

**Town of Knightdale
North Carolina**



**Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2011**

**TOWN OF
KNIGHTDALE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY

**JAMES C. OVERTON
FINANCE DIRECTOR**

MEMBERS OF TOWN COUNCIL



Town Council as of June 30, 2011

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
For the Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Pages</u>
Title Page	i
Members of Town Council	ii
Table of Contents	iii-viii
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
Certificate of Achievement for Excellence in Financial Reporting	7
Key Appointed and Administrative Positions	8
Boards and Committees	9-10
Area Map	11
History and Description of the Town of Knightdale	12-15
Responsibilities of Town Government	16-18
Organizational Chart	19
FINANCIAL SECTION	
Independent Auditor's Report	20-21

TOWN OF KNIGHTDALE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Management Discussion and Analysis (required supplementary information)		22-35
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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Exhibit

Statement of Net Assets	1	36-37
Statement of Activities	2	38

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet	3	39-40
Reconciliation of the Balance Sheet to the Statement of Net Assets		
Governmental Funds		
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	41-44
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities		
Statement of Revenues, Expenditures, and Changes in Fund Balance -	5	45-46
General Fund - Annual Budget and Actual		

Proprietary Fund Financial Statements

Statement of Net Assets - Proprietary Fund	6	47
Statement of Revenues, Expenses, and Changes in Net Assets –	7	48
Business-Type Activities - Proprietary Fund		
Statement of Cash Flows – Business-type Activities – Proprietary Fund	8	49

TOWN OF KNIGHTDALE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Notes to Financial Statements	50-81
--------------------------------------	-------

Required Supplemental Information Other Than MD&A

Pension Schedules

Law Enforcement Officers' Special Separation Allowance	
Required Supplementary Information	
Schedule of Funding Process	82
Schedule of Employer Contributions	83
Notes to the Required Schedules	83

Other Postemployment Benefits Schedules

Other Postemployment Benefits	
Required Supplementary Information	
Schedule of Funding Progress	84
Schedule of Employer Contributions	85
Notes to the Required Schedules	85

Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	86-92
Combining Balance Sheet – Non-Major Governmental Funds	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	94
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Short Term Suspension Grant Fund	95
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – East Wake Television Fund	96
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Capital Project – Capital Reserve Fund	97

TOWN OF KNIGHTDALE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Capital Projects Fund	98
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Operations	99-100
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Utility Capital Projects	101
Other Schedules	
Ad Valorem Taxes Receivable	102
Analysis of Current Tax Levy	103

STATISTICAL SECTION

Table

Net Assets by Component	1	104
Changes in Net Assets	2	105-106
Fund Balance of Governmental Funds	3	107
Changes in Fund Balance of Governmental Funds	4	108
Governmental Activities, Property Tax Revenue	5	109
Assessed Value of Taxable Property	6	110
Property Tax Rates – Direct and Overlapping	7	111
Property Tax Levies and Collections	8	112
Principal Property Taxpayers	9	113

TOWN OF KNIGHTDALE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Legal Debt Margin Information	10	114
Ratio of Outstanding Debt by Type to Assessed Value and Bonded Debt Per Capita	11	115
Ratio of Net General Obligation Debt Outstanding	12	116
Direct and Overlapping Governmental Activities Debt	13	117
Employee Positions Authorized by Department	14	118
Operating Indicators by Function	15	119-120
Demographic Statistics	16	121
Principal Employers	17	122
Commercial Activity	18	123
Community Profile	19	124
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		125-126
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		127-128

TOWN OF KNIGHTDALE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

Schedule of Findings and Responses	129-131
Schedule of Findings and Responses of Significant Deficiencies	132-133
Summary Schedule of Prior Audit Findings	134
Schedule of Expenditures of Federal and State Awards	135-136



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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

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www.knightdalenc.gov

james.overton@ci.knightdalenc.gov

November 7, 2011

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, 2011. 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 2011

Public Works and Engineering Departments

The Town 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. The project was completed during the current fiscal year at a total cost of \$131,000. The Town has also expended \$99,644 in engineering and design fees for street improvements on First Avenue in historic downtown Knightdale. On August 1, 2011, Town Council approved a contract for Phase I of this project in the amount of \$864,384 with construction to begin in fiscal year 2012.

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, farmers market, walking trails, amphitheatre, playground, and a dog park. The land acquisition was financed with Build America Bonds of \$2,821,500, payable in ten annual installments of \$282,150, plus interest at 3.08% (net of Build America Bonds interest rebate), beginning on July 14, 2011. Design work on the new park is currently underway with construction work to begin in the spring of 2012. The Town is applying for grant funds to assist with the cost of construction for the new park. Construction in progress as of June 30, 2011 totaled \$224,365.

Hodge Road Siphon Sewer Project

Under the terms of a 2006 agreement, the Town's water and sewer operations were merged with the City of Raleigh. During the current fiscal year, the Town of Knightdale completed construction of the Hodge Road Siphon Sewer Project at a total cost of \$858,656. These assets were dedicated and transferred to the City of Raleigh upon completion. The cost of this project was substantially under budget. Therefore, the Town also transferred remaining cash balance of \$750,000 to the City of Raleigh.

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. As of June 30, 2011, expenditures for the Greenway project totaled \$437,043 for design, engineering and right of way acquisition for Phases I and II. 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 2012.

Infrastructure Improvements

During the current fiscal year, developers dedicated land, street improvements and sidewalks valued at \$2,868,615 to the Town of Knightdale. The infrastructure improvements were located at Legacy Oaks on Hodge Road and at Elevation Baptist Church Village Way.

ECONOMIC CONDITION AND OUTLOOK

Local

The Town of Knightdale is located in Wake County just seven miles east of Raleigh, the State Capital of North Carolina. This area of the state is often referred to as the Triangle and is home to the Research Triangle Park, lands set aside for technological and research oriented companies. The estimated population of Wake County (900,993) grew 36% over the past nine years. State demographic projections, published by the North Carolina Office of Budget and Management indicate that the Wake County population is expected to increase 30.3% over the next nine years, to 1,173,840 residents in the year 2020. As of June 2011, this area of the state has an unemployment rate of 8.4% compared to the Statewide rate of 9.9%. The median family income for a family is \$78,826.

Knightdale continues to benefit from the Triangle area's growth and popularity. Knightdale was recognized as the fastest growing town in North Carolina in 2009. The Town's population is 11,401, which represents an 82% growth rate for the last nine years. This is the population amount used by the State Office of Budget and Management for distribution of per capita revenues and other official benchmarks. Based on historical growth trends, Knightdale's population is projected to grow to 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 2010, the Town Planning Department issued 146 combined residential and commercial building permits; representing a total value of \$29,332,776 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 6.25 square miles, or 3,976.98 acres, 640 acres per square mile, while the planning department's extraterritorial jurisdiction covers 14.71 square miles, or 9,452.8 acres.

National

The nation is still struggling to climb out of the worst economic down-turn since the Great Depression. There have been some signs of impending improvement in the national economy. Economic growth measured by Gross Domestic Product (GDP) increased to 2.5% for the third quarter of 2011. Consumer confidence has increased in recent months but still remains below the levels expressed during recent economic expansions. Corporate profits and industrial production have increased relative to 2010 levels. Investments have recovered much of the losses suffered in 2008 and 2009. However, the stock market remains extremely volatile due to concerns over the European economy and the potential bailout of Greece's debt. Interest rates are at historic lows, however, many banks have drastically tightened credit standards making it difficult for small business owners to obtain credit necessary to expand their businesses. Current national economic forecasts point to a limited expansion during 2011 that will gain momentum in 2012. The improvement in the national economy has had very little impact on employment. At the current rate of improvement, employment may not recover to pre-recession levels for several years. Like many other towns and businesses across the U.S., Knightdale is not immune to the effects of the struggling economy. However, residential construction activity has increased in Knightdale during recent months.

State

North Carolina's economy has lagged behind the national economy, suggesting limited growth in State-collected revenues during fiscal year 2012. Most of the job losses were in the housing and manufacturing industries. Economic forecasts from Wells Fargo Bank and UNC-Charlotte both project that fewer than 50,000 new jobs will be created in North Carolina during 2011. Single family home starts are 70 percent below their peak levels nationally. However, the Triangle region continues to experience growth in construction; however, there is a significant inventory of existing homes still on the market. Until this backlog of available homes begins to clear, it is unlikely that construction of new homes will increase dramatically across the State. Housing prices in North Carolina continue to decline but show some signs of leveling off. The latest UNC-Charlotte economic forecast projects no increase in construction activity or employment in the construction section for North Carolina during 2011. Sales tax revenues are expected to increase by 3.5% statewide for fiscal year 2012. Revenues from State collected franchise taxes on electricity are expected to increase by 5%, while franchise taxes on telecommunications, natural gas and cable television are expected to decline by 3% to 6%.

A full summary of the State and national economy is far beyond the scope of this document. 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. 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, street improvements along First Avenue and the construction of the Mingo Creek Greenway.

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, 2011, resulted in no instances of material weaknesses in the internal control structure.

FUND BALANCE POLICY

The Town Council of the Town of Knightdale has determined that the Town should maintain an available fund balance between 25% and 40% of expenditures and interfund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. Available fund balance at year end in excess of 40% of expenditures and interfund transfers will be transferred to the General Capital Project - Capital Reserve Fund in the following fiscal year. In addition, the Town transfers the equivalent of \$0.02 of the total \$0.41 tax levy to the General Capital Project - Capital Reserve Fund each year to be set aside for future capital projects. For fiscal year 2011, the Town transferred \$241,343 from the General Fund to the General Capital Project – Capital Reserve Fund. Certain other revenues received from developers and motor vehicle licenses are also set aside in this fund for future capital improvements to streets, sidewalks and recreational facilities. Over the past several years, the Town has accumulated a reserve of \$1,830,337 in the General Capital Projects – Capital Reserve Fund.

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, 2010. This is the nineteenth (19th) such certificate the Town has received.

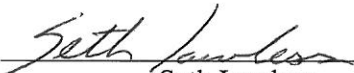
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is the highest form of recognition awarded in the field of governmental reporting. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

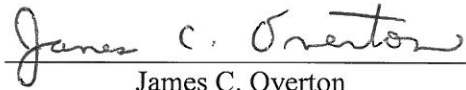
A copy of the Fiscal Year 2011 budget should be considered a companion document to the Comprehensive Annual Financial Report. The detailed 2010-11 budget may be viewed through the town web site, listed below.

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

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

as of June 30, 2011

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, 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 made by the land use administrator, applications for variances, questions involving interpretation of the zoning map and any other matters the board is required to act upon.

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

PARKS & 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

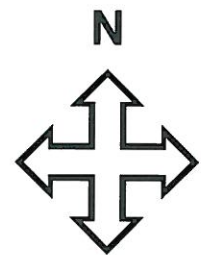
- This committee meets with representatives from the Knightdale Planning Department.
- Issues affecting the older, downtown part of Knightdale are reviewed. Recommendations are forwarded to the town council as appropriate.

COMPREHENSIVE LAND USE PLAN UPDATE COMMITTEE

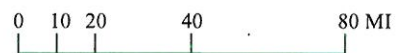
- This committee is charged with updating the Town of Knightdale's Comprehensive Land Use Plan.
- The Body is comprised of one Town Council member, two Land Use Review Board members, two Old Town Oversight Committee members, and a mixture of six citizens from the City limits and ETJ.

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.

TOWN OF KNIGHTDALE



NORTH CAROLINA



HISTORY & DESCRIPTION OF THE TOWN OF KNIGHTDALE

As an incorporated town, Knightdale is a relative newcomer to Wake County and North Carolina history. However, the Knightdale community, which is an area that extends beyond the present day extraterritorial jurisdiction or ETJ, has a recorded heritage that dates back to the colonial era in American history. The following is intended to be general background information. Those seeking a more detailed history of Knightdale should contact the Knightdale Historical Society, 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 11,401, 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. In July 2010, the Town purchased 73 acres of land adjacent to the historic downtown business district for the construction of a new park for the citizens of Knightdale. The new park is expected to open in the fall of 2013.

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 11,401 per 2010 census and the latest State Office of Budget and Management estimate, while Wake County has an estimated population of 900,993. In 2011 the median family income in Knightdale was projected to be \$78,826. The Wake County unemployment rate as of June 2011 was 8.4%. The average temperature is 60 degrees and the annual rainfall is 45 inches. The Town's land area consists of 6.25 square miles. The Town of Knightdale maintains 43.06 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 department which also employs a part-time Human Resources Assistant / Deputy Clerk.

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.

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.

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

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 Shift Supervisors, 6 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, Grounds Maintenance 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.

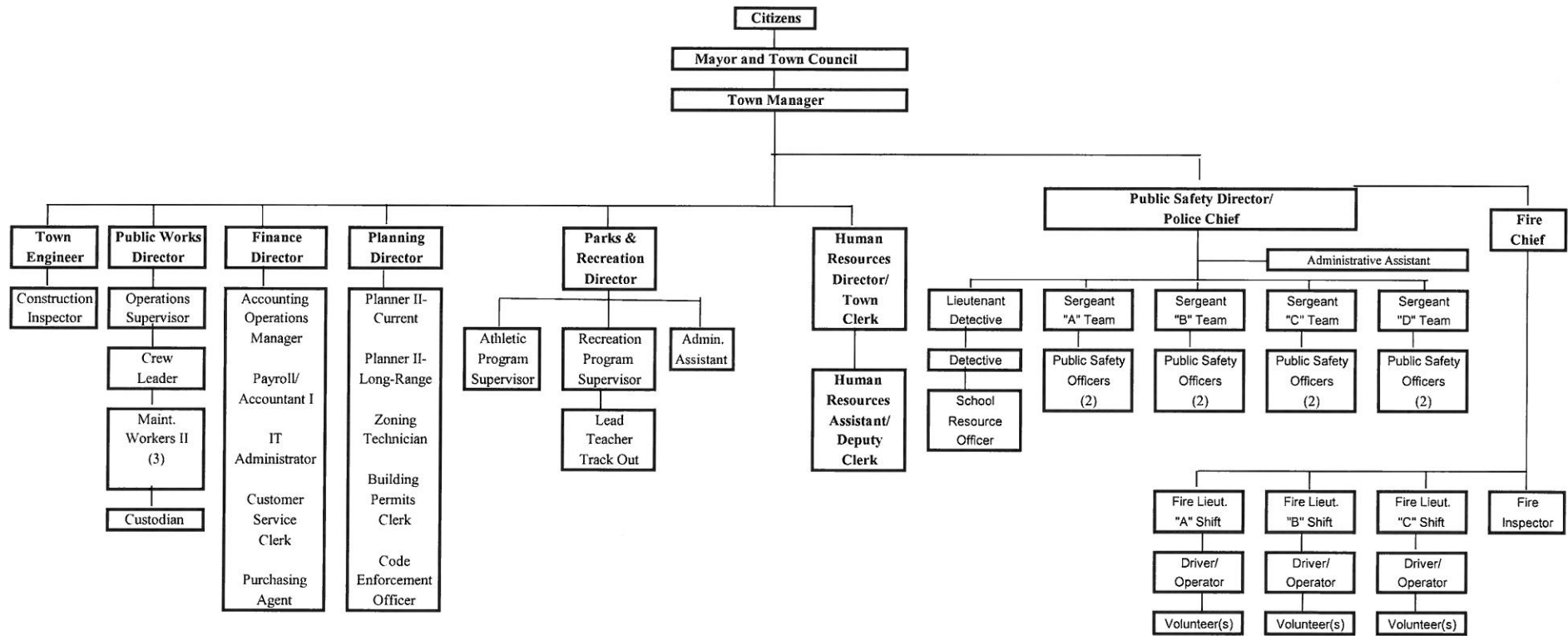
**TOWN OF KNIGHTDALE, NORTH CAROLINA
RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)**

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, Recreation Activities Coordinator, and numerous part-time employees (game referees, umpires, scorekeepers, and camp workers).

TOWN OF KNIGHTDALE, NORTH CAROLINA

Organizational Chart for Fiscal Year 2011



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



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



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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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General 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 7, 2011 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 combining and individual fund statements, budgetary schedules and other schedules, 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 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.

Joyce and Company, CPA
JOYCE AND COMPANY, CPA

November 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Knightdale, we offer readers of the Town of Knightdale's comprehensive annual financial report this narrative overview and analysis of the financial activities of the Town of Knightdale for the fiscal year ended June 30, 2011. Readers are encouraged to read the information presented here in conjunction with the transmittal letter located on pages 1-6 of this report and additional information that we have furnished in 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 \$35,239,398 (*net assets*).
- The Town's total net assets increased over the course of this year's operations by \$1,973,706 (5.93%). Net assets for business-type activities *decreased* \$1,602,144 (60.53%), primarily due to the transfer of assets to the City of Raleigh. The net assets related to governmental activities *increased* \$3,575,850 (11.68%).
- During the year, the Town's governmental activities revenues of \$13,761,177 exceeded the governmental expenses by \$3,575,850. The majority of this increase (\$2,868,615) is due to contributions of infrastructure assets received from developers.
- 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 of Raleigh by the middle of the following month.
- Knightdale dedicated \$858,656 of construction in progress to the City of Raleigh upon completion of the Hodge Road Siphon Capital Project. In addition, Knightdale transferred \$750,000 of remaining cash to the City of Raleigh from this fund.
- As of the close of the current fiscal year, the Town of Knightdale's governmental funds reported combined ending fund balances of \$6,283,895 with a net change of \$1,064,880 in fund balance. Approximately 31.30% of this total amount, or \$1,967,169 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,536,605 or 27.35% 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 40%.
- 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, 2011 was \$3,213,895 or 35.49% 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 increases in ad-valorem taxes and intergovernmental revenues.
- The Town of Knightdale's current debt due within one year for general obligations and installment notes (\$997,088) increased \$280,309 during the current fiscal year. Of this amount, the City of Raleigh will transfer \$315,408 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 increased by \$2,249,340 (32.09%) during the current fiscal year. The key factor in this increase was the acquisition of 73 acres of land for the new Knightdale Park financed with an installment purchase of \$2,821,500 payable over ten years. The Town also borrowed \$219,000 for the acquisition of vehicles and equipment.
- The Town of Knightdale maintained its bonds ratings of AA and A2 with Standard and Poor's and Moody's, respectively. The North Carolina Municipal Council increased the Town's bond rating from 81 to 82 on February 11, 2011.

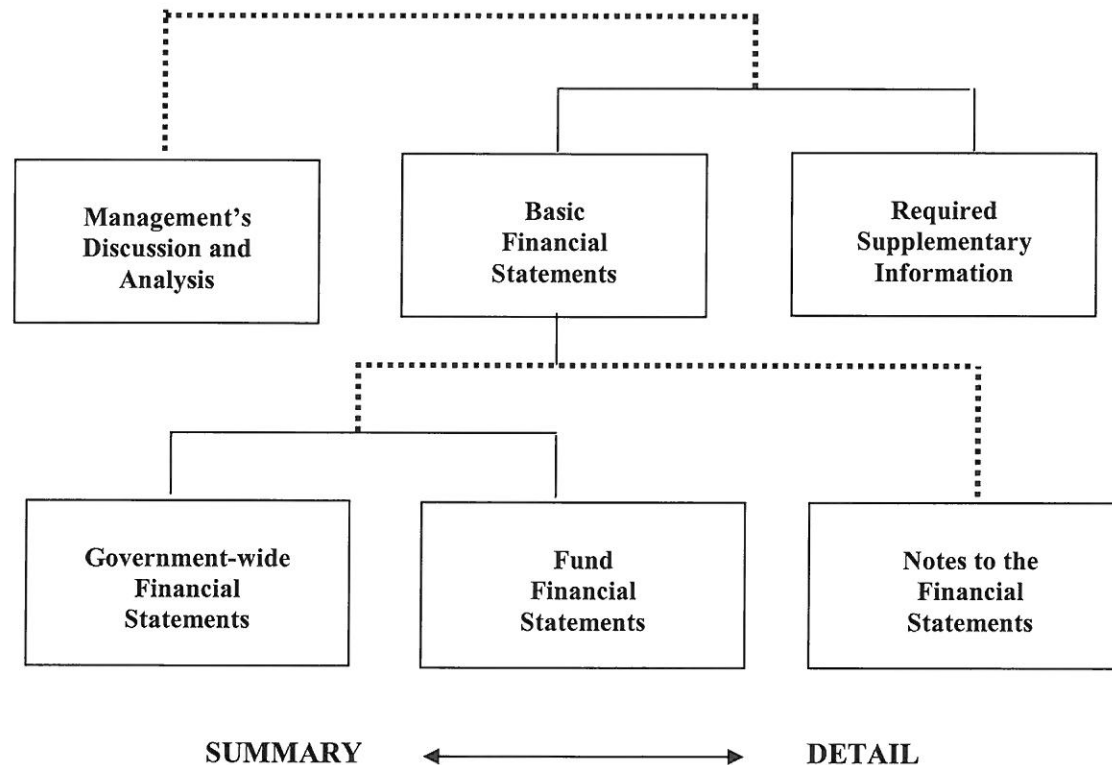
OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements (Exhibits 1 and 2) are **Government-wide Financial Statements** that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements (Exhibit 3 through 8) are **Fund Financial Statements** 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 Financial 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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary, such as public safety and parks.	Activities the Town operates similar to private businesses; the water and sewer system.
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 Financial 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 are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to measure the Town's financial health, or condition.

- 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, local option sales taxes, and state and federal grant funds finance most of these activities.
- Business-type activities - During fiscal year 2006, the Town's water and sewer system was merged with the City of Raleigh's utility system. More thorough information is included under "BUSINESS-TYPE ACTIVITIES" and "FINANCIAL ANALYSIS OF THE TOWN'S FUNDS" later in this document. These funds are maintained as internal controls for the fees and charges collected on behalf of Raleigh, one capital project which Knightdale has completed 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.

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

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

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 \$35,239,398 as of June 30, 2011. The Town's net assets increased by \$1,973,706 for the fiscal year ended June 30, 2011. However, the largest portion (82.16%) 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, \$1,943,693 (5.52%), represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, \$4,340,539 (12.32%), 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 98.11%, increasing from 97.76% in the prior year. The statewide average tax collection percentage is 97.42%.
- The Town's assessed value at year end (\$1,246,107,733) grew 5.16% as compared to fiscal year 2010 values. The Town continues to benefit from construction of new homes, apartments and retail establishments. Property tax collections were up 7.66%.
- Local option sales tax revenues increased by \$285,227 due to economic growth in the Town.
- Total Governmental Activities expenses increased 6.92% during fiscal year 2011 as the Town primarily due to increase in public safety expenditures for additional police officers, firefighters and new equipment funded by Federal grants and increased interest expense related to the acquisition of land for a new park.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net assets by \$3,575,850.

Revenues-Governmental Activities

- Ad Valorem Taxes make up 37.25% 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 2011 was 41 cents with an assessed value of \$1,246,107,733 (per Wake County tax report). Knightdale's tax base grew 5.16% from fiscal year 2010. The Town continues to experience commercial and residential growth, as economic conditions have begun to improve after several slow years due to the recent recession. Wake County continues to act as a tax collector for the Town, with current year collections at 98.11%.
- Developers contributed \$2,868,615 of infrastructure improvements to the Town during the current fiscal year. While the infrastructure provided by the new development is a cost the Town avoids, the infrastructure is not a resource that can be used to retire financial obligations.
- Unrestricted intergovernmental revenue is also a large revenue source accounting for 19.35% 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 increased 10.32% (\$28,742) this year and is included in Operating Grants and Contributions. The increase is due to a one-time adjustment of \$12,346 and an increase in the Town's estimated population..
- This year, permit and fee revenue increased 31.12% (\$43,002) resulting from an increase in housing construction after an off year in 2010 due to the recession.
- Sales and Services (includes recreation revenue and solid waste service fees) revenue increased approximately 8.6% (\$82,408). As the population of the Town increases, these revenues should also increase. A portion of this can be attributed to a change from bi-monthly billing to monthly billing for sanitation and recycling services.

- Investment earnings increased 51.41% despite record low interest rates as the Town moved its investments from money market accounts to certificates of deposit.
- Restricted intergovernmental revenues increased 103.49% (\$395,193) in 2011. The Town received grants from the Federal Emergency Management Agency and the Governor's Highway Safety Program to hire additional police officers, firefighters and to purchase uniforms and equipment for these employees.

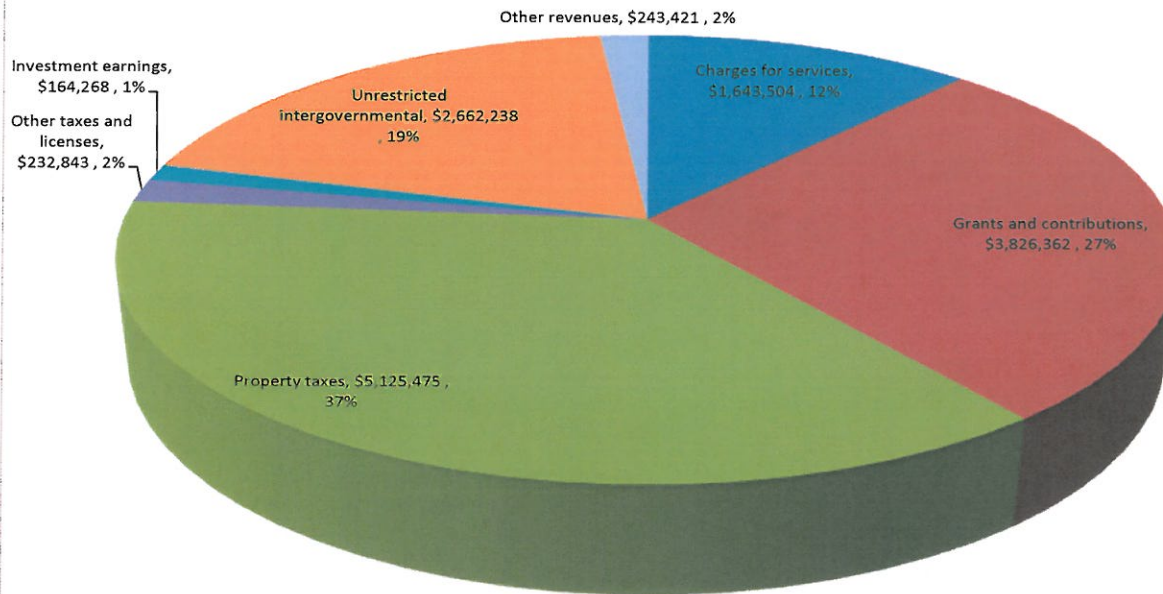
Figure 3
Town of Knightdale's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,726,646	\$ 6,092,127	\$ 3,714,384	\$ 5,027,350	\$ 11,441,030	\$ 11,119,477
Capital assets	<u>35,679,389</u>	<u>30,105,151</u>	<u>-</u>	<u>628,502</u>	<u>35,679,389</u>	<u>30,733,653</u>
Total assets	<u>43,406,035</u>	<u>36,197,278</u>	<u>3,714,384</u>	<u>5,655,852</u>	<u>47,120,419</u>	<u>41,853,130</u>
Long-term liabilities outstanding	6,930,199	4,357,456	2,196,542	2,512,000	9,126,741	6,869,456
Other liabilities	<u>2,281,012</u>	<u>1,220,848</u>	<u>473,268</u>	<u>497,134</u>	<u>2,754,280</u>	<u>1,717,982</u>
Total liabilities	<u>9,211,211</u>	<u>5,578,304</u>	<u>2,669,810</u>	<u>3,009,134</u>	<u>11,881,021</u>	<u>8,587,438</u>
Net assets:						
Invested in capital assets, net of related debt	28,955,166	26,004,718	-	628,502	28,955,166	26,633,220
Restricted	1,943,693	434,244	-	-	1,943,693	434,244
Unrestricted	<u>3,295,965</u>	<u>4,180,012</u>	<u>1,044,574</u>	<u>2,018,216</u>	<u>4,340,539</u>	<u>6,198,228</u>
Total net assets	<u>\$34,194,824</u>	<u>\$30,618,974</u>	<u>\$ 1,044,574</u>	<u>\$ 2,646,718</u>	<u>\$35,239,398</u>	<u>\$33,265,692</u>

Figure 4
Town of Knightdale Changes in Net Assets

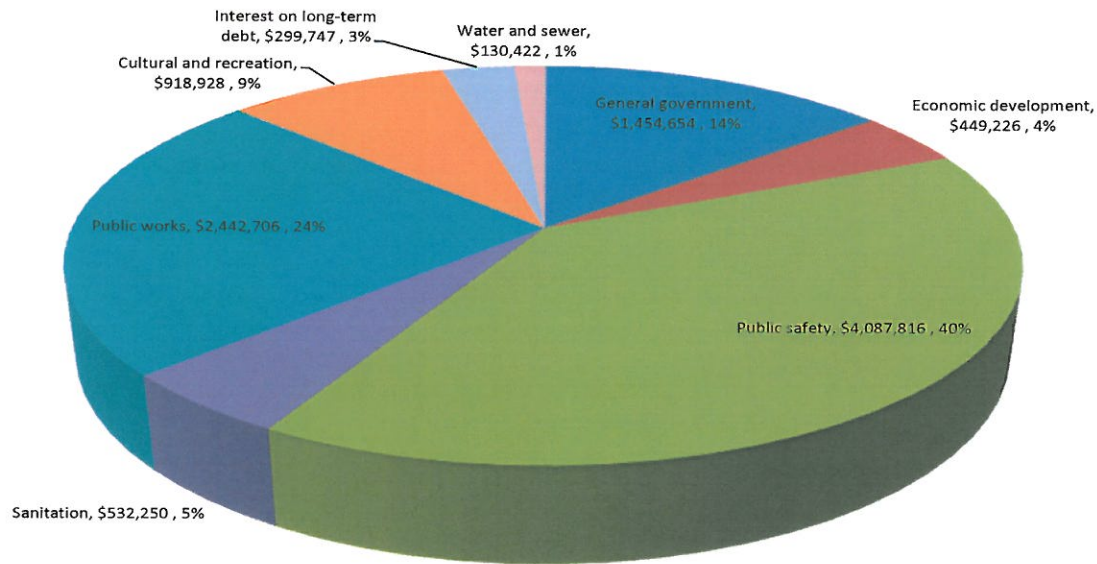
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,643,504	\$ 1,110,128	\$ -	\$ -	\$ 1,643,504	\$ 1,110,128
Operating grants and contributions	864,939	518,147	-	-	864,939	518,147
Capital grants and contributions	2,961,423	509,192	-	-	2,961,423	509,192
General revenues:						
Property taxes	5,125,475	4,796,505	-	-	5,125,475	4,796,505
Other taxes	232,843	220,629	-	-	232,843	220,629
Grants and contributions not restricted to specific programs	2,662,238	2,314,882	-	-	2,662,238	2,314,882
Unrestricted investment earnings	33,351	22,027	130,917	146,081	164,268	168,108
Other revenues	237,404	132,991	6,017	6,003	243,421	138,994
Total revenues	<u>13,761,177</u>	<u>9,624,501</u>	<u>136,934</u>	<u>152,084</u>	<u>13,898,111</u>	<u>9,776,585</u>
Expenses:						
General government	1,454,654	1,490,500	-	-	1,454,654	1,490,500
Public safety	4,087,816	3,647,406	-	-	4,087,816	3,647,406
Transportation	2,442,706	2,366,730	-	-	2,442,706	2,366,730
Environmental protection	532,250	535,182	-	-	532,250	535,182
Economic and physical development	449,226	418,950	-	-	449,226	418,950
Cultural and recreation	918,928	898,375	-	-	918,928	898,375
Interest on long-term debt	299,747	168,894	-	-	299,747	168,894
Water and sewer	-	-	130,422	133,748	130,422	133,748
Total expenses	<u>10,185,327</u>	<u>9,526,037</u>	<u>130,422</u>	<u>133,748</u>	<u>10,315,749</u>	<u>9,659,785</u>
Change in net assets before transfers	<u>3,575,850</u>	<u>98,464</u>	<u>6,512</u>	<u>18,336</u>	<u>3,582,362</u>	<u>116,800</u>
Special item: loss on assets transferred to City of Raleigh	-	-	(1,608,656)	-	(1,608,656)	-
Change in net assets	<u>3,575,850</u>	<u>98,464</u>	<u>(1,602,144)</u>	<u>18,336</u>	<u>1,973,706</u>	<u>116,800</u>
Net assets, July 1	<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>
Net assets, June 30	<u>\$ 34,194,824</u>	<u>\$ 30,618,974</u>	<u>\$ 1,044,574</u>	<u>\$ 2,646,718</u>	<u>\$ 35,239,398</u>	<u>\$ 33,265,692</u>

Figure 5
Town of Knightdale
Revenues by Source Fiscal Year 2011



The Town of Knightdale's total revenues were \$13,898,111 for the fiscal year ended June 30, 2011.
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 2011



The Town of Knightdale's total expenditures were \$10,315,749 for the fiscal year ended June 30, 2011. Water and sewer expenses have dropped to an insignificant amount, as the City of Raleigh has assumed control of the utility system.

Expenses-Governmental Activities

- The primary expenditures are divided into eight different categories: General Government, Public Safety, Transportation, Environmental Protection, Economic Development, Cultural and Recreational, Capital Outlay and Debt Service.
- Public Safety expenses increased approximately 12% from fiscal year 2010. The increase was due to the hiring of additional police officers and firefighters funded by Federal grants.
- Transportation is responsible for street maintenance, streetlights, sidewalks, and public buildings maintenance. Expenses increased by \$75,976 (3.21%) in fiscal year 2011. The Town paid infrastructure reimbursements to developers in the amount of \$294,807 in fiscal year 2011.
- General Government consists of the Town Council, Administration Department, and Finance Department. This category represents 14% of total expenses.
- Interest on long-term debt increased \$130,853 (77%) due to the new loan of \$2,821,500 for the acquisition of land for Knightdale Park.

BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the Town of Knightdale's net assets by \$1,602,144. Key elements were the transfer of assets to the City of Raleigh as described below.

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 was holding approximately \$1.6 million to finance a sewage siphon station currently under construction. The project was completed in fiscal year 2011 at a cost of \$858,656. These assets were dedicated to the City of Raleigh upon completion. Knightdale also transferred remaining cash of \$750,000 to the City of Raleigh in 2011.
- 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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Knightdale. At the end of the current fiscal year, unrestricted fund balance in the General Fund was \$2,748,605 while total fund balance for the General Fund reached \$4,377,922. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The Town Council of the Town of Knightdale has determined that the Town should maintain an available fund balance between 25% and 40% of expenditures and interfund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. Unrestricted fund balance represents 29.63% of total General Fund expenditures and transfers to other funds. 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 \$3,213,895 or 35.49% of General Fund expenditures and interfund transfers, while total fund balance represents 47.20% of the same amount. This ratio is used by the Town Council for internal management purposes. Available Fund balance at year end in excess of 40% of expenditures and interfund transfers, will be transferred to the General Capital Project Capital Reserve Fund in the following fiscal year.

As of June 30, 2011, the governmental funds of the Town of Knightdale reported a combined fund balance of \$6,283,895, with a net increase in fund balance of a \$1,064,880 (20.40%) over last year. Increased property tax and sales tax revenues contributed to the higher amount.

General Fund Budgetary Highlights-Fiscal Year 2011

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

Property tax revenues increased 7.66% over the previous year, while sales tax revenues increased by 16.70%. Permits and fees were more than budgeted amounts due to an increase in development activity as the local economy begins to recover from the recession. Sanitation revenues exceeded budgeted amounts due to a change from bi-monthly to monthly billing by the City of Raleigh resulting in increased collections. Restricted intergovernmental revenues were less than budgeted amounts as several Federal and state grant projects, still in progress, will be carried over to the next fiscal year.

General Capital Projects – Capital Reserve Fund- Fiscal Year 2011

As of June 30, 2011, the General Capital Projects – Capital Reserve Fund had a fund balance of \$1,830,337. Of this amount \$277,852 is restricted for the extension of Hinton Oaks Blvd to the new Army Reserve Center. Another \$60,000 represents the balance receivable on a donation from East Wake Television payable in 3 annual installments of \$20,000. The remaining balance is assigned or designated for future capital projects. During the current fiscal year, the fund balance decreased by \$100,507 due to transfers to the Capital Projects Fund to pay for land acquisition, engineering and architectural fees for various capital projects including Knightdale Park, Mingo Creek Greenway and First Avenue Street improvements. The General Fund transferred \$241,343 (representing \$0.02 of the current tax levy) to the General Capital Projects - Capital Reserve Fund during fiscal year 2011.

Proprietary Fund Highlights- Fiscal Year 2011

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, 2011, totals \$35,679,389 net of accumulated depreciation and including construction in progress. These assets include land, buildings, machinery, equipment, roads and infrastructure, vehicles and park facilities. Major capital transactions during the year are detailed below.

- 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.
- Improvements to Knightdale pool including new roof \$11,812, renovation of pumps \$18,822 and salt generating equipment \$16,952.
- Purchase of leaf box \$32,517 and hook lift \$31,535 for Public Works Department to assist with fall leaf collection and debris removal services.
- Purchase of a new vehicles and equipment financed with an installment purchase agreement of \$219,000 payable in 3 annual installments of \$74,292 including interest at 1.78%.

- The following capital projects were completed during the current fiscal year: landscaping on Interstate 540 \$131,000 and the Hodge Road siphon sewer project \$858,656 which was dedicated to the City of Raleigh.
- Developers contributed \$2,868,615 of streets sidewalks and infrastructure to the Town during fiscal year 2011. Any water and sewer lines constructed by developers would become the property of the City of Raleigh.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 10,423,443	\$ 7,119,441	\$ -	\$ -	\$ 10,423,443	\$ 7,119,441
Construction in progress	859,055	302,185	-	628,502	859,055	930,687
Streets and infrastructure	19,494,430	17,796,757	-	-	19,494,430	17,796,757
Building	3,197,986	3,128,566	-	-	3,197,986	3,128,566
Other improvements	452,690	485,828	-	-	452,690	485,828
Equipment	291,450	278,919	-	-	291,450	278,919
Vehicles and motorized equipment	960,335	993,455	-	-	960,335	993,455
Total	\$ 35,679,389	\$ 30,105,151	\$ -	\$ 628,502	\$ 35,679,389	\$ 30,733,653

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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 578,947	\$ 631,579	\$ 1,689,053	\$ 1,855,421	\$ 2,268,000	\$ 2,487,000
Installment purchase agreements	6,145,276	3,468,854	822,897	1,026,734	6,968,173	4,495,588
Eastern Wake Volunteer Fire Dept	23,364	27,609	-	-	23,364	27,609
Total outstanding debt	\$ 6,747,587	\$ 4,128,042	\$ 2,511,950	\$ 2,882,155	\$ 9,259,537	\$ 7,010,197

Long-term Debt

As of June 30, 2011, the Town of Knightdale had total bonded debt outstanding of \$2,268,000. This outstanding debt is backed by the full faith and credit of the Town. Of that total, \$1,689,053 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, 2011, 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 increased, net of new issues and repayments, \$2,249,340 during the current fiscal year, primarily due to the acquisition of park land, vehicles and equipment financed with installments purchase agreements through RBC Bank USA.

As mentioned in the financial highlights section of this document, the Town of Knightdale maintained its bonds ratings of AA and A2 with Standard and Poor's and Moody's, respectively. The North Carolina Municipal Council increased the Town's bond rating from 81 to 82 on February 11, 2011. This bond rating is a clear indication of the sound financial condition of the Town of Knightdale. This is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Knightdale is \$92,941,032, which is well above the Town's current total debt outstanding. The Town has no authorized but unissued debt at June 30, 2011.

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

GRANT FUNDS

The Police Division received \$28,429 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, 2011, the town has \$60,748 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 \$6,395 distribution for the Firemen's Relief Fund from the NC Dept of Insurance. The accumulated funds totaling \$29,207 are available to provide immediate relief to firemen or their families in the event of a firefighting injury. These restricted funds totaling \$89,955 are shown as fund balance reserved for public safety in the General Fund.

NEXT YEAR'S BUDGET'S HIGHLIGHTS & ECONOMIC FACTORS

- Tax Rate remained at 41¢ per \$100.
- Cost of living adjustment of 1.5% for Town employees.
- Merit raises budgeted at 1.5% of total salaries.
- \$212,000 of Fund Balance, (prior years' equity) used to balance the budget.
- New Deputy Town Clerk / Human Resources Assistant position is included in the new budget.
- Health insurance contribution increased from \$539 to \$570 per employee per month. The Town changed insurance carriers and also increased the amount of deductibles for employees.
- Sanitation fees for residential customers increased by \$0.28 per month due to a cost of living adjustment in contracted service fees charged to the Town by Waste Industries for garbage collection and recycling services.
- Water and sewer rates billed by the City of Raleigh were increased by 9%.
- Fiscal year 2012 capital improvement budget include \$55,000 for renovation of bathrooms at Knightdale Pool, funds for architect and engineering design fees for Mingo Creek Greenway and Knightdale Park, and street improvements along First Avenue in historic downtown Knightdale.
- 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 were 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 or 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



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TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS

June 30, 2011

EXHIBIT 1

Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,623,799	\$ 1,202,434	\$ 6,826,233
Receivables:			
Taxes	174,631	-	174,631
Accounts	149,478	-	149,478
Accrued interest	9,370	-	9,370
Notes-current	20,000	315,408	335,408
Due from other governments	942,750	-	942,750
Prepaid expenses	23,476	-	23,476
Restricted cash	743,142	-	743,142
Note receivable-noncurrent	40,000	2,196,542	2,236,542
Capital assets:			
Land, improvements and construction in progress	11,282,498	-	11,282,498
Other capital assets, net of depreciation	24,396,891	-	24,396,891
TOTAL ASSETS	\$ 43,406,035	\$ 3,714,384	\$ 47,120,419

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	\$ 851,870	\$ 150,847	\$ 1,002,717
Unearned revenues	66,320	-	66,320
Accrued salaries	224,969	-	224,969
Accrued interest	224,040	7,013	231,053
Due within one year:			
Compensated absences	232,133	-	232,133
Bonds and notes payable	681,680	315,408	997,088
Due in more than one year:			
Compensated absences	95,456	-	95,456
Net pension obligation	315,587	-	315,587
Net other postemployment benefits obligation	453,249	-	453,249
Bonds and notes payable	6,065,907	2,196,542	8,262,449
TOTAL LIABILITIES	<u>9,211,211</u>	<u>2,669,810</u>	<u>11,881,021</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,955,166	-	28,955,166
Restricted for Stabilization by State Statute	1,200,551	-	1,200,551
Restricted for Powell Bill	228,535	-	228,535
Restricted for public safety	89,955	-	89,955
Restricted for loan covenant	146,800	-	146,800
Restricted for Hinton Oaks Blvd. Extension Army Reserve	277,852	-	277,852
Unrestricted	3,295,965	1,044,574	4,340,539
TOTAL NET ASSETS	<u>\$ 34,194,824</u>	<u>\$ 1,044,574</u>	<u>\$ 35,239,398</u>

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011

EXHIBIT 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 1,454,654	\$ -	\$ 37,589	\$ -	\$ (1,417,065)	\$ -	\$ (1,417,065)
Public safety	4,087,816	41,616	501,863	-	(3,544,337)	-	(3,544,337)
Transportation	2,442,706	396,177	315,361	2,961,423	1,230,255	-	1,230,255
Environmental protection	532,250	642,781	10,126	-	120,657	-	120,657
Economic and physical development	449,226	139,569	-	-	(309,657)	-	(309,657)
Cultural and recreational	918,928	423,361	-	-	(495,567)	-	(495,567)
Interest on long-term debt	299,747	-	-	-	(299,747)	-	(299,747)
Total governmental activities	10,185,327	1,643,504	864,939	2,961,423	(4,715,461)	-	(4,715,461)
Business-type activities							
Water and sewer	130,422	-	-	-	-	(130,422)	(130,422)
TOTAL	\$ 10,315,749	\$ 1,643,504	\$ 864,939	\$ 2,961,423	(4,715,461)	(130,422)	(4,845,883)
General revenues							
Taxes:							
Property taxes, levied for general purposes					5,125,475	-	5,125,475
Other taxes and licenses					232,843	-	232,843
Grants and contributions not restricted to specific programs					2,662,238	-	2,662,238
Unrestricted investment earnings					33,351	130,917	164,268
Miscellaneous					140,924	6,017	146,941
Gain on disposition of capital assets					16,480	-	16,480
Contribution from East Wake Television - Assumption of note payable					80,000	-	80,000
Special item: transfer of cash and capital assets to the City of Raleigh					-	(1,608,656)	(1,608,656)
Total general revenues					8,291,311	(1,471,722)	6,819,589
Change in net assets					3,575,850	(1,602,144)	1,973,706
Net assets-beginning					30,618,974	2,646,718	33,265,692
Net assets-ending					\$ 34,194,824	\$ 1,044,574	\$ 35,239,398

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

EXHIBIT 3

ASSETS

	Major		Nonmajor		Total
	General	General Capital Project Capital Reserve	General Capital Projects	Special Revenue Funds	Governmental Funds
Cash and cash equivalents	\$ 4,024,371	\$ 1,492,485	\$ 106,943	\$ -	\$ 5,623,799
Restricted cash	465,290	277,852	-	-	743,142
Receivables:					
Taxes	174,631	-	-	-	174,631
Accounts	149,478	-	-	-	149,478
Accrued interest	9,370	-	-	-	9,370
Due from other governments	920,680	-	-	22,070	942,750
Note receivable - East Wake Television	-	60,000	-	-	60,000
Prepaid expenditures	23,476	-	-	-	23,476
TOTAL ASSETS	\$ 5,767,296	\$ 1,830,337	\$ 106,943	\$ 22,070	\$ 7,726,646

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 798,493	\$ -	\$ 31,307	\$ 22,070	\$ 851,870
Accrued salaries	224,969	-	-	-	224,969
Deferred revenue	299,592	-	-	-	299,592
Unearned revenue	66,320	-	-	-	66,320
TOTAL LIABILITIES	1,389,374	-	31,307	22,070	1,442,751

FUND BALANCES

Nonspendable					
Prepaid expenditures	23,476	-	-	-	23,476
Restricted					
Stabilization by State Statute	1,140,551	60,000	-	-	1,200,551
Streets-Powell Bill	228,535	-	-	-	228,535
Public safety	89,955	-	-	-	89,955
Hinton Oaks Blvd. Extension Army Reserve	-	277,852	-	-	277,852
Debt service	146,800	-	-	-	146,800
Assigned					
Designated for subsequent year's expenditures	212,000	-	-	-	212,000
Capital Projects Fund	-	1,492,485	75,636	-	1,568,121
Unassigned	2,536,605	-	-	-	2,536,605
TOTAL FUND BALANCES	4,377,922	1,830,337	75,636	-	6,283,895
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,767,296	\$ 1,830,337	\$ 106,943	\$ 22,070	\$ 7,726,646

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	\$ 6,283,895
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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	\$ 44,138,367	
Less accumulated depreciation	<u>(8,458,978)</u>	35,679,389

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	(6,747,587)	
Compensated absences	(327,589)	
Net pension obligation	(315,587)	
Net other postemployment benefits (OPEB) obligation	<u>(453,249)</u>	(7,844,012)

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

Deferred revenue	299,592
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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>(224,040)</u>
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Net assets of governmental activities	<u><u>\$ 34,194,824</u></u>
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TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2011

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	\$ 5,154,363	\$ -	\$ -	\$ -	\$ 5,154,363
Other taxes and licenses	139,504	84,331	-	-	223,835
Unrestricted intergovernmental	2,662,238	-	-	-	2,662,238
Restricted intergovernmental	777,069	-	84,308	87,870	949,247
Permits and fees	181,185	427,445	-	-	608,630
Sales and services	1,041,033	2,375	-	-	1,043,408
Investment earnings	21,471	11,862	18	-	33,351
Miscellaneous	125,729	-	-	15,195	140,924
TOTAL REVENUES	10,102,592	526,013	84,326	103,065	10,815,996
EXPENDITURES					
Current					
General government	1,050,909	-	-	55,659	1,106,568
Public safety	3,820,622	-	-	91,476	3,912,098
Transportation	1,666,795	-	-	-	1,666,795
Environmental protection	532,250	-	-	-	532,250
Economic and physical development	451,522	-	-	-	451,522
Cultural and recreational	908,416	-	-	-	908,416
Capital outlay	-	-	3,716,800	-	3,716,800
Debt service					
Note principal	368,323	-	-	-	368,323
Note interest	147,324	-	-	-	147,324
Bond principal	52,632	-	-	-	52,632
Bond interest	25,368	-	-	-	25,368
TOTAL EXPENDITURES	9,024,161	-	3,716,800	147,135	12,888,096
REVENUES OVER (UNDER) EXPENDITURES	1,078,431	526,013	(3,632,474)	(44,070)	(2,072,100)

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, 2011

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	\$ 75,797	\$ 241,343	\$ 872,066	\$ 10,000	\$ 1,199,206
Transfers to other funds	(251,343)	(947,863)	-	-	(1,199,206)
Sale of capital assets	16,480	-	-	-	16,480
Contribution from East Wake Television	-	80,000	-	-	80,000
Installment notes from financing issued	219,000	-	2,821,500	-	3,040,500
TOTAL OTHER FINANCING SOURCES (USES)	59,934	(626,520)	3,693,566	10,000	3,136,980
NET CHANGE IN FUND BALANCE	1,138,365	(100,507)	61,092	(34,070)	1,064,880
FUND BALANCE - Beginning of Year	3,239,557	1,930,844	14,544	34,070	5,219,015
FUND BALANCE - End of Year	\$ 4,377,922	\$ 1,830,337	\$ 75,636	\$ -	\$ 6,283,895

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, 2011

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	\$ 1,064,880
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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	\$ 4,116,865	
Less current year depreciation	<u>(1,419,742)</u>	2,697,123

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	(3,040,500)	
Principal payments	<u>420,955</u>	(2,619,545)

(continued)

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, 2011

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	\$ (28,414)	
Donated assets	<u>2,877,115</u>	\$ 2,848,701

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

Change in accrued interest payable	\$ (127,055)	
Change in compensated absences	(10,565)	
Change in net pension obligation	(50,311)	
Change in net other postemployment benefits obligation	<u>(227,378)</u>	(415,309)

Change in net assets of governmental activities	<u><u>\$ 3,575,850</u></u>
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The accompanying notes are an integral part of these financial statements.

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

For the Year Ended June 30, 2011

EXHIBIT 5

Page 1 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES	Original	Final		
Ad valorem taxes	\$ 5,059,764	\$ 5,059,764	\$ 5,154,363	\$ 94,599
Other taxes and licenses	142,593	142,593	139,504	(3,089)
Unrestricted intergovernmental revenues	2,371,133	2,371,133	2,662,238	291,105
Restricted intergovernmental revenues	701,925	1,043,894	777,069	(266,825)
Permits and fees	167,098	151,098	181,185	30,087
Sales and services	940,101	947,901	1,041,033	93,132
Investment earnings	31,000	31,000	21,471	(9,529)
Miscellaneous	78,742	82,094	125,729	43,635
TOTAL REVENUES	9,492,356	9,829,477	10,102,592	273,115
EXPENDITURES				
General government	1,142,690	1,171,789	1,050,909	120,880
Public safety	3,739,794	4,078,425	3,820,622	257,803
Transportation	1,931,310	2,008,117	1,666,795	341,322
Environmental protection	578,915	541,615	532,250	9,365
Economic and physical development	543,229	555,086	451,522	103,564
Cultural & recreation	929,976	938,600	908,416	30,184
Debt service				
Bond and note principal	563,796	549,059	420,955	128,104
Bond and note interest	178,821	174,798	172,692	2,106
TOTAL EXPENDITURES	9,608,531	10,017,489	9,024,161	993,328
Revenues over (under) expenditures	(116,175)	(188,012)	1,078,431	1,266,443

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

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

For the Year Ended June 30, 2011

EXHIBIT 5

Page 2 of 2

	Budget		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 140,150	\$ 140,150	\$ 75,797	\$ (64,353)
Transfers to other funds	(251,343)	(251,343)	(251,343)	-
Sale of capital assets	8,368	8,368	16,480	8,112
Installment note proceeds	219,000	219,000	219,000	-
Appropriated Fund Balance	-	71,837	-	(71,837)
TOTAL OTHER FINANCING SOURCES (USES)	116,175	188,012	59,934	(128,078)
Net change in fund balance	\$ -	\$ -	1,138,365	\$ 1,138,365
FUND BALANCE - beginning of year			3,239,557	
FUND BALANCE - end of year			\$ 4,377,922	

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

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

June 30, 2011

EXHIBIT 6

ASSETS

Current assets:

Cash and cash equivalents	\$	1,202,434
Note receivable-current portion		315,408
Total current assets		<u>1,517,842</u>

Noncurrent assets:

Note receivable-noncurrent portion		2,196,542
Total noncurrent assets		<u>2,196,542</u>

TOTAL ASSETS	\$	<u>3,714,384</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	150,847
Accrued interest		7,013
Bonds payable-current		165,368
Notes payable-current		150,040
Total current liabilities		<u>473,268</u>

Noncurrent liabilities:

Bonds payable-noncurrent		1,523,685
Notes payable-noncurrent		672,857
Total noncurrent liabilities		<u>2,196,542</u>

TOTAL LIABILITIES		<u>2,669,810</u>
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NET ASSETS

Unrestricted		1,044,574
TOTAL NET ASSETS	\$	<u>1,044,574</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, 2011

EXHIBIT 7

OPERATING REVENUES	\$ -
OPERATING EXPENSES	-
Operating income	-
NON-OPERATING REVENUES (EXPENSES)	
Development fees	
Water development fees	3,167
Sewer development fees	2,850
Interest earnings	130,917
City of Raleigh - Reimbursement of interest expense	
Interest expense	(118,450)
Net non-operating revenues	18,484
Income before contributions, transfers and other items	18,484
Developer reimbursements	(11,972)
Loss on cash transferred to City of Raleigh	(750,000)
Loss on capital assets transferred to City of Raleigh	(858,656)
CHANGE IN NET ASSETS	(1,602,144)
NET ASSETS - Beginning of Year	2,646,718
NET ASSETS - End of Year	\$ 1,044,574

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, 2011

EXHIBIT 8

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from developers	\$ 1,334,053
Cash paid to City of Raleigh	(750,000)
Cash paid to City of Raleigh for fees collected	<u>(1,059,049)</u>

Net cash used by noncapital financing activities	<u>(474,996)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(253,753)
Developer reimbursements	(212,481)
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	370,205
Principal paid on debt	(370,205)
Interest paid on debt	<u>(120,999)</u>

Net cash used for capital and related financing activities	<u>(587,233)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>130,917</u>
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Net decrease in cash and cash equivalents	(931,312)
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Cash and cash equivalents - Beginning of the year	<u>2,133,746</u>
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Cash and cash equivalents - End of the year	<u><u>\$ 1,202,434</u></u>
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The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 display 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. Nonoperating revenues, such as investment earnings, result from ancillary activities.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

The Town reports the following major governmental funds:

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

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

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. As of July 1, 2010, East Wake Television became a legally separate non-profit organization. All assets and liabilities of the East Wake Television Special Revenue Fund were transferred to the new non-profit organization during the current fiscal year.

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, 2011

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, 2011

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 the 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, 2011

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. Powell bills funds are also classified as restricted cash because it can be expended only for purposes for maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Restricted cash also includes Federal equitable sharing funds and firemen's relief funds restricted to law enforcement and public safety expenditures. The General Capital Project - Capital Reserve Fund includes amounts restricted for the paving of Hinton Oaks Blvd. extension to the new Army Reserve Center currently under construction.

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, 2011 have been charged against operations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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.

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, 2011

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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

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

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

Restricted 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.

Restricted for Hinton Oaks Blvd. Extension – portion of fund balance that is restricted by grantor for the construction of street extension on Hinton Oaks Blvd. to the new Army Reserve center currently under construction.

Restricted for East Wake Television – 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.

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

Assigned fund balance – portion of fund balance that Town of Knightdale intends to use for specific purposes.

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Knightdale has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

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

NOTE 2 – STEWARDSHIP . COMPLIANCE, AND ACCOUNTABILITY

A. SIGNIFICANT VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

1. CONTRACTUAL VIOLATIONS – SECONDARY MARKET DISCLOSURES

The Town of Knightdale filed the annual secondary market disclosures for the fiscal year ended June 30, 2010 on February 24, 2011, which was after the required deadline of January 31, 2011. The required disclosures will be filed in a timely manner in future years.

NOTE 3 – 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011, the Town's deposits had a carrying value of \$6,750,492 and a bank balance of \$6,537,098. Of the bank balance, \$887,837 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2011, the Town's petty cash fund totaled \$1,300.

2. INVESTMENTS

At June 30, 2011, the Town of Knightdale had \$817,583 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

Capital asset activity for the year ended June 30, 2011, was as follows:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 7,119,441	\$ 580,888	\$ -	\$ 2,723,114	\$ 10,423,443
Construction in progress	302,185	3,645,234	-	(3,088,364)	859,055
Total capital assets not being depreciated	7,421,626	4,226,122	-	(365,250)	11,282,498
Capital assets being depreciated:					
Buildings	4,249,152	11,812	-	234,250	4,495,214
Other improvements	797,442	-	-	-	797,442
Roads and infrastructure	21,435,090	2,287,727	-	131,000	23,853,817
Equipment	915,484	121,966	-	-	1,037,450
Vehicles and motorized equipment	2,395,759	346,353	70,166	-	2,671,946
Total capital assets being depreciated	29,792,927	2,767,858	70,166	365,250	32,855,869
Less accumulated depreciation for:					
Buildings	1,120,586	176,642	-	-	1,297,228
Other improvements	311,614	33,139	-	-	344,753
Roads and infrastructure	3,638,333	721,054	-	-	4,359,387
Equipment	636,565	109,435	-	-	746,000
Vehicles and motorized equipment	1,402,304	379,472	70,166	-	1,711,610
Total accumulated depreciation	7,109,402	1,419,742	70,166	-	8,458,978
Total capital assets being depreciated, net	22,683,525	1,348,116	-	365,250	24,396,891
Governmental activity capital assets, net	\$ 30,105,151	\$ 5,574,238	\$ -	\$ -	\$ 35,679,389

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

General government	\$ 112,416
Public safety	461,531
Transportation	787,367
Cultural and recreational	<u>58,428</u>
 Total depreciation expense	 <u>\$ 1,419,742</u>

Business-type activities:

Water and Sewer Fund

Capital assets not being depreciated:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Construction in progress	\$ 628,502	\$ 230,154	\$ 858,656	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ 628,502</u>	<u>\$ 230,154</u>	<u>\$ 858,656</u>	<u>\$ -</u>	<u>\$ -</u>

Construction commitments

The Town has active construction projects as of June 30, 2011. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Stewart Engineering – Mingo Creek Greenway	\$161,828	\$76,529
CLH Design – Architect Fees for Park	167,130	109,970
Total	<u>\$328,958</u>	<u>\$186,499</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 6.35% and 6.27%, 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, 2011, 2010 and 2009 were \$223,347, \$163,363 and \$159,948, 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, 2011

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2010 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>25</u>
Total	<u>26</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 4.25 – 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, 2011

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	\$74,041
Interest on net pension obligation	13,264
Adjustment to annual required contribution	<u>(14,202)</u>
Annual pension cost	73,103
Contributions made	<u>22,792</u>
Increase in net pension obligation	50,311
Net pension obligation beginning of year	<u>265,276</u>
Net pension obligation end of year	<u>\$315,587</u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$46,658	41.33%	\$234,024
June 30, 2010	\$54,044	42.17%	\$265,276
June 30, 2011	\$73,103	31.18%	\$315,587

Funded Status and Funding Progress.

As of December 31, 2010, 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 \$640,715. The covered payroll (annual payroll of active employees covered by the plan) was \$1,454,182 and the ratio of the UAAL to the covered payroll was 44.06 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, 2011

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, 2011 were \$125,129, which consisted of \$75,919 from the Town and \$49,210 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, 2011 were \$109,019, which consisted of \$100,854 from the Town and \$8,165 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, 2011

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 \$4,330 on behalf of volunteer firemen for the fiscal year ended June 30, 2011. 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, 2011

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
Active plan members	35	23
Total	36	24

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 \$19,261 or 0.57% 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 0.42% and 0.15% of covered payroll, respectively. There were no contributions made by employees, except for dependent dental coverage in the amount of \$1,110. 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, 2011

Annual required contribution	\$237,605
Interest on net OPEB obligation	9,034
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	246,639
Less contributions made	- 19,261
Increase (decrease) in net OPEB obligation	227,378
Net OPEB obligation, beginning of year	225,871
Net OPEB obligation, end of year	\$453,249

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, 2011 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost contributed	Net OPEB Obligation
2010	\$237,605	4.9%	\$225,871
2011	\$246,639	7.8%	\$453,249

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, 2011

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, 2011, the Town made contributions to the State for death benefits of \$3,116. 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.

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. DEFERRED / UNEARNED REVENUES

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

General Fund:	Deferred Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned	\$ -	\$ 17,547	\$ 17,547
Prepaid privilege licenses	-	48,344	48,344
Prepaid parks and recreation fees	-	429	429
Taxes receivable (Net)	174,631	-	174,631
Decal receivable	64,218	-	64,218
Sanitation receivables	60,743	-	60,743
Total deferred revenues	<u>\$ 299,592</u>	<u>\$ 66,320</u>	<u>\$ 365,912</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 (\$6,659,900), inland marine (\$495,257), 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.

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2011, 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.

5. LONG-TERM OBLIGATIONS

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the acquisition and construction of public improvements including parks and recreation facilities. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by contributions from the City of Raleigh, per the merger agreement, are reported as long-term debt in the Water and Sewer Utility Fund. 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, 2011 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%.	\$ 578,947
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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%.	1,621,053
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1976 Water bonds due in annual installments of increasing amounts through 2012; interest at 5%.	9,000
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1984 Sewer bonds due in annual installments of increasing amounts through 2017; interest at 5%.	<u>59,000</u>
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Total	<u>\$ 2,268,000</u>
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At June 30, 2011, The Town of Knightdale had a legal debt margin of \$92,941,032.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Year ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
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	52,631	14,842	158,369	42,508
2017-2021	263,158	42,632	744,842	119,768
2022-2024	52,632	2,158	147,368	6,042
Total	<u>\$ 578,947</u>	<u>\$ 140,053</u>	<u>\$ 1,689,053</u>	<u>\$ 402,897</u>

6. INSTALLMENT NOTE INDEBTEDNESS

The Town also has various installment notes for land, buildings, equipment and vehicles. Installment notes payable at June 30, 2011 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	\$ 411,449	\$ 822,897
\$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	32,353	-
\$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	2,227,219	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$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	\$ 30,338	\$ -
\$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	180,035	-
\$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	256,813	-
\$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	40,861	-
\$219,000 installment debt to RBC Bank USA for vehicles and equipment issued 09-28-10; annual payments of \$74,292 which includes interest at 1.78%; secured by vehicles and equipment	144,708	-
\$2,821,500 installment debt to RBC Bank USA for purchase of park land issued 07-14-10; Annual principal payments of \$282,150 plus interest at 4.74% (3.08% net of Build America Bond refund of 35% of interest paid); secured by 73 acres of land	<u>2,821,500</u>	<u>-</u>
Subtotal installment notes payable for land, buildings, vehicles and equipment	<u>6,145,276</u>	<u>822,987</u>
\$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	2,801	-
\$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%	1,831	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

	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	\$ 8,382	\$ -
\$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	1,286	-
\$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	3,267	-
\$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	<u>5,797</u>	<u>-</u>
Subtotal Eastern Wake Fire – Rescue Dept annexation	<u>23,364</u>	<u>-</u>
Total	<u>\$ 6,168,640</u>	<u>\$ 822,897</u>

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

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 629,048	\$ 266,011	\$ 150,040	\$ 36,514
2013	576,582	240,737	157,082	29,471
2014	512,922	216,732	164,456	22,098
2015	512,537	193,745	172,175	14,378
2016	518,321	171,255	179,144	7,409
2017-2021	1,855,309	572,886	-	-
2022-2026	446,814	287,186	-	-
2027-2031	546,893	187,107	-	-
2032-2036	570,214	64,613	-	-
Total	<u>\$ 6,168,640</u>	<u>\$ 2,200,272</u>	<u>\$ 822,897</u>	<u>\$ 109,870</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 631,579	\$ -	\$ 52,632	\$ 578,947	\$ 52,632
Installment notes	3,496,463	3,040,500	368,323	6,168,640	629,048
Compensated absences	317,024	10,565	-	327,589	232,133
Other postemployment benefits	225,871	246,639	19,261	453,249	-
Net pension obligation	265,276	73,103	22,792	315,587	-
Governmental activity long-term liabilities	<u>\$ 4,936,213</u>	<u>\$ 3,370,807</u>	<u>\$ 463,008</u>	<u>\$ 7,844,012</u>	<u>\$ 913,813</u>
Business-type activities:					
General obligation bonds	\$ 1,855,421	\$ -	\$ 166,368	\$ 1,689,053	\$ 165,368
Installment notes	1,026,734	-	203,837	822,897	150,040
Business-type activity long-term liabilities	<u>\$ 2,882,155</u>	<u>\$ -</u>	<u>\$ 370,205</u>	<u>\$ 2,511,950</u>	<u>\$ 315,408</u>

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

7. INTERFUND BALANCES AND ACTIVITY

There are no interfund balances due to / from other funds at June 30, 2011.

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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

During the fiscal year ended June 30, 2011, the Town had interfund transfers as follows:

From Fund	To Fund	Amount	Purpose
General Fund	Short Term Suspension Fund	\$ 10,000	Grant matching funds
General Fund	General Capital Project Reserve	241,343	To fund future capital projects
General Capital Project Reserve	General Fund	75,797	To purchase equipment
General Capital Project Reserve	General Capital Projects	130,127	To purchase land for Knightdale Park
General Capital Project Reserve	General Capital Projects	171,130	For design fees for Knightdale Park
General Capital Project Reserve	General Capital Projects	436,913	For design fees and easement Greenway
General Capital Project Reserve	General Capital Projects	71,485	To fund infrastructure reimbursements
General Capital Project Reserve	General Capital Projects	62,411	To fund First Avenue improvements
	Total	<u>\$ 1,199,206</u>	

8. FUND BALANCE

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

<u>Total fund balance-General Fund</u>	<u>\$4,377,922</u>
Less:	
Prepaid expenditures	23,476
Stabilization by State Statute	1,140,551
Streets-Powell Bill	228,535
Public Safety	89,955
Debt Service	146,800
Appropriated Fund Balance in 2012 budget	212,000
Working Capital / Fund Balance Policy	2,536,605
Remaining Fund Balance	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>	<i>Major Funds</i>
	\$185,984	\$-	\$-

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 \$4,063 to the Council during the fiscal year ended June 30, 2011.

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. In previous years, East Wake TV was recorded as a special revenue fund of the Town of Knightdale. As of July 1, 2010, East Wake TV was incorporated as a legally separate non-profit organization. The organization is governed by a Board of Directors consisting of the Town Managers of Knightdale, Rolesville, Wendell and Zebulon. Each Town contributed \$21,589 to East Wake TV during the fiscal year ended June 30, 2011. As of June 30, 2010, the Town of Knightdale held \$34,070 in fund balance reserved for East Wake TV. These funds were also transferred to the new non-profit organization during fiscal year beginning July 1, 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, 2011. East Wake TV operates from a studio built by the Town of Knightdale. Under the terms of an interlocal agreement, the non-profit organization has assumed an interfund construction loan payable to the Town of Knightdale's General Capital Project - Capital Reserve Fund in the amount of \$80,000. The remaining balance on this loan as of June 30, 2011 is \$60,000, payable in 3 remaining annual installments of \$20,000 beginning on June 15, 2012 through June 15, 2014. The loan is non-interest bearing. Subsequent to June 30, 2011, the Towns of Garner and Clayton have also signed interlocal agreements to join East Wake Television.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011, the Town reported revenues and expenditures for the payments of \$11,830 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, 2011. 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 – REALTED PARTY TRANSACTIONS

The General Capital Projects 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 are being repaid to the General Capital Projects Capital Reserve Fund by East Wake Television in 5 annual installments of \$20,000 beginning June 15, 2010 through June 15, 2014. This loan is non-interest bearing. In the fiscal year ended June 30, 2010, East Wake Television revenues and expenditures were recorded in a Special Revenue Fund. The first annual installment paid on June 15, 2010 was transferred from the Special Revenue Fund to the General Capital Projects Capital Reserve Fund.

On July 1, 2010, East Wake Television was incorporated as a non-profit organization legally separate from the Town of Knightdale as explained in Note 4. During the fiscal year ending June 30, 2011, all assets and liabilities of East Wake Television were transferred from the Special Revenue Fund to the new non-profit organization including the outstanding loan from the General Capital Projects Capital Reserve Fund. The non-profit organization will continue to make annual installment payments of \$20,000 per year. The Town of Knightdale recorded a contribution of \$80,000 from the new non-profit organization in the East Wake Television Special Revenue Fund for the assumption of the outstanding loan obligation. As of June 30, 2011, the outstanding balance of this note receivable recorded in the governmental funds was as follows:

	Balance at June 30, 2011
Note receivable – current	\$ 20,000
Note receivable – noncurrent	40,000
Total	<u>\$ 60,000</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

During the fiscal year ended June 30, 2011, the Town of Knightdale transferred the following amounts to East Wake Television.

	<u>Amount</u>
Fund Balance reserved for East Wake TV at June 30, 2010	\$ 34,070
Restricted PEG channel funds received from State of North Carolina for 2011	21,589
Less reimbursement for expenses incurred	<u>(7)</u>
Total transfers to East Wake Television	<u>\$ 55,652</u>

NOTE 7 – 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. At June 30, 2011, the Town of Knightdale has included a provision of \$1,929 in accounts payable 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, 2011, there were 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. During the current fiscal year, the Town of Knightdale paid \$11,972 of outstanding legal fees on behalf of Holly Homes LLC from funds received from the developer. As of June 30, 2011, 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, 2011

Developer	Legal Fees	Street Improvements
Kimco Wakefield	\$ -	\$247,466
Various Developers	13,846	-
Holly Homes LLC	14,133	-
Total	<u>\$27,979</u>	<u>\$247,466</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.

Wake County Public School System

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 final cost of this project included change orders approved by Wake County Public Schools. However, these change orders were not approved by the Town of Knightdale. The total amount of the disputed change orders is \$196,407. Wake County Public Schools has requested reimbursement from the Town of Knightdale, however, a final resolution of the unapproved change orders has not been reached.

NOTE 8 – 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. During the fiscal year ended June 30, 2011, the Town of Knightdale dedicated \$858,656 of construction in progress in the proprietary funds to the City of Raleigh upon completion of the Hodge Road Siphon Project. The Town of Knightdale also transferred \$750,000 of cash remaining in this capital project fund to the City of Raleigh.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

The accompanying statement of net assets shows total notes receivable of \$2,511,950 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$315,408 due within one year and \$2,196,542 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 \$491,204 (\$370,205 principal plus \$120,999 interest) for debt service payments related to proprietary fund long term debt. As of June 30, 2011, the financial statements include current accounts payable to the City of Raleigh in the amount of \$150,656 related to water and sewer fees collected by Knightdale for the City of Raleigh.

NOTE 9 – 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.

NOTE 10 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

At its regular meeting on October 19, 2011, the Town of Council of Knightdale approved a proposal from Branch Banking and Trust to advance refund 2002 general obligation bonds in the amount of \$2,000,000. The bonds are callable on or after June 1, 2012 with a prepayment penalty of 1% or \$20,000. The current bonds are payable in annual installments of \$200,000 plus interest at 4.0167% through June 1, 2022. Branch Banking and Trust proposes to refinance these bonds over the same term at an interest rate of 2.27%, resulting in a net savings, after expenses, of approximately \$85,421 in debt service expenditures to the Town of Knightdale over the remaining ten year term of the bonds. The proposed advanced refunding has been submitted to the Local Government Commission and was approved by the LGC at the November 1, 2011 board meeting. The Town expects to close sometime in November of 2011. Under the term of the agreement, the Town of Knightdale will deposit, in an escrow account with Branch Banking and Trust, funds sufficient to defease the outstanding 2002 general obligation bonds on June 1, 2012 including accrued interest, prepayment penalty, and all legal and bank fees associated with the refunding.

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

Ten years ended December 31, 2010

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)
2010	\$ -	\$ 640,715	\$ 640,715	0%	\$ 1,454,182	44.06%
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%

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

Ten years ended June 30, 2011

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2011	\$	74,041	30.78%
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%

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	5.00%
Projected salary increases	4.25 to 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

TOWN OF KNIGHTDALE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Two Years ended December 31, 2010

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)
2010	\$ -	\$ 2,419,933	\$ 2,419,933	0%	\$ 3,399,751	71.18%
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**

Two Years ended June 30, 2011

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2011	\$	237,605	8.11%
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	29 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).



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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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 1 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 4,947,525	\$ 5,027,969	\$ 80,444	\$ 4,672,322
Prior years	92,239	94,794	2,555	91,768
Penalties and interest	20,000	31,600	11,600	23,725
Total	5,059,764	5,154,363	94,599	4,787,815
Other taxes and licenses				
Motor vehicle licenses	36,593	44,446	7,853	39,908
Gross receipts on rental vehicles	20,000	27,924	7,924	21,029
Motor fuel tax refunds	10,300	-	(10,300)	9,213
Fuel excise tax refund	5,700	-	(5,700)	6,220
Privilege licenses	70,000	67,134	(2,866)	56,134
Total	142,593	139,504	(3,089)	132,504
Unrestricted intergovernmental revenues				
Local option sales tax	1,735,370	1,992,568	257,198	1,707,341
Telecommunications sales tax	97,343	86,434	(10,909)	91,005
Utility franchise tax	323,528	353,112	29,584	322,644
Piped natural gas tax	41,194	44,703	3,509	44,116
Video programming franchise taxes	101,998	111,594	9,596	101,240
Wine and beer tax	45,300	54,621	9,321	15,642
ABC profits	26,400	19,206	(7,194)	32,894
Total	2,371,133	2,662,238	291,105	2,314,882
Restricted intergovernmental revenues				
State street aid - Powell Bill	294,807	307,153	12,346	278,411
Federal Emergency Management Agency	208,031	201,079	(6,952)	-
Federal Highway Administration - GHSP	195,627	162,344	(33,283)	8,991
US Department of Justice JAG through City of Raleigh	8,254	6,072	(2,182)	4,285
Other grants	264,102	-	(264,102)	1,800
Equitable sharing and controlled substance tax	4,500	21,854	17,354	13,243
Solid waste disposal tax	7,600	10,126	2,526	9,087
Town of Wendell - Information Technician contract	16,000	16,000	-	16,000
Wake County Public Schools - Resource officer	38,973	37,838	(1,135)	37,838
NC Department of Transportation - Mowing contract	-	8,208	8,208	6,156
Firemen's relief fund	6,000	6,395	395	6,065
Total	1,043,894	777,069	(266,825)	381,876

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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 2 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Permits and fees				
Development fees	\$ 4,833	\$ 2,648	\$ (2,185)	\$ 4,482
Certificate of occupancy fees	14,550	11,120	(3,430)	8,850
Subdivision recording fees	1,471	1,984	513	1,345
Permit fees	74,388	56,829	(17,559)	60,978
Review fees	26,079	34,677	8,598	4,197
Inspection fees	10,726	31,034	20,308	19,460
Miscellaneous fees	519	1,277	758	3,440
Fire inspection fees	11,932	34,322	22,390	28,566
Officer fees	6,600	7,294	694	6,865
Total	151,098	181,185	30,087	138,183
Sales and services				
Sanitation				
Sanitation fees	419,400	484,516	65,116	438,254
Yard waste fees	4,500	3,196	(1,304)	4,453
Recycle fees	153,081	163,603	10,522	152,662
Recreation				
Program fees	88,945	97,708	8,763	97,863
Camp fees	110,690	99,542	(11,148)	93,186
Sponsor fees	9,409	2,675	(6,734)	7,275
Parade entry fees	2,000	1,500	(500)	2,250
Pool fees	30,200	54,828	24,628	42,025
Recreation center fees	29,676	37,034	7,358	39,459
Track out fees	100,000	96,431	(3,569)	81,198
Total	947,901	1,041,033	93,132	958,625
Investment earnings	31,000	21,471	(9,529)	14,480

(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, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010

Page 3 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Other revenues				
Miscellaneous	\$ 9,900	\$ 12,886	\$ 2,986	\$ 22,289
Red light camera fees	-	20,697	20,697	27,069
Rental fees	29,369	66,017	36,648	46,151
Insurance proceeds	34,825	12,292	(22,533)	4,870
Donations	7,500	7,580	80	-
Fines and forfeitures	500	6,257	5,757	1,960
Total	82,094	125,729	43,635	102,339
 TOTAL REVENUES	 9,829,477	 10,102,592	 273,115	 8,830,704
EXPENDITURES				
General government				
Town council				
Current				
Personnel services	179,214	168,184	11,030	148,894
Operations & maintenance	186,432	113,638	72,794	142,887
Total	365,646	281,822	83,824	291,781
Administration				
Current				
Personnel services	148,818	143,728	5,090	283,142
Operations & maintenance	28,588	20,928	7,660	18,700
Capital outlay	-	-	-	58,973
Total	177,406	164,656	12,750	360,815
Finance				
Current				
Personnel services	407,401	403,322	4,079	379,860
Operations & maintenance	221,336	201,109	20,227	190,600
Capital outlay	-	-	-	60,931
Total	628,737	604,431	24,306	631,391
 Total general government	 1,171,789	 1,050,909	 120,880	 1,283,987

(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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 4 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Public safety				
Police				
Current				
Personnel services	\$ 1,881,494	\$ 1,792,619	\$ 88,875	\$ 1,627,248
Operations & maintenance	527,594	399,756	127,838	414,891
Capital outlay	333,894	316,221	17,673	103,602
Total	2,742,982	2,508,596	234,386	2,145,741
Fire				
Current				
Personnel services	1,073,766	1,067,572	6,194	889,121
Operations & maintenance	221,721	216,805	4,916	163,597
Capital outlay	39,956	27,649	12,307	-
Total	1,335,443	1,312,026	23,417	1,052,718
Total public safety	4,078,425	3,820,622	257,803	3,198,459
Transportation				
Public works				
Current				
Personnel services	544,736	515,616	29,120	496,221
Operations & maintenance	360,691	298,704	61,987	599,898
Capital Outlay	88,675	88,675	-	15,320
Total	994,102	902,995	91,107	1,111,439

(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, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010

Page 5 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Engineering				
Current				
Personnel services	\$ 181,129	\$ 180,464	\$ 665	\$ 170,797
Operations & maintenance	212,254	28,025	184,229	25,684
Capital Outlay	62,000	25,945	36,055	-
Total	455,383	234,434	220,949	196,481
Streets and Highways				
Operations & maintenance	263,825	234,559	29,266	-
Infrastructure reimbursement	294,807	294,807	-	278,411
Total	558,632	529,366	29,266	278,411
Total transportation	2,008,117	1,666,795	341,322	1,586,331
Environmental Protection				
Sanitation				
Current				
Operations & maintenance	541,615	532,250	9,365	535,182
Total environmental protection	541,615	532,250	9,365	535,182
Economic and physical development				
Planning and Zoning				
Current				
Personnel services	387,045	375,496	11,549	329,214
Operations & maintenance	120,891	39,121	81,770	50,946
Capital outlay	-	-	-	17,210
Total	507,936	414,617	93,319	397,370
Special appropriations				
Current				
Special appropriations	47,150	36,905	10,245	32,638
Total economic and physical development	555,086	451,522	103,564	430,008

(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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 6 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Cultural & recreation				
Parks and Recreation				
Current				
Personnel services	\$ 313,083	\$ 310,497	\$ 2,586	\$ 293,053
Operations & maintenance	221,551	215,120	6,431	224,400
Total	534,634	525,617	9,017	517,453
Knightdale Pool				
Current				
Personnel services	8,413	7,073	1,340	8,799
Operations & maintenance	83,072	74,878	8,194	74,758
Capital outlay	35,600	35,774	(174)	-
Total	127,085	117,725	9,360	83,557
Community Park and Recreation Center				
Current				
Personnel services	59,322	60,451	(1,129)	54,209
Operations & maintenance	111,775	105,452	6,323	98,627
Total	171,097	165,903	5,194	152,836
Track Out Program				
Current				
Personnel services	84,146	79,459	4,687	69,299
Operations & maintenance	21,638	19,712	1,926	21,039
Total	105,784	99,171	6,613	90,338
Total cultural and recreational	938,600	908,416	30,184	844,184

(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, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010

Page 7 of 7

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Debt service				
Note principal	\$ 496,427	\$ 368,323	\$ 128,104	\$ 544,926
Note interest	149,429	147,324	2,105	161,272
Bond principal	52,632	52,632	-	52,632
Bond interest	25,369	25,368	1	27,474
Total debt service	723,857	593,647	130,210	786,304
 TOTAL EXPENDITURES	 10,017,489	 9,024,161	 993,328	 8,664,455
 Revenues over (under) expenditures	 (188,012)	 1,078,431	 1,266,443	 166,249
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Capital Reserve	140,150	75,797	(64,353)	-
Transfers to:				
General Capital Reserve	(241,343)	(241,343)	-	(225,108)
Short Term Suspension Fund	(10,000)	(10,000)	-	(10,000)
East Wake Television Fund	-	-	-	(12,175)
Sale of fixed assets	8,368	16,480	8,112	35,695
Installment debt proceeds	219,000	219,000	-	60,059
Appropriated fund balance	71,837	-	(71,837)	-
TOTAL OTHER FINANCING SOURCES (USES)	188,012	59,934	(128,078)	(151,529)
 NET CHANGE IN FUND BALANCE	 \$ -	 1,138,365	 \$ 1,138,365	 14,720
 FUND BALANCE - beginning of year		3,239,557		3,271,795
 Prior period adjustment		-		(46,958)
 FUND BALANCE - beginning of year, as restated		3,239,557		3,224,837
 FUND BALANCE - end of year		\$ 4,377,922		\$ 3,239,557

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

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010
	Short Term Suspension Grant	East Wake Television	Total Non-Major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 9,175
Accounts receivable	-	-	-	1,000
Due from other governments	13,449	8,621	22,070	41,684
TOTAL ASSETS	\$ 13,449	\$ 8,621	\$ 22,070	\$ 51,859
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 13,449	\$ 8,621	\$ 22,070	\$ 16,693
Accrued salaries	-	-	-	96
Due to other funds	-	-	-	1,000
TOTAL LIABILITIES	13,449	8,621	22,070	17,789
FUND BALANCES				
Restricted				
East Wake Television Fund	-	-	-	34,070
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	-	-	34,070
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,449	\$ 8,621	\$ 22,070	\$ 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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010
	Short Term Suspension Grant	East Wake Television	Total Non-Major Governmental Funds	Total
REVENUES				
Restricted intergovernmental revenues	\$ 66,281	\$ 21,589	\$ 87,870	\$ 136,271
Sales and services	-	-	-	1,250
Other revenues	15,195	-	15,195	15,497
TOTAL REVENUES	81,476	21,589	103,065	153,018
EXPENDITURES				
General government	-	55,659	55,659	38,260
Public Safety	91,476	-	91,476	82,863
TOTAL EXPENDITURES	91,476	55,659	147,135	121,123
Revenues over (under) expenditures	(10,000)	(34,070)	(44,070)	31,895
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	10,000	-	10,000	22,175
Transfers to:				
General Capital Reserve	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	10,000	2,175
NET CHANGE IN FUND BALANCE	-	(34,070)	(34,070)	34,070
FUND BALANCE - beginning of year	-	34,070	34,070	-
FUND BALANCE - end of year	\$ -	\$ -	\$ -	\$ 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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Restricted intergovernmental revenues				
US Department of Justice Grant	\$ 69,761	\$ 66,281	\$ (3,480)	\$ 61,505
Total	69,761	66,281	(3,480)	61,505
Other revenues				
Contributions	13,254	15,195	1,941	11,358
Total	13,254	15,195	1,941	11,358
TOTAL REVENUES	83,015	81,476	(1,539)	72,863
EXPENDITURES				
Public safety				
Short Term Suspension				
Current				
Personnel services	59,687	54,020	5,667	38,187
Operations & maintenance	33,328	37,456	(4,128)	44,676
Total public safety	93,015	91,476	1,539	82,863
TOTAL EXPENDITURES	93,015	91,476	1,539	82,863
Revenues over (under) expenditures	(10,000)	(10,000)	-	(10,000)
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	10,000	10,000	-	10,000
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	-	10,000
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	-
FUND BALANCE - beginning of year		-		-
FUND BALANCE - end of year		\$ -		\$ -

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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Restricted intergovernmental revenues				
PEG Channel support	\$ 72,000	\$ 21,589	\$ (50,411)	\$ 74,766
Total	72,000	21,589	(50,411)	74,766
Sales and services				
Sponsorships and advertising	5,000	-	(5,000)	1,250
Total	5,000	-	(5,000)	1,250
Other revenues				
Contributions	-	-	-	4,139
Total	-	-	-	4,139
TOTAL REVENUES	77,000	21,589	(55,411)	80,155
EXPENDITURES				
General government				
East Wake Television				
Current				
Personnel services	-	7	(7)	3,959
Operations & maintenance	77,000	55,652	21,348	34,301
TOTAL EXPENDITURES	77,000	55,659	21,341	38,260
Revenues over (under) expenditures	-	(34,070)	(34,070)	41,895
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	-	-	-	12,175
Transfers to:				
General Capital Reserve	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(7,825)
NET CHANGE IN FUND BALANCE	\$ -	(34,070)	\$ (34,070)	34,070
FUND BALANCE - beginning of year		34,070		-
FUND BALANCE - end of year		\$ -		\$ 34,070

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

For The Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Other taxes and licenses:				
Motor vehicle licenses	\$ 73,187	\$ 84,331	\$ 11,144	\$ 79,867
Permits and fees:				
Streets-in-lieu fees	-	322,772	322,772	-
Transportation fees	-	73,405	73,405	8,080
Recreation-in-lieu fees	-	31,268	31,268	1,067
Sales and services:				
Recreation program fees	-	2,375	2,375	7,510
Investment earnings	17,500	11,862	(5,638)	7,407
TOTAL REVENUES	90,687	526,013	435,326	103,931
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	241,343	241,343	-	225,108
East Wake Television Fund	-	-	-	20,000
Transfers to:				
General Fund	(140,150)	(75,797)	64,353	-
General Capital Projects Fund	(948,500)	(872,066)	76,434	(176,626)
Contribution from East Wake Television	20,000	80,000	60,000	-
Fund Balance:				
Appropriated Fund Balance	736,620	-	(736,620)	-
TOTAL OTHER FINANCING SOURCES (USES)	(90,687)	(626,520)	(535,833)	68,482
NET CHANGE IN FUND BALANCE	\$ -	(100,507)	\$ (100,507)	172,413
FUND BALANCE - beginning of year		1,930,844		1,758,431
FUND BALANCE - end of year		\$ 1,830,337		\$ 1,930,844

TOWN OF KNIGHTDALE, NORTH CAROLINA
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
From Inception To June 30, 2011

	Project Authorization			Actual		
	June 30, 2010	Amendments	June 30, 2011	Prior Years	Current Year	Total To Date
REVENUES						
Restricted intergovernmental revenues						
US Department of Energy	\$ -	\$ 413,544	\$ 413,544	\$ -	\$ -	\$ -
Lee County Schools Matching Funds	-	148,333	148,333	-	-	-
Wayne County Matching Funds	-	23,405	23,405	-	-	-
US Department of Transportation - Mingo Creek Greenway	250,000	-	250,000	-	-	-
US Department of Transportation - Tree & Gateway	-	-	-	29,342	84,308	113,650
US Department of Transportation - First Avenue	640,000	-	640,000	-	-	-
Total	890,000	585,282	1,475,282	29,342	84,308	113,650
Investment earnings	47,850	19,600	67,450	76,596	18	76,614
SUBTOTAL REVENUES	937,850	604,882	1,542,732	105,938	84,326	190,264
Less closed projects	-	-	-	(29,342)	(84,308)	(113,650)
TOTAL REVENUES	937,850	604,882	1,542,732	76,596	18	76,614
EXPENDITURES						
Public Buildings - State Energy Office Grant						
Knightdale	-	52,562	52,562	-	81	81
Lee County Schools	-	474,316	474,316	-	-	-
Wayne County	-	74,841	74,841	-	-	-
Fire Station #2	1,500,000	-	1,500,000	98,003	-	98,003
First Avenue project	960,000	-	960,000	87,374	12,270	99,644
Tree & Gateway project	131,000	-	131,000	46,692	84,308	131,000
Infrastructure reimbursements	1,335,220	-	1,335,220	443,045	71,485	514,530
Mingo Creek Greenway						
Engineering fees	200,000	240,000	440,000	4,633	356,863	361,496
Advertising	-	200	200	-	130	130
Appraisals	2,000	-	2,000	-	-	-
Construction	320,000	-	320,000	-	-	-
Right of way acquisition	60,000	15,500	75,500	-	75,417	75,417
Contingency	32,000	(15,700)	16,300	-	-	-
Knightdale Park						
Professional services	50,000	248,000	298,000	6,510	184,717	191,227
Land acquisition	2,920,000	11,600	2,931,600	-	2,931,529	2,931,529
SUBTOTAL EXPENDITURES	7,510,220	1,101,319	8,611,539	686,257	3,716,800	4,403,057
Less closed projects	(4,406,318)	(11,600)	(4,417,918)	(496,247)	(3,100,909)	(3,597,156)
TOTAL EXPENDITURES	3,103,902	1,089,719	4,193,621	190,010	615,891	805,901
Revenues (under) over expenditures before other financing sources	(2,166,052)	(484,837)	(2,650,889)	(113,414)	(615,873)	(729,287)
OTHER FINANCING SOURCES (USES)						
Transfers from:						
General Fund	1,259,800	16,437	1,276,237	428,088	-	428,088
General Capital Reserve Fund	995,070	480,000	1,475,070	170,775	872,066	1,042,841
Transfers to:						
General Fund	(4,000)	-	(4,000)	(4,000)	-	(4,000)
Bonds and installment notes from financing issued	4,321,500	-	4,321,500	-	2,821,500	2,821,500
SUBTOTAL OTHER FINANCING SOURCES (USES)	6,572,370	496,437	7,068,807	594,863	3,693,566	4,288,429
Less closed projects	(4,406,318)	(11,600)	(4,417,918)	(466,905)	(3,016,601)	(3,483,506)
TOTAL OTHER FINANCING SOURCES (USES)	2,166,052	484,837	2,650,889	127,958	676,965	804,923
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ 14,544	\$ 61,092	\$ 75,636

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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 1 of 2

	2011			2010
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Water operating revenues				
Tap-on and connection fees	\$ 11,500	\$ -	\$ (11,500)	\$ -
Meter installation fees	60,000	-	(60,000)	-
Other operating receipts	2,265	-	(2,265)	-
Total	73,765	-	(73,765)	-
Sewer operating revenues				
Tap-on and connection fees	3,300	-	(3,300)	-
Other operating receipts	600	-	(600)	-
Total	3,900	-	(3,900)	-
Total operating revenues	77,665	-	(77,665)	-
Water non-operating revenues				
Capacity fees	184,044	-	(184,044)	-
Acreage fees	77,555	-	(77,555)	-
Nutrient reduction charge	383,000	-	(383,000)	-
Fee in lieu of water improvements	3,160	3,167	7	3,200
Total	647,759	3,167	(644,592)	3,200
Sewer non-operating revenues				
Capacity fees	186,000	-	(186,000)	-
Acreage fees	79,175	47	(79,128)	-
Development fees	257,194	-	(257,194)	-
Fee in lieu of sewer improvements	2,800	2,803	3	2,803
Total	525,169	2,850	(522,319)	2,803
TOTAL REVENUES	1,250,593	6,017	(1,244,576)	6,003

**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, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

Page 2 of 2

	2011			2010
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES				
Water & Sewer				
City of Raleigh fees	\$ 1,092,100	\$ -	\$ 1,092,100	\$ 37
Professional services	11,975	11,972	3	-
Developer reimbursements	152,468	-	152,468	-
TOTAL EXPENDITURES	1,256,543	11,972	1,244,571	37
Total revenues over (under) expenditures	(5,950)	(5,955)	(5)	5,966
OTHER FINANCING SOURCES (USES)				
Debt Service				
City of Raleigh - reimbursement of debt service payments	491,196	491,204	(8)	496,988
Interest	(121,041)	(120,999)	(42)	(136,536)
Debt principal	(370,155)	(370,205)	50	(360,452)
Fund Balance				
Appropriated Fund Balance	5,950	-	(5,950)	-
TOTAL OTHER FINANCING SOURCES (USES)	5,950	-	(5,950)	-
Total revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>(5,955)</u>	<u>\$ (5,955)</u>	5,966
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Principal paid on debt		370,205		360,452
Payments received on notes receivable		(370,205)		(360,452)
Decrease (increase) in accrued interest		2,549		2,825
Loss on transfer of cash to City of Raleigh		(750,000)		-
Loss on transfer of capital assets to City of Raleigh		(858,656)		-
Capital project-				
Investment earnings		9,918		9,545
NET INCOME (LOSS)	100	<u><u>\$ (1,602,144)</u></u>		<u><u>\$ 18,336</u></u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
UTILITY CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
From Inception To June 30, 2011

	Project Authorization			Actual		
	June 30, 2010	Amendments	June 30, 2011	Prior Years	Current Year	Total To Date
REVENUES						
Developers reimbursements	\$ -	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	\$ 45,000
Investment earnings	-	504,209	504,209	496,150	9,918	506,068
SUBTOTAL REVENUES	-	549,209	549,209	541,150	9,918	551,068
Less closed projects	-	(45,000)	(45,000)	(45,000)	-	(45,000)
TOTAL REVENUES	-	504,209	504,209	496,150	9,918	506,068
EXPENDITURES						
Capital projects:						
Contribution to City of Raleigh	-	750,000	750,000	-	750,000	750,000
Sewer improvement project	2,395,768	(750,000)	1,645,768	628,502	230,154	858,656
SUBTOTAL EXPENDITURES	2,395,768	-	2,395,768	628,502	980,154	1,608,656
Less closed projects	(858,656)	-	(858,656)	(628,502)	(230,154)	(858,656)
TOTAL EXPENDITURES	1,537,112	-	1,537,112	-	750,000	750,000
Revenues over (under) expenditures before other financing sources (uses)	(1,537,112)	504,209	(1,032,903)	496,150	(740,082)	(243,932)
OTHER FINANCING SOURCES						
Transfers from:						
Utility Fund	-	5,050	5,050	5,050	-	5,050
Utility Capital Reserve Fund	1,400,000	63,650	1,463,650	1,726,266	-	1,726,266
Installment notes from financing issued	995,768	(617,909)	377,859	377,859	-	377,859
SUBTOTAL OTHER FINANCING SOURCES	2,395,768	(549,209)	1,846,559	2,109,175	-	2,109,175
Less closed projects	(858,656)	45,000	(813,656)	(813,656)	-	(813,656)
TOTAL OTHER FINANCING SOURCES	1,537,112	(504,209)	1,032,903	1,295,519	-	1,295,519
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ 1,791,669	\$ (740,082)	\$ 1,051,587

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

June 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Current Levy	Collections and Credits	Uncollected Balance June 30, 2011
2011	\$ -	\$ 5,124,740	\$ 5,027,969	\$ 96,771
2010	107,283	-	89,053	18,230
2009	42,350	-	27,952	14,398
2008	15,294	-	2,261	13,033
2007	10,951	-	1,721	9,230
2006	9,060	-	901	8,159
2005	5,323	-	297	5,026
2004	3,599	-	319	3,280
2003	3,185	-	80	3,105
2002	3,407	-	8	3,399
2001	3,067	-	3,067	-
Total	\$ 203,519	\$ 5,124,740	\$ 5,153,628	\$ 174,631

RECONCILIATION WITH REVENUES

Taxes - Ad Valorem - General Fund	\$ 5,154,363
Add (deduct):	
Penalties and interest	(31,600)
Taxes written off	3,067
Releases, rebates and adjustments	27,798
Total Collections and Credits	\$ 5,153,628

TOWN OF KNIGHTDALE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY

June 30, 2011

	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	\$ 1,213,255,486	0.41	\$ 4,975,468	\$ 4,761,207	\$ 214,261
Registered motor vehicles taxed at prior year's rate	30,409,360	0.40	122,033	-	122,033
Penalties	-		2,234	2,234	-
Total	1,243,664,846		5,099,735	4,763,441	336,294
Discoveries:					
Current year taxes	9,842,626	0.41	40,355	40,355	-
Prior year taxes	-	0.40	12,024	12,024	-
Penalties	-		2,965	2,965	-
Total	1,253,507,472		5,155,079	4,818,785	336,294
Abatements	(7,399,739)	0.41	(30,339)	(21,694)	(8,645)
Total property valuation	<u>\$ 1,246,107,733</u>				
Net levy			5,124,740	4,797,091	327,649
Uncollected taxes at June 30, 2011			96,771	34,274	62,497
Current year's taxes collected			<u>\$ 5,027,969</u>	<u>\$ 4,762,817</u>	<u>\$ 265,152</u>
Current levy collection percentage			<u>98.11%</u>	<u>99.29%</u>	<u>80.93%</u>



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 into 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 Ten Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 28,955,166
Restricted	2,091,577	3,536,167	-	408,305	546,747	721,391	374,673	362,226	434,244	1,943,693
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	3,295,965
Total governmental activities net assets	\$ 7,613,650	\$ 10,293,914	\$ 14,206,852	\$ 17,074,707	\$ 24,520,043	\$ 29,123,824	\$ 30,056,595	\$ 30,520,510	\$ 30,618,974	\$ 34,194,824
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	1,044,574
Total business-type activities net assets	\$ 9,870,043	\$ 10,944,960	\$ 12,992,326	\$ 14,383,826	\$ 5,303,951	\$ 4,436,212	\$ 2,712,135	\$ 2,628,382	\$ 2,646,718	\$ 1,044,574
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	\$ 28,955,166
Restricted	2,091,577	3,536,167	1,732,118	656,394	546,747	721,391	374,673	362,226	434,244	1,943,693
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	4,340,539
Total primary government net assets	\$ 17,483,693	\$ 21,238,874	\$ 27,199,178	\$ 31,458,533	\$ 29,823,994	\$ 33,560,036	\$ 32,768,730	\$ 33,148,892	\$ 33,265,692	\$ 35,239,398

Notes:

1. 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 Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
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	1,454,654
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	4,087,816
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	2,442,706
Environmental protection	-	-	-	-	-	-	-	520,985	535,182	532,250
Economic development	-	-	-	-	-	-	-	571,441	418,950	449,226
Cultural and recreational	723,831	672,397	2,684,396	829,087	844,994	953,912	999,956	916,189	898,375	918,928
Interest on long-term debt	100,716	133,723	144,452	126,787	187,678	219,065	213,735	217,628	168,894	299,747
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	\$10,185,327
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	130,422
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	130,422
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	\$10,315,749
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	41,616
Public works	259,540	257,744	265,144	284,469	854,770	782,327	466,284	776,099	8,080	396,177
Environmental protection	-	-	-	-	-	-	-	-	590,782	642,781
Economic development	-	-	-	-	-	-	-	-	102,752	139,569
Cultural and recreational	182,525	171,160	177,132	211,125	309,771	290,171	389,067	517,406	371,833	423,361
Operating grants and contributions	281,036	2,514,755	560,402	284,639	285,157	230,133	392,971	400,597	518,147	864,939
Capital grants and contributions	-	-	5,630,732	2,644,413	6,047,567	4,281,017	2,054,202	460,355	509,192	2,961,423
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	\$5,469,866
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	\$5,469,866

TOWN OF KNIGHTDALE, NORTH CAROLINA

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2 (continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	\$(4,715,461)
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)	(130,422)
Total primary government net revenue /(expense)	\$(3,147,557)	\$ 233,566	\$ 1,719,672	\$ (381,816)	\$ 6,862,367	\$ (656,840)	\$(6,539,574)	\$(6,812,774)	\$(7,522,318)	\$(4,845,883)
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	\$ 5,125,475
Other taxes and licenses	897,686	958,085	54,036	76,679	71,811	90,276	111,506	206,738	220,629	232,843
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	2,662,238
Unrestricted investment earnings	62,933	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351
Miscellaneous	197,602	152,991	178,215	267,495	655,657	355,591	228,540	136,315	132,991	237,404
Transfers	-	-	-	-	(12,224)	-	216,529	(3)	-	-
Total governmental activities	3,205,567	3,494,562	3,869,782	4,311,861	5,351,568	5,694,552	6,943,406	7,127,374	7,487,034	8,291,311
Business-type activities:										
Unrestricted investment earnings	123,192	74,282	60,987	141,010	209,862	338,757	278,875	192,393	146,081	130,917
Gain /(Loss) on abandoned capital project	-	-	-	-	-	(4,750)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	6,003	6,017
Transfers	-	-	-	-	12,224	-	(216,529)	3	-	-
Special item (loss on transfer of assets to Raleigh)	-	-	-	-	(13,902,400)	(13,426)	(1,478,295)	(126,834)	-	(1,608,656)
Total business-type activities	123,192	74,282	60,987	141,010	(13,680,314)	320,581	(1,415,949)	65,562	152,084	(1,471,722)
Total primary government	\$ 3,328,759	\$ 3,568,844	\$ 3,930,769	\$ 4,452,871	\$(8,328,746)	\$ 6,015,133	\$ 5,527,457	\$ 7,192,936	\$ 7,639,118	\$ 6,819,589
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	\$ 3,575,850
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	(1,602,144)
Total primary government	\$ 181,202	\$ 3,802,410	\$ 5,650,441	\$ 4,071,055	\$(1,466,379)	\$ 5,358,293	\$(1,012,117)	\$ 380,162	\$ 116,800	\$ 1,973,706

TOWN OF KNIGHTDALE, NORTH CAROLINA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 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	1,333,813	1,488,434	1,318,637	1,851,912	2,792,920	2,301,379	1,981,389	2,104,441	1,930,259	-
Nonspendable	-	-	-	-	-	-	-	-	-	23,476
Restricted	-	-	-	-	-	-	-	-	-	1,605,841
Assigned	-	-	-	-	-	-	-	-	-	212,000
Unassigned	-	-	-	-	-	-	-	-	-	2,536,605
Total General Fund	\$ 2,374,489	\$ 2,485,706	\$ 2,287,445	\$ 2,695,517	\$ 3,873,374	\$ 3,582,822	\$ 3,566,246	\$ 3,224,837	\$ 3,239,557	\$ 4,377,922
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	410,324	737,186	770,356	779,047	1,388,265	1,556,839	877,484	1,758,431	-	-
Capital project funds	872,553	1,749,537	65,133	(34,445)	88,235	22,637	56,693	19,266	1,945,388	-
Restricted	-	-	-	-	-	-	-	-	-	337,852
Assigned, reported in:										
Capital project funds	-	-	-	-	-	-	-	-	-	1,568,121
Total all other governmental funds	\$ 1,282,877	\$ 2,657,414	\$ 899,100	\$ 808,837	\$ 1,543,292	\$ 1,650,835	\$ 989,763	\$ 1,777,697	\$ 1,979,458	\$ 1,905,973

Note:

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

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

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

Table 4

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Ad valorem taxes	\$ 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	\$ 5,154,363
Other taxes and licenses	896,953	957,052	53,414	74,488	69,665	88,392	94,528	119,763	212,371	223,835
Unrestricted intergovernmental	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	2,662,238
Restricted intergovernmental	281,036	335,033	561,402	284,639	285,157	230,133	434,893	400,597	1,002,839	949,247
Permits and fees	159,343	247,065	258,864	239,767	335,240	267,934	264,989	321,595	147,330	608,630
Sales and services	442,065	426,333	444,099	491,796	1,137,608	1,074,922	851,642	1,344,991	967,385	1,043,408
Investment earnings	62,933	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351
Miscellaneous	197,602	152,991	177,215	267,495	655,657	355,591	228,540	160,876	117,836	140,924
Total revenues	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	10,815,996
Expenditures										
General government	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	1,106,568
Public safety	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	3,912,098
Public works	471,828	554,480	832,267	795,895	631,817	982,507	3,019,257	1,614,249	1,586,331	1,666,795
Environmental protection	-	-	-	-	-	-	-	-	535,182	532,250
Economic development	-	-	-	-	-	-	-	-	430,008	451,522
Cultural and recreation	551,953	490,382	602,908	720,860	807,402	902,940	950,595	868,644	844,184	908,416
Capital outlay	595,313	189,620	2,685,488	261,917	2,625,122	1,557,773	757,229	787,870	666,180	3,716,800
Debt service :										
Principal	217,844	271,949	330,491	346,505	359,166	495,035	537,192	597,471	597,558	420,955
Interest	100,790	134,498	143,120	129,844	116,763	197,996	216,114	209,415	188,746	172,692
Total expenditures	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	12,888,096
Excess of revenues over (under) expenditures	(429,663)	485,754	(2,095,219)	249,069	(581,462)	(870,772)	(1,716,696)	318,486	120,727	(2,072,100)
Other financing sources (uses)										
Transfers in	830,618	421,827	670,024	99,772	8,000	344,188	1,017,419	1,230,921	443,909	1,199,206
Transfers out	(830,618)	(421,827)	(670,024)	(99,772)	-	(344,188)	(800,890)	(1,230,924)	(443,909)	(1,199,206)
Sale of fixed assets	-	-	-	-	-	-	-	-	35,695	16,480
Bonds issued	-	1,000,000	-	-	-	-	-	-	-	-
Installment debt issued	568,175	-	68,165	50,200	2,482,365	682,760	592,000	175,000	60,059	3,040,500
Contribution from East Wake Television	-	-	-	-	-	-	-	-	-	80,000
Assumption of debt in annexations	-	-	-	18,540	3,409	5,003	9,708	-	-	-
Miscellaneous other expenditures	-	-	(30,378)	-	-	-	-	-	-	-
Total other financing sources (uses)	568,175	1,000,000	37,787	68,740	2,493,774	687,763	818,237	174,997	95,754	3,136,980
Net change in fund balance	\$ 138,512	\$ 1,485,754	\$ (2,057,432)	\$ 317,809	\$ 1,912,312	\$ (183,009)	\$ (898,459)	\$ 493,483	\$ 216,481	\$ 1,064,880
Debt service as a percentage of noncapital expenditures	8.9%	12.0%	11.6%	11.0%	10.4%	11.8%	9.0%	11.2%	9.2%	6.8%

TOWN OF KNIGHTDALE, NORTH CAROLINA
Governmental Activities, Property Tax Revenue
 Last Ten Fiscal Years
(accrual basis of accounting)

Table 5

Fiscal Year	Tax Rate	Property Tax	Property Tax Adjusted to Current Rate
2002	\$0.44	\$1,949,817	\$1,816,875
2003	0.46	2,125,503	1,894,470
2004	0.48	2,277,470	1,945,339
2005	0.50	2,524,868	2,070,392
2006	0.50	2,964,521	2,430,907
2007	0.50	3,211,186	2,633,173
2008	0.50	3,764,366	3,086,780
2009	0.40	4,456,795	4,568,215
2010	0.40	4,796,505	4,916,418
2011	0.41	5,125,475	5,125,475

Note:

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

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.

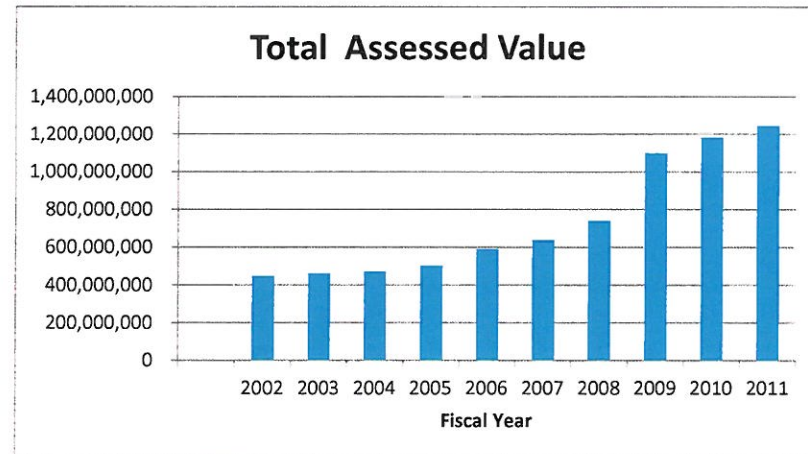
TOWN OF KNIGHTDALE, NORTH CAROLINA
Assessed Value of Taxable Property
Last Ten Fiscal Years

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
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%
2011	1,114,360,955	122,598,502	9,148,276	1,246,107,733	0.41	1,180,138,018	106%

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).



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
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	0.634	1.134
2007	0.50	0.678	1.178
2008	0.50	0.678	1.178
2009 (2)	0.40	0.534	0.934
2010	0.40	0.534	0.934
2011	0.41	0.534	0.944

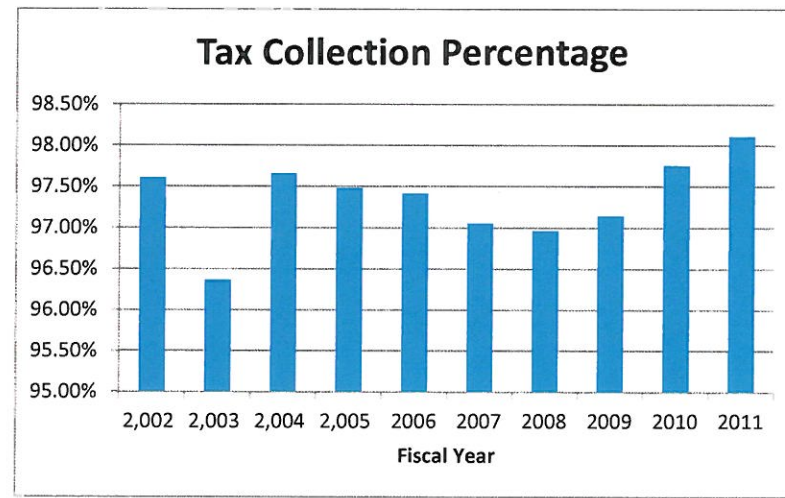
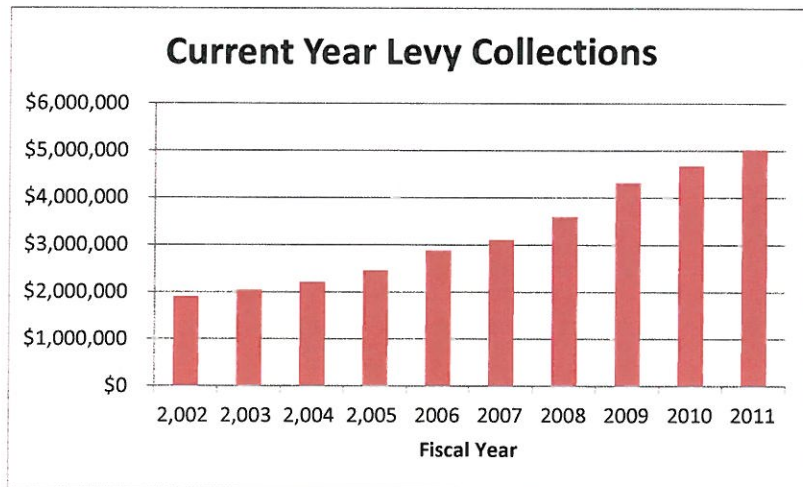
Notes:

- (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
2002	\$1,945,779	\$1,899,278	97.61%	\$43,102	\$1,942,380	99.83%	\$78,519	4.04%
2003	2,119,988	2,042,922	96.36%	73,961	2,116,883	99.85%	114,485	5.40%
2004	2,267,754	2,214,679	97.66%	49,795	2,264,474	99.86%	89,322	3.94%
2005	2,515,619	2,452,297	97.48%	58,296	2,510,593	99.80%	101,013	4.02%
2006	2,953,293	2,876,888	97.41%	68,246	2,945,134	99.72%	116,246	3.94%
2007	3,201,115	3,106,828	97.05%	85,057	3,191,885	99.71%	142,470	4.45%
2008	3,708,082	3,595,606	96.97%	99,443	3,695,049	99.65%	167,022	4.50%
2009	4,441,324	4,314,443	97.14%	112,483	4,426,926	99.68%	194,828	4.39%
2010	4,779,605	4,672,322	97.76%	89,053	4,761,375	99.62%	203,519	4.26%
2011	5,124,740	5,027,969	98.11%	-	5,027,969	98.11%	174,631	3.41%



TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2011			2002		
		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	\$31,821,955	2.55%	1	\$ -	-	
Greystone WW Co. LLC	Real Estate	30,000,716	2.41%	2	-	-	
Legacy Oaks Apartments LP	Real Estate/Apartments	29,799,092	2.39%	3	-	-	
Widewaters Knightdale Co. LLC	Real Estate	25,169,230	2.02%	4	-	-	
BRC Knightdale LLC	Real Estate/Apartments	22,785,825	1.83%	5	-	-	
Crosland Knightdale LLC	Real Estate	22,386,227	1.80%	6	-	-	
Lowe's Home Centers, Inc.	Retail	18,580,561	1.49%	7	8,930,865	2.00%	2
Laurens Way Co LTD Partnership	Real Estate/Apartments	14,716,009	1.18%	8	11,685,798	2.61%	1
Rex Hospital Inc.	Health Care	13,042,480	1.05%	9	-	-	
TG LVF Eastpoint LLC	Manufacturer	13,037,814	1.05%	10	-	-	
F & F Capital, Inc.	Real Estate	-			7,538,055	1.68%	3
BellSouth Telephone	Utility	-			5,585,611	1.25%	4
Wal-Mart	Retail	-			5,405,007	1.21%	5
Time Warner Entertainment	Cable TV	-			4,765,896	1.06%	6
Wake Stone Corp	Manufacturer	-			4,429,394	0.99%	7
Capstone Atlantic VI	Insurance	-			4,296,062	0.96%	8
HCPI Knightdale, Inc.	Health Care	-			2,993,472	0.67%	9
Steeple Square LLC	Real Estate	-			2,986,081	0.67%	10
Totals		\$221,339,909	17.77%		\$ 58,616,241	13.10%	
Total Assessed Value		\$1,246,107,733			\$ 447,637,725		

(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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value	\$ 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	\$ 1,246,107,733
Debt limit (8% of assessed value)	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	99,688,619
Debt applicable to limit:										
Total outstanding debt	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	9,259,537
Debt authorized but unissued	5,500,000	-	-	-	-	-	-	-	2,821,500	-
Less debt applicable to business-type activities										
Enterprise Fund debt	-	-	-	-	-	-	-	-	(2,882,155)	(2,511,950)
Total net debt applicable to limit	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	6,747,587
Legal debt margin	\$ 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	\$ 92,941,032
Total net debt applicable to the limit, as a percentage of the total debt limit	28.39%	21.91%	19.91%	17.30%	19.23%	17.51%	14.74%	8.99%	7.33%	6.77%
Total net debt applicable to the limit, as a percentage of assessed value	2.27%	1.75%	1.59%	1.38%	1.54%	1.40%	1.18%	0.72%	0.59%	0.54%

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					
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
2011	578,947	6,168,640	1,689,053	822,897	9,259,537	1,246,107,733	0.74%	11,401	812

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

Table 12

Fiscal Year	GO Bonds	Net General Obligation Debt	Total Personal Income	Debt as a % of Personal Income	Population	Debt Per Capita
2002	\$ -	\$ -	\$224,965,852	0.00%	6,278	\$ -
2003	1,000,000	1,000,000	\$228,095,040	0.44%	6,360	157
2004	947,371	947,371	\$238,669,556	0.40%	6,484	146
2005	894,737	894,737	\$260,372,700	0.34%	6,660	134
2006	842,105	842,105	\$285,075,482	0.30%	6,938	121
2007	789,474	789,474	\$374,982,234	0.21%	8,877	89
2008	736,842	736,842	\$409,113,783	0.18%	9,813	75
2009	684,211	684,211	\$436,716,907	0.16%	10,967	62
2010	631,579	631,579	N/A	N/A	12,393	51
2011	578,947	578,947	N/A	N/A	11,401	51

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, 2011

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	\$ 1,831,620,000	1.042%	\$ 19,093,855
Subtotal, overlapping debt			19,093,855
Town of Knightdale direct debt			578,947
Total direct and overlapping debt			\$ 19,672,802

NOTES:

(1) Supplied by Wake County Finance Department

Portion of this debt that is outstanding Wake County school bonds, \$1,603,321,834

(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.

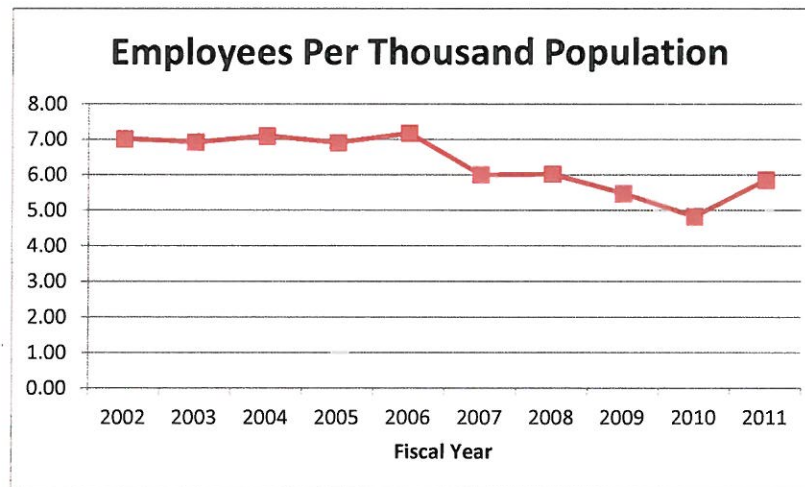
Town of Knightdale Assessed Value	\$ 1,246,107,733
Wake County Assessed Value (1)	119,535,621,641
Percentage applicable to Knightdale	1.042%

(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
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
2011	8.75	38.0	5.0	7.00	8.0	66.75



TOWN OF KNIGHTDALE, NORTH CAROLINA
Operating Indicators by Function
Last Ten Fiscal Years

Table 15

Function	Fiscal Year									
	2002	2003	2004 (2)	2005 (2)	2006 (2)	2007	2008	2009	2010	2011
<i>Legislative Department</i>										
meetings	70%	100%	NA	NA	100%	100%	100%	100%	100%	100%
Minutes prepared within 3 working days of Council meetings	NA	NA	NA	NA	100%	100%	89%	95%	80%	90%
Meeting minutes completed without error	89%	100%	NA	NA	95%	95%	100%	100%	100%	100%
Employees successfully completing probation period	100%	100%	NA	NA	100%	100%	100%	100%	100%	100%
Employee turnover	7%	10%	NA	NA	NA	5%	7%	5%	0%	6%
<i>Finance Department</i>										
Bank statement reconciled within 7 days of receipt	100%	100%	66%	100%	58%	100%	83%	100%	75%	92%
Month is closed out within 15 days of month end	75%	83%	NA	NA	NA	100%	100%	100%	100%	100%
Accuracy of bank deposits submitted to the bank	95%	98%	NA	NA	96%	98%	98%	99%	99%	99%
Average accuracy rate in forecasting all major revenues	98%	88%	98%	94%	89%	94%	85%	88%	98%	98%
Accuracy rate in forecasting ad valorem revenue tax revenue.	96%	99%	99%	98%	92%	99%	97%	98%	97%	97%
Number of budget amendments requiring council approval	12	20	NA	28	18	11	16	20	14	15
<i>Planning Department</i>										
Permits issued: (1)										
Commercial	43	41	37	130	93	71	143	127	42	56
Residential	82	124	238	275	294	269	174	98	152	168
<i>Public Safety Department</i>										
<i>Police Division</i>										
Reports submitted on time and accurately	95%	90%	88%	81%	84%	88%	85%	80%	NA	NA
Follow-up investigations closed within 30 days.	30%	30%	78%	83%	92%	85%	97%	83%	NA	NA
Average response time to calls for service (minutes : seconds)	4:48	3:15	6:48	6:42	NA	4:22	4:00	4:30	NA	NA

Continued

TOWN OF KNIGHTDALE, NORTH CAROLINA
Operating Indicators by Function
Last Ten Fiscal Years

Table 15

	Fiscal Year									
	2002	2003	2004 (3)	2005 (3)	2006 (3)	2007	2008	2009	2010	2011
<i>Fire Division (First year of operation, FY 2003)</i>										
Average response time to calls for service (minutes : seconds)	NA	4:26	4:37	4:44	4:25	3:53	4:03	4:18	4:12	4:24
Average personnel responding to structure related calls	NA	15.0	13.5	13.4	12.5	11.8	11.5	12.9	11	10
Training hours for all staff & volunteers	NA	5,515	5,263	5,552	6,635	6,932	6,656	7543	8,041	8,188
Fire loss for the year	NA	\$75,200	\$56,020	\$63,050	\$171,270	\$97,700	\$208,593	\$337,995	70,790	188,900
Value of property saved	NA	\$3,279,490	\$1,550,451	\$1,785,630	\$2,548,377	\$6,888,223	\$23,104,086	\$10,319,470	9,628,944	6,942,755
Percentage of property loss	NA	2.24%	3.49%	3.41%	6.30%	1.40%	0.89%	3.17%	0.73%	2.65%
Total calls	NA	608	618	800	782	921	928	959	1,002	1,067
<i>Public Works (3)</i>										
Residential tons collected yearly										
Solid Waste	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	2,739.88
Recycling	266.00	255.72	327.81	364.04	328.81	379.90	434.00	486.93	NA	506.56
Mulching / compost	92.66	122.34	92.26	88.27	110.75	80.60	53.00	80.00	NA	NA
Households served	1,991	2,064	2,158	2,359	2,595	2,546	3,180	3,180	3,525	3,615
<i>Parks and Recreation (4)</i>										
Participants in camps and recreation programs	998	NA	NA	NA	NA	NA	NA	NA	NA	NA
Baseball	NA	336	362	376	433	301	267	348	327	311
Softball	NA	50	47	47	60	52	92	69	71	59
Basketball	NA	338	387	403	408	275	355	327	334	275
Swimming Pool	NA	7,716	6,508	6,622	6,957	8,001	9,927	10,016	9,240	12,017
Swim Lessons	NA	NA	NA	NA	151	121	137	209	271	320
Track Out Camp (5)	NA	NA	NA	NA	NA	NA	1,256	1,125	1,014	NA

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
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	\$436,717	\$35,727,859	\$39,821	\$88,722	8.2
2010	12,393	892,409	(6)	(6)	(6)	\$76,852	8.3
2011	11,401	900,993	(6)	(6)	(6)	\$78,826	8.4

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		2011				2006 <i>Restated (1)</i>			
		Employment Range				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
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
2010	14	5,500,000	132	23,832,776	146	29,332,776

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-2011

Tax rate is 41 cents per \$100 valuation.
Last revaluation 2008. Next revaluation effective January 1, 2016.

Latest annual assessed value, as of
June 30, 2011 \$1,246,107,733
1 cent of the tax rate equals \$124,611.



AWARDS & RECOGNITION

19 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
2010\$78,826

Area Unemployment Rate-Wake County
June 2011.....8.4%

Construction
146 permits issued in 2010 (calendar year)

Land Area
6.25 square miles - 2011
3,977 acres

YOUR TAX DOLLAR FUNDING-2011

General Administration	8.59%
Community Develop.	3.50%
Fire Protection	10.18%
Public Safety	20.17%
Parks & Recreation	7.05%
Public Works	12.93%
Sanitation	4.13%
Capital Projects	28.84%
Debt Service	4.61%

POPULATION

2011	11,401
2010	12,393
2009	10,967



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 compliance with requirements applicable to each major Federal program and on the internal control structure and compliance with applicable laws and regulations

COMPLIANCE SECTION

Joyce and Company, CPA

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

Certified Public Accountants

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, 2011, which collectively comprises the Town of Knightdale's basic financial statements, and have issued our report thereon dated November 7, 2011. 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

Management of the Town of Knightdale is responsible for establishing and maintaining effective 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control financial reporting described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: Items 2011 - 1, 2011 - 2 and 2011 - 3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 2011 - 3.

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 7, 2011.

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
JOYCE AND COMPANY, CPA

November 7, 2011

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, 2011. The Town of Knightdale's major federal programs are 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 major federal programs 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 each of its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which 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 2011 - 3.

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 2011 – 3. 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
JOYCE AND COMPANY, CPA

November 7, 2011

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2011

Schedule 11

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? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
- Noncompliance material to financial statement notes ☐ yes ☒ no

Federal Awards

Internal control over the major federal program:

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

Identification of the major federal program:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
97.044, 97.083	Assistance to Firefighters Cluster
20.609	Safety Belt Performance Grant

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

- Auditee qualified as low-risk auditee? ☐ yes ☒ No

State Awards

The Town of Knightdale has no major state programs.

Section II. Financial Statement Findings

Item 2011 - 1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately, especially during periods when an employee is absent or during periods of position vacancy.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation.

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

Item 2011 - 2 Purchase Orders and Accounts Payable

Criteria: Town has an approved purchasing policy to provide reasonable assurance that purchase orders, general ledger account numbers, documentation and purchase approval is handled appropriately .

Condition: Exceptions were noted including purchase orders dated after the invoice date, incorrect general ledger numbers, employee expense reports lacking receipts, lack of properly authorized check request forms and purchase orders created and approved by the Purchasing Agent.

Effect: Transactions could be mishandled, misclassified and unapproved.

Cause: The Town purchasing policy has not been followed and enforced in all situations.

Recommendation: The purchase policy should be reviewed, staff should be reminded of proper purchasing procedures and policy deviations should be followed up on case by case.

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

Section III. Federal Award Findings and Questioned Costs

Item 2011 - 3 Grant Management

Criteria: Proper grant management requires preparation for the correct type of audit required for qualified grant expenditures. The Town should maintain full responsibility for pass through grants. If grant reimbursement errors are discovered, the related report should be amended and any related paybacks be recorded and processed.

Condition: The Town was required to have a single audit based on qualifying grant expenditures and this was not known until after year end journal entries were posted. An error was discovered in a grant reimbursement request and this was not amended nor was the related payback posted and processed. In one pass through grant, the monthly reports included overstated payroll taxes and one month was not recorded on the Town's books.

Effect: Preliminary planning is not efficient, financial records and grant reimbursement reports do not agree and resulting payback had not been recorded.

Cause: Qualified federal assistance totaled \$514,012 and the threshold for requiring a single audit is \$500,000. The error requiring a payback was discovered near year end and the report was not amended. The Town did not receive pass through grantor reimbursement requests in a timely fashion in order to properly review these reports.

Recommendation: We recommend that the Town review all grants and grant qualifying expenditures during the planning process to determine the type audit required, amend reimbursement requests for any errors discovered, record and process any resulting payback and review and record all pass through grant reimbursement requests.

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

Section IV. State Award Findings and Questioned Costs

Note reported.

TOWN OF KNIGHTDALE
SCHEDULE OF FINDINGS AND RESPONSES OF SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROLS
For the year ended June 30, 2011

Significant deficiencies

Item 2011 – 1 The Town has limited personnel in Finance for the Town's routine accounting functions including bank deposits, bank reconciliations, issuance of purchase orders, posting of journal entries and accounts payable processing. In addition, there has been employee turnover during the year. This resulted in a lack of separation of duties for internal control purposes. We recommend that the Town carefully review accounting processes to obtain the best possible separation of duties.

Contact Person – James C. Overton, Finance Director

Management's Response – Duties will be segregated among Finance Department employees as much as possible with limited number of staff. Finance Department currently has a full staff.

Proposed Completion Date – November 1, 2011

Item 2011 – 2 During control testing of cash disbursements and accounts payable, exceptions to Town purchasing policy were noted including purchase orders dated later than the invoice date, incorrect general ledger expense account numbers, employee expense reports that lack supporting receipt documentation, lack of proper authorization on check request forms and purchase orders that were both created and approved by the Purchasing Agent. We recommend that the Town purchasing policies be reviewed, staff be reminded of proper purchasing procedures and that transactions that are not in accordance with the policy be followed up with the employees involved and that all purchases made through the Purchasing Agent be formally approved.

Contact Person – James C. Overton, Finance Director

Management's Response – Town has hired a new purchasing agent and completed training on purchasing policies for all departments. Purchase orders over \$5,000 must be approved by Finance Director.

Proposed Completion Date – November 10, 2011

Item 2011 – 3 Grant matters were noted as follows: (1) During preliminary planning, the Town was expecting to have a Yellow Book audit based on recorded grant revenues and receivables. Material accounts receivable were recorded during fieldwork for grant qualifying expenditures resulting in the necessity of a Single Audit, in accordance with 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, which requires a single audit if expenditures of federal or state assistance exceed a threshold of \$500,000. This resulted in significant changes in required audit planning and procedures. (2) An instance was noted in which sales tax was included in error in

a grant reimbursement request. The Town did not amend the grant reimbursement request and record and pay the resulting payback. (3) In one pass through Town grant, the monthly reports included materially overstated payroll taxes as well as one month was not recorded on the Town's books. We recommend the Town review all grants and grant qualifying expenditures during the planning process in order to determine if a single audit will be required, if errors are discovered in grant reimbursement request, amendments are made and any resulting payback be recorded and processed and that the Town carefully review and record all pass through grant reimbursement requests.

Contact Person – James C. Overton, Finance Director

Management's Response – Sales tax has been refunded to grantor agency. All grant reports and requests for reimbursement prepared by Town Departments and sub-recipients will be reviewed by the Finance Department prior to submission to grantor agencies.

Proposed Completion Date – December 31, 2011

**TOWN OF KNIGHTDALE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2011**

Schedule

Finding 2009-1

Status: The Town strives to provide as much separation of duties as possible and cost beneficial.

Finding 2009-2

Status: Corrected

Finding 2010-1

Status: The Town strives to provide as much separation of duties as possible and cost beneficial.

Finding 2010-2

Status: Corrected

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

<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	\$ 66,281	\$ -	\$ 25,195	\$ 91,476
Total U.S. Department of Justice			66,281	-	25,195	91,476
<u>United States Department of Transportation</u>						
Federal Highway Administration						
North Carolina Department of Transportation (GHSP)						
Safety Belt Performance Grant	20.609	K4-11-04-03	162,344	-	28,649	190,993
STPDA - 0512(4) First Avenue Improvements	20.205	EL-5100 CB	-	-	12,270	12,270
ARRA - STP-DA I-540 / Knightdale Blvd. Landscaping	20.205	STM-0540(18)	84,308	-	-	84,308
		45067.3.ST20				
Total U.S. Department of Transportation			246,652	-	40,919	287,571
<u>United States Department of Homeland Security</u>						
Federal Emergency Management Agency						
Operations and Safety Program	97.044	EMW-2009-FO-06514	101,044		5,318	106,362
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2009-FH-01193	100,035	-	-	100,035
Total U.S. Department of Homeland Security			201,079	-	5,318	206,397
Total federal assistance			514,012	-	71,432	585,444

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

<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			\$ -	\$ 294,807	\$ -	\$ 294,807
Total NC Department of Transportation			-	294,807	-	294,807
Total state assistance			-	294,807	-	294,807
Total federal and state assistance			\$ 514,012	\$ 294,807	\$ 71,432	\$ 880,251

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.



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