

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

TOWN OF KNIGHTDALE, NORTH CAROLINA COMMUNITY PROFILE

Table 19

GOVERNMENT

Incorporated in 1927

The Mayor is a separately elected, non-voting member of the Town Council. The Town Manager is appointed by the Town Council.

The non-partisan Town Mayor and five Council Members are elected at large for four year overlapping terms.

The Charter was amended in 1979 to establish the Council-Manager form of government.

Number of Town Managers serving Knightdale since 1979.....(5)

Number of Mayors serving Knightdale since 1929.....(13)

CLIMATE

Average temperature 60 degrees
Average annual rainfall 45 inches

YOUR TAX DOLLAR-2010

Tax rate is 40 cents per \$100 valuation.
Last revaluation 2008. Next revaluation effective January 1, 2016.
Latest annual assessed value, as of
June 30, 2010 \$1,184,914,436
1 cent of the tax rate equals \$118,491.



AWARDS & RECOGNITION

18 awards for Excellence in Financial Reporting from the Gov't. Finance Officers Association
11 years named as a Tree City USA
By the National Arbor Day Foundation

DEMOGRAPHICS

Median Family Income-Knightdale
2009\$62,073

Area Unemployment Rate-Wake County
June 2010.....8.3%

Construction

199 permits issued in 2009 (calendar year)

Land Area

6.21 square miles - 2009
3,977 acres

YOUR TAX DOLLAR FUNDING-2010

General Administration	13.99%
Community Develop.	4.55%
Fire Protection	11.14%
Public Safety	23.58%
Parks & Recreation	8.93%
Public Works	16.78%
Sanitation	5.66%
Capital Projects	7.05%
Debt Service	8.32%

POPULATION

2010	12,393
2009	10,967
2008	9,813



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TOWN OF KNIGHTDALE

NORTH CAROLINA

Compliance Section - 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 the internal control structure and compliance with applicable laws and regulations

COMPLIANCE SECTION

104 Brady Court; Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

**Report on Compliance With Requirements Applicable To Each Major Federal Program And
Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**

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

Compliance

We have audited the Town of Knightdale, North Carolina's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and 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 federal program for the year ended June 30, 2010. The Town of Knightdale's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Knightdale's management. Our responsibility is to express an opinion on the Town of Knightdale's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 federal 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. Our audit does not provide a legal determination on the Town of Knightdale's compliance with those requirements.

In our opinion, the Town of Knightdale complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB circular A-133, and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and responses as Item 2010 - 2.

Internal Control Over Compliance

Management of the Town of Knightdale is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs. In planning and performing our audit, we considered the Town of Knightdale's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and responses as Item 2010 – 2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged in governance.

The Town of Knightdale's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JOYCE AND COMPANY, CPA

November 12, 2010

Members: American institute of Certified Public Accountants

North Carolina Association of Certified Public Accountants

104 Brady Court; Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

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 the Town Council
Town of Knightdale, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Knightdale, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town of Knightdale's basic financial statements, and have issued our report thereon dated November 10, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Knightdale's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (Item 2010 - 1 and Item 2010 - 2). A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Item 2010 - 1 to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as Item 2010 - 2.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

We noted additional matters that we reported to management of the Town of Knightdale in a separate letter dated November 10, 2010.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JOYCE AND COMPANY, CPA

November 12, 2010

**TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2010**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not
considered to be material weaknesses? X yes none reported
- Noncompliance material to financial statement notes yes X no

Federal Awards

Internal control over the major federal program:

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

Type of auditor's report issued on compliance for the major federal program:

Unqualified

- Any audit findings disclosed that are required to be reported
in accordance with Section 510 (a) of Circular A-133 X yes none reported

Identification of the major federal program:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

- Auditee qualified as low-risk auditee? _____ yes X no

State Awards

The Town of Knightdale has no major state programs.

Section II. Financial Statement Findings

Item 2010 - 1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: For over four months of the year ending June 30, 2010, the Town had one person whose job responsibilities included all functions of the Town's accounting. These include deposits, back reconciliations, issuance of purchase orders, accounts payable processing, posting journal entries and preparation of interim financial statements.

Effect: Transactions could be mishandled.

Cause: Personnel changes in the Finance Department.

Recommendation: We recommend that the Town, now that all positions are filled, carefully review accounting processes to obtain the best possible separation of duties. Alternative controls should be used to compensate for lack of separation of duties if needed.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Corrective Action Plan: Finance Department is now at full staff. Purchasing procedures have been updated and duties split between staff members to achieve greater segregation of duties.

Section III. Federal Award Findings and Questioned Costs

Item 2010 - 2 Cash Management

Criteria: Title 44 of the Code of Federal Regulations, Section 13.21 allows grantees to be paid in advance provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement by the grantee

Condition: The Town disbursed a grant advance funding thirty nine days after receipt of the funding.

Effect: Federal grant funding was not disbursed within the required time frame.

Cause: The funding was requested three weeks prior to the scheduled delivery of the fire truck as advised by the grantor to allow for processing; however, the grant funds were received within three days. The truck was a week late in delivery and then the check to pay for the grant funded truck was inadvertently shipped to the wrong company by the outside shipper the Town utilized to send the payment. As a result of these mishaps and mistiming the grant funds were disbursed thirty nine days after being received.

Recommendation: We recommend that the Town implement procedures when requesting advance grant funding to prevent this situation from happening in the future.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Corrective Action Plan: For future grants, expenditures will be reimbursed from grantor agencies after funds have already been spent by the Town.

Section IV. State Award Findings and Questioned Costs

None reported

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2010

<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 State Department of Justice</u>						
North Carolina Department of Crime Control and Public Safety Governor's Crime Commission Edward Byrne Memorial Justice Assistance Grant Dress for Success	16.803	092-1-09-003-BH-213	\$ 61,505	\$ -	\$ 21,358	\$ 82,863
Total U.S. Department of Justice			<u>61,505</u>	<u>-</u>	<u>21,358</u>	<u>82,863</u>
<u>United States Department of Transportation</u>						
Federal Highway Administration North Carolina Department of Transportation Governor's Highway Safety Program	20.600	PT-10-03-03-21	8,991	-	2,997	11,988
STP-DA (ARRA) I-540 / Knightdale Blvd. Interchange Landscaping	20.205	STM-0540(18) 45067.3.ST20	<u>29,342</u>	<u>-</u>	<u>-</u>	<u>29,342</u>
Total U.S. Department of Transportation			<u>38,333</u>	<u>-</u>	<u>2,997</u>	<u>41,330</u>
<u>United States Department of Homeland Security</u>						
Federal Emergency Management Agency 2008 Assistance to Firefighters Grant	97.044	EMW-2008-FV-05391	<u>430,350</u>	<u>-</u>	<u>22,650</u>	<u>453,000</u>
Total U.S. Department of Homeland Security			<u>430,350</u>	<u>-</u>	<u>22,650</u>	<u>453,000</u>
Total federal assistance			<u>530,188</u>	<u>-</u>	<u>47,005</u>	<u>577,193</u>

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2010

<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>
State Grants:						
Cash Programs:						
<u>North Carolina Department of Transportation</u>						
Non-State System Street-Aid Allocation Powell Bill			\$ -	\$ 278,411	\$ -	\$ 278,411
Total NC Department of Transportation			-	278,411	-	278,411
<u>North Carolina Rural Economic Development Center, Inc.</u>						
Capital Expenditures for PEG Channels		2008-252-80315-102	-	25,000	102,069	127,069
Total NC Rural Economic Development Center			-	25,000	102,069	127,069
Total state cash assistance			-	303,411	102,069	405,480
Total federal and state assistance			\$ 530,188	\$ 303,411	\$ 149,074	\$ 982,673

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 includes the federal and state grant activity of the Town of Knightdale and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.