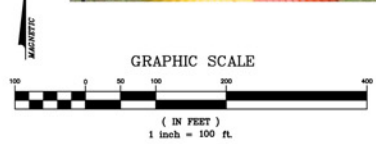
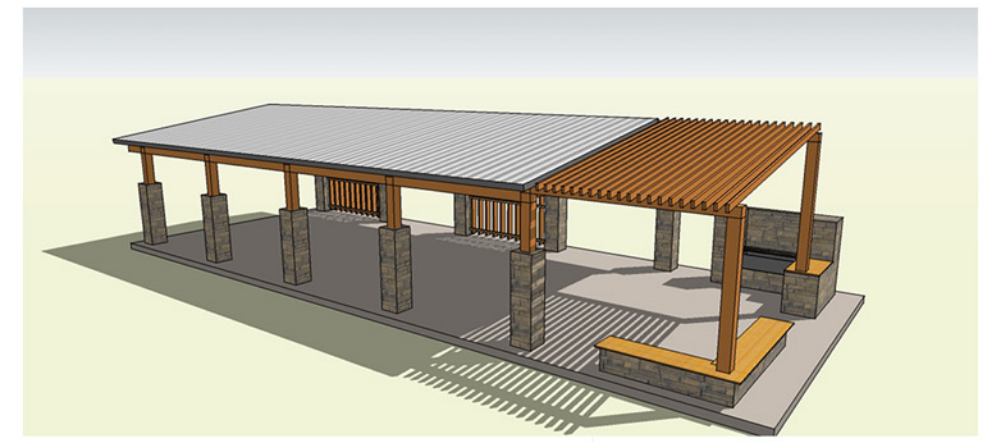
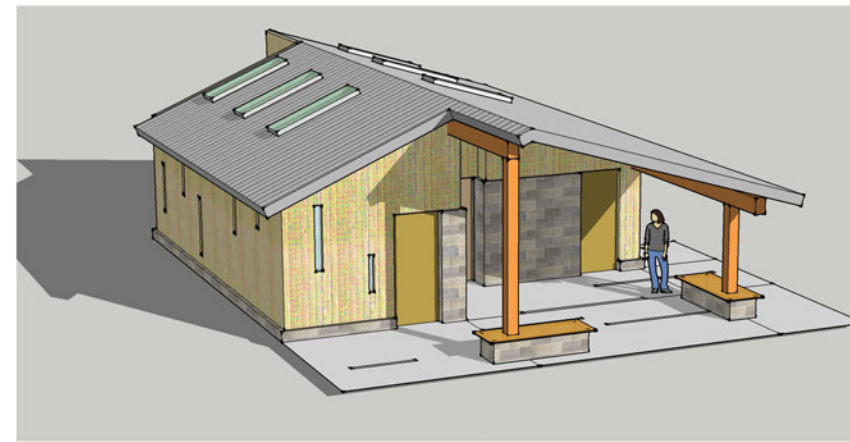
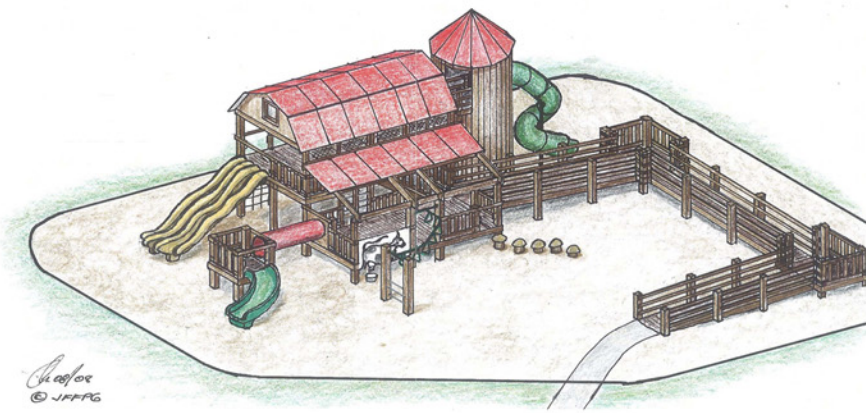


**Town of Knightdale
North Carolina**



**Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2012**



Proposed Knightdale Park

Master Plan Update - Draft



schema ARCHITECTURE

DATE: 9.12.2011

**TOWN OF
KNIGHTDALE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY

**JAMES C. OVERTON
FINANCE DIRECTOR**

MEMBERS OF TOWN COUNCIL



Town Council as of June 30, 2012

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

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TOWN OF KNIGHTDALE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF KNIGHTDALE, NORTH CAROLINA
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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



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TOWN OF KNIGHTDALE

950 Steeple Square Court ● Knightdale, NC 27545

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

www.knightdalenc.gov

james.overton@knightdalenc.gov

November 13, 2012

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, 2012. 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 2012

Public Works and Engineering Departments

The Town has expended \$170,154 during the current year for street improvements on First Avenue in historic downtown Knightdale. The total estimated cost for Phase I of this project is \$1,118,000 with another \$324,000 for Phase II. Construction on Phase I is currently underway and a contract has been awarded for Phase II. Construction on both phases is expected to be completed in fiscal year 2013.

Knightdale Station Park

On July 14, 2010, the Town of Knightdale acquired approximately 73 acres of land near downtown Knightdale for the construction of a new park. The park 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. Estimated costs for Phase I of the park are \$6,328,029 which will be financed by an installment purchase agreement with SunTrust Bank payable in 15 annual payments of \$333,333 plus interest at 2.33% beginning July 19, 2013. The Town expended \$105,134 in design and construction costs for the park in fiscal year 2012. Phase I is scheduled for completion in the fall of 2013.

Estimated costs for Phase II of the park are \$3,547,400. On November 6, 2012, Knightdale citizens approved a Parks and Recreation Facility Bond Referendum not to exceed \$3,000,000 to finance construction of Phase II. The bond referendum also approves an increase in the property tax rate not to exceed 2 cents per \$100 of assessed property value to cover debt service payments on the bonds. The Town is currently seeking construction bids for Phase II of the park with construction to begin in the spring of 2013. The bonds are also expected to be issued in fiscal year 2013.

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 expended \$1,249 for construction of the Hodge Road Siphon Sewer Project. 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 transferred a portion of the remaining cash balance of \$400,000 to the City of Raleigh. The Town also transferred \$651,159 to other funds from this project for storm water mapping and construction of Knightdale Station Park.

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, 2012, expenditures for the Greenway project totaled \$553,339 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. Estimated cost for Phase II is \$3,400,000. The Town has grant funds totaling \$2,475,000 from various Federal, State and Local government agencies committed toward construction of Phase II of the greenway. As of the date of this report, Phase I is near completion and construction on Phase II is expected to begin in the fall of 2012.

Energy Efficient Building Improvements

The Town of Knightdale, in a joint project with Lee County Schools, received a grant from the United States Department of Energy passed through the North Carolina State Energy Office in the amount of \$413,544 to install energy efficient light fixtures and other improvements in Knightdale's Town Hall, Public Safety Building and all Lee County School buildings. The Town of Knightdale and Lee County Schools expended \$73,393 and \$518,464, respectively, for this project.

Conversion of Police Vehicles to LP Fuel

The Town of Knightdale received a grant from the Triangle J Council of Governments in the amount of \$58,000 to convert 10 police vehicles from gasoline to LP fuel. The grant paid for the installation of LP fuel tanks in the 10 police cars at a cost of \$5,800 each. This has resulted in a reduction in gasoline usage by the Police Department of approximately 700 gallons per month. Instead, police cars burn approximately 850 gallons of LP fuel which costs about 50% less per gallon, resulting in a substantial net savings in total fuel costs.

ECONOMIC CONDITION AND OUTLOOK

Local

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

The estimated population of Wake County (907,314) grew 33% 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 2012, this area of the state has an unemployment rate of 7.9% compared to the Statewide rate of 9.4%. The median family income for a family is \$79,900. Knightdale was recognized as the fastest growing town in North Carolina in 2009. The Town's population is 11,493, which represents an 81% 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 2011, the Town Planning Department issued 201 combined residential and commercial building permits; representing a total value of \$32,864,205 in construction. Residential construction has improved over the previous year with an increase in the number of new construction permits. The average sales price for homes in Knightdale fell 2% in 2011 from the previous year to \$177,961. The Laurel Crossings apartment complex is currently under construction. Also, a developer is planning to build up to 800 homes in the new Myers Lake Subdivision adjacent to Knightdale Station Park. The Army Reserve Training Center is currently under construction in Knightdale and should be completed early next year. Refer to the Commercial Activity table in the Statistical Section for further details. Knightdale's corporate limits consist of approximately 6.33 square miles, or 4,054 acres, 640 acres per square mile, while the planning department's extraterritorial jurisdiction covers 14.71 square miles, or 9,452.8 acres.

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. The Town of Knightdale, as well as many homeowners, have taken advantage of these lower interest rates to refinance outstanding mortgages and other debt. In fiscal year 2012, The Town of Knightdale refunded 2002 bonds reducing the interest rates from 4% to 2.27% resulting in a net saving of \$85,933. The Town is currently in the process of refinancing its loan on the Public Safety Building which will save over \$700,000 in future debt service payments over the next 15 years.

National

The national economy continues a long and often sluggish recovery from the recession of 2008 to 2010. Unemployment nationwide has dropped to 7.9% but job growth continues at a slower than expected pace. The crisis in the auto industry and housing markets seems to have ended. Housing prices are finally starting to rise again after several years of decline and construction of new homes has increased over the previous year but is still well below the pace prior to the recession. Median household income in the United States has also declined with 13.80% of households living below the poverty level. There have been some signs of impending improvement in the national economy. Economic growth measured by Gross Domestic Product (GDP) was 2.0% for the third quarter of 2012. 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 pending "fiscal cliff." On January 1, 2013, many of the tax reductions of recent years are scheduled to expire unless Congress acts to extend these cuts by December 31, 2012. The tax increases for 2013 include the elimination of the 2% reduction in social security taxes for employees, the elimination of the lowest tax bracket of 10% which will return to 15%, increases in the tax rate for other income brackets, increase in capital gains tax rate from 15% to 20%, higher estate and gift tax rates, and the return of the marriage penalty whereby married couples receive smaller standard deductions and pay higher tax rates than two singles individuals with similar income. These tax increases combined with across the board reductions in federal spending are referred to as the "fiscal cliff" which could send the national economy back into a recession with unemployment predicted to return to above 9%. The future direction of the national economy remains uncertain.

State

North Carolina' economy also remains sluggish with unemployment statewide at 9.4%. The economic recovery in North Carolina has lagged behind the national economy, suggesting limited growth in State-collected revenues during fiscal year 2013. While employment growth is expected during 2012 and 2013, it is likely to be slow. There are signs that the North Carolina economy is improving. Both leading indexes for the State, prepared by the Philadelphia Federal Reserve Bank and North Carolina State University, show growth expectations for the near future. Most economists call for continued moderate economic growth during 2012 and 2013. The one bright spot in the state's economic picture is retail sale growth. Sales tax revenues are expected to increase by 3.0% statewide for fiscal year 2013. Revenues from State collected franchise taxes on electricity are expected to decrease by 4%, while franchise taxes on telecommunications and cable television are expected to increase by 3% to 4%. Franchise taxes on piped natural gas declined by 12.3% in fiscal year 2012 due to unusually mild winter weather. Taxes on natural gas are expected to return to normal levels in fiscal year 2013. A full summary of the State and national economy is far beyond the scope of this document.

COMPLIANCE AUDIT

As a recipient of federal, state and county assistance, the Town also is responsible for implementing and maintaining an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the 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, 2012, resulted in one instance 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 2012, the Town transferred \$248,728 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. During fiscal year 2012, the Town received \$812,000 for the sale of a permanent easement for access to land and a cell phone tower. The proceeds for this easement were also deposited to the Capital Reserve Fund. Over the past several years, the Town has accumulated a reserve of \$2,939,772 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, 2011. This is the twentieth (20th) 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 2012 budget should be considered a companion document to the Comprehensive Annual Financial Report. The detailed 2011-12 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, and bond rating agencies, the Local Government Commission, and such other financial institutions that have expressed an interest in the Town of Knightdale's financial affairs. A copy of this report is also being placed in the East Regional Library (Knightdale's branch of the Wake County public libraries) and the Knightdale Chamber of Commerce. The report may also be viewed from the Town's web site www.knightdalenc.gov.

Seth Lawless
Seth Lawless
Town Manager

James C. Overton
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, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emen

Executive Director

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

as of June 30, 2012

Seth Lawless
Town Manager

James C. Overton
Finance Director

Suzanne Yeatts
*Human Resources Director/
Town Clerk*

Fred Boone
*Town Engineer/
Public Works Director*

Jason Godwin
Police Chief

Timothy Guffey
Fire Chief

Tina Cheek
Parks & Recreation Director

Chris Hills
Planning Director

Keith Archambault
Information Technology Administrator

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

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

PARKS & RECREATION ADVISORY BOARD

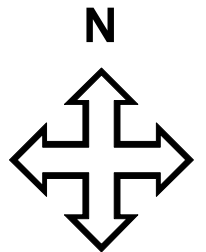
- The Town Council appoints the Parks & Recreation Advisory Board.
- The Parks & Recreation Advisory Board serves in an advisory capacity to the Knightdale Parks & Recreation Department and the Knightdale Town Council on issues relating to the planning and coordination of recreational programs, parks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

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 11,493, 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. Five elementary schools, one middle school and two high schools are located in the community. The Parks & Recreation Department also hosts an annual Easter Egg Hunt, an Arbor Day Festival, Community Day, Heritage Day 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 Mingo Creek Greenway is also under construction. This paved bicycle and walking trail will connect Knightdale to trails in Raleigh and other communities in Wake County.

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 11,493 per the latest State Office of Budget and Management estimate, while Wake County has an estimated population of 907,314. In 2012 the median family income in Knightdale was projected to be \$79,900. The Wake County unemployment rate as of June 2012 was 7.9%. The average temperature is 60 degrees and the annual rainfall is 45 inches. The Town's land area consists of 6.33 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. This department includes the Town Manager and Public Information Officer.

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 Police and Fire Departments are under the direction of the Police Chief and the Fire Chief, respectively. 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; street sweeping, ice and snow removal, as well as leaf pick-up in the autumn. The department also handles general repairs and maintenance of Town vehicles. The maintenance and repair of the Town parks and ball fields, and the grounds around certain Town buildings are included in the Public Works Department's responsibilities. Maintenance workers may also do small construction projects in and around Town facilities. Beginning in February 2013, the Public Works Department will also begin for yard waste removal service thorough tout the Town. This department consists of two divisions Public Works Street Maintenance and Public Works Grounds Maintenance. The Department includes the Operations Supervisor, Grounds Maintenance Supervisor, Maintenance Workers, and the Town Custodian.

ENGINEERING

The Town Engineer / Public Works Director heads this department. The Town Engineer performs professional level design and review work on behalf of the Town. The Town Engineer also oversees various capital improvements projects. Thus, reliance on outside engineers is significantly reduced and review time is reduced. As Public Works Director, he also supervises the Public Works Department. This department consists of the Town Engineer / Public Works Director and the Construction Inspector.

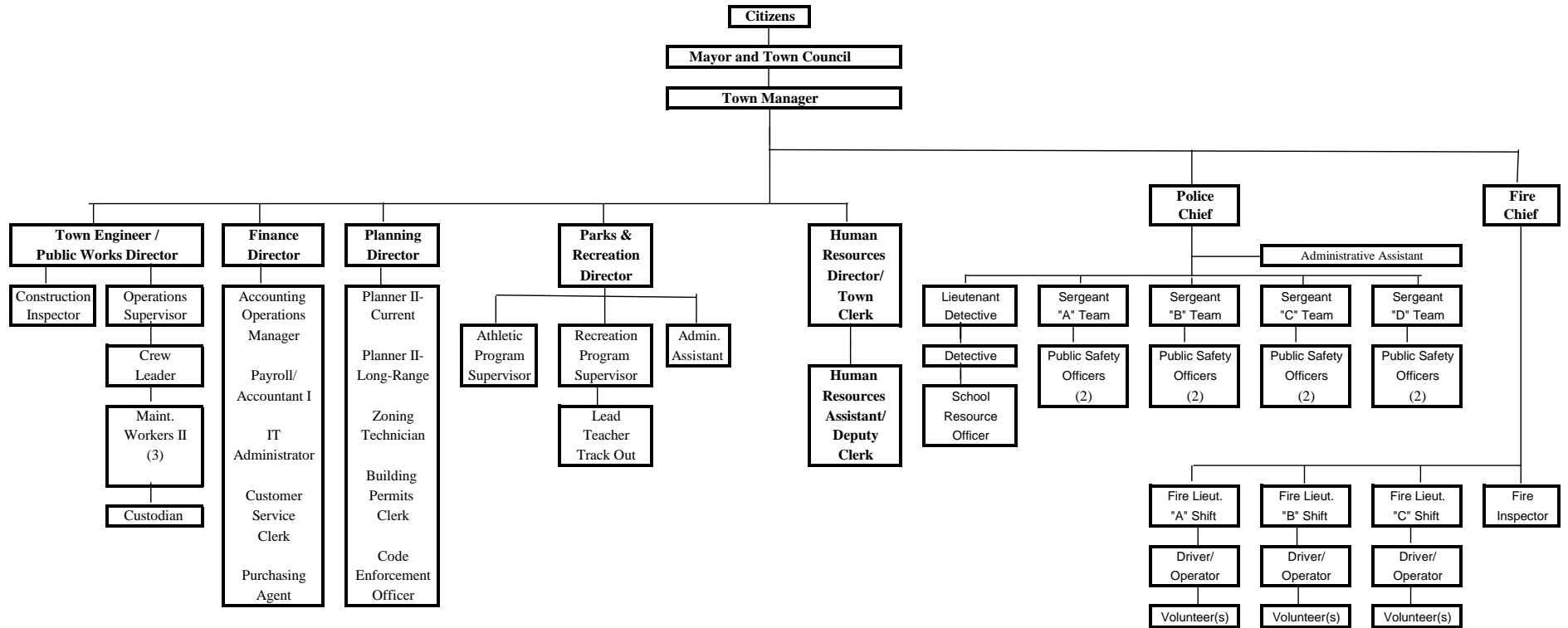
<p style="text-align: center;">TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)</p>

PARKS AND RECREATION

The Parks and Recreation Department is responsible for comprehensive planning; public relations; park acquisition and development; policy and procedure implementation; instructional programs; Summer Day Camp Programs; and Recreation Center Programs. Organizing, planning and implementing athletic programs for adults and children of the Town, including basketball, tennis and softball programs; swimming programs; and coordinating all outside school facilities with the Knightdale Area Soccer League and Pop Warner Football are also duties of the Parks and Recreation Department. 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 2012



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



Knightdale Christmas Tree Lighting 2011

Historic Downtown Knightdale

Painting by Lewis Chapman



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, 2012, 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, 2012, 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 13, 2012 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.

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Knightdale's basic financial statements. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented as for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are stated in all material respects in relation to the basic financial statements as a whole.

Joyce and Company, CPA
JOYCE AND COMPANY, CPA

November 13, 2012

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, 2012. 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

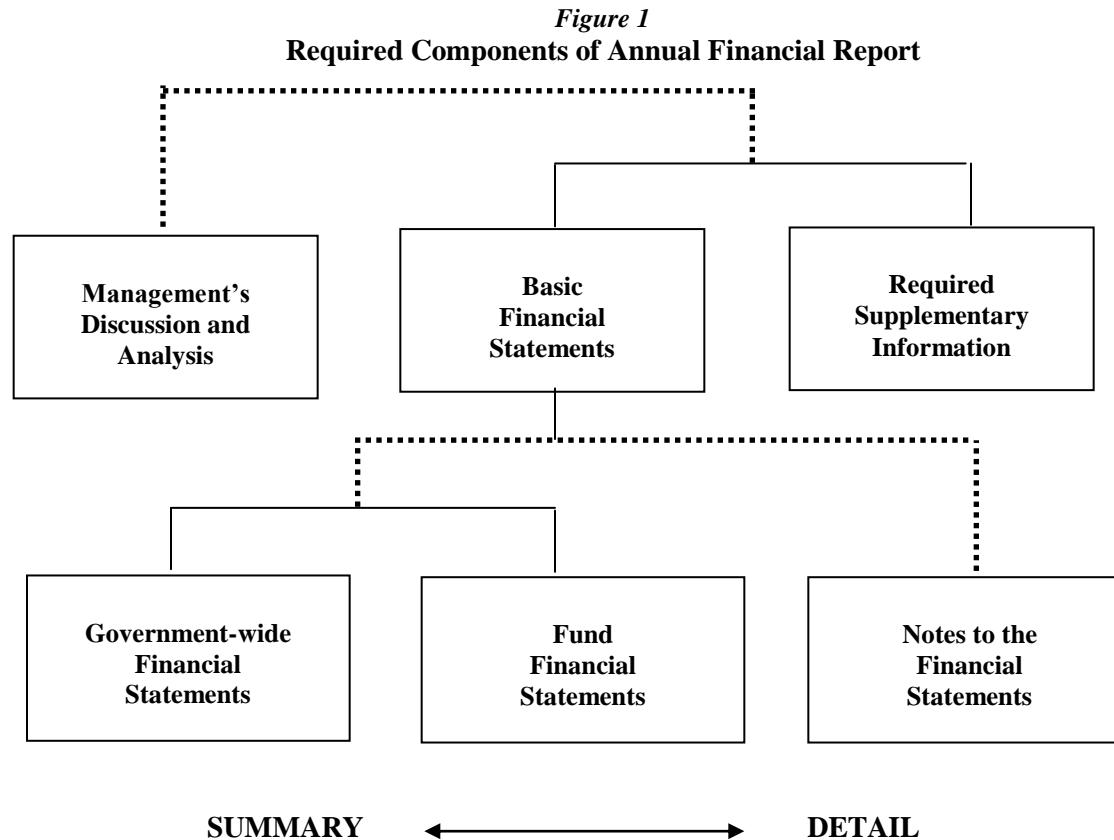
- The assets of the Town of Knightdale exceeded its liabilities at the close of the fiscal year by \$35,543,742 (*net assets*).
- The Town's total net assets increased over the course of this year's operations by \$304,344 (0.86%). Net assets for business-type activities *decreased* \$998,512 (95.59%), primarily due to the transfer of assets to the City of Raleigh and transfers to other funds. The net assets related to governmental activities *increased* \$1,302,856 (3.81%).
- During the year, the Town's governmental activities revenues of \$12,441,932 exceeded the governmental expenses by \$1,302,856. Fifty percent (50%) of this increase is due to the transfer of funds from the business-type activities. The Town transferred the remaining balance of \$651,159 from the Utility Capital Project Fund upon completion of the project.
- Knightdale no longer owns nor operates the water and sewer utility system in the Town. Knightdale has chosen to maintain the water and sewer proprietary funds because of the internal controls inherent with these funds. Knightdale now collects water and sewer fees and charges on behalf of the City of Raleigh. Amounts collected on behalf of Raleigh are remitted to the City of Raleigh by the middle of the following month.
- Knightdale dedicated \$1,249 of construction in progress to the City of Raleigh upon completion of the Hodge Road Siphon Capital Project. In addition, Knightdale transferred \$400,000 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 \$8,260,211 with a net change of \$1,976,316 in fund balance. Approximately 23.38% of this total amount, or \$1,931,420 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,984,408 or 28.68% 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, 2012 was \$3,595,547 or 36.51% of the General Fund's expenditures, transfers out and adjusted for debt financed expenditures.
- The Town of Knightdale's current debt due within one year for general obligations and installment notes (\$967,861) decreased \$29,227 during the current fiscal year. Of this amount, the City of Raleigh will transfer \$332,135 to the Town to fund water and sewer debt which could not legally be transferred to Raleigh in the utility merger.
- The Town of Knightdale's total debt decreased by \$890,377 (9.61%) during the current fiscal year. The Town issued \$2,119,000 of 2011 refunding bonds to recall \$2,000,000 of 2002 public improvement bonds reducing the interest rate on future debt service payments from 4% to 2.27%. The Town paid \$20,000 (1.0%) prepayment premium to recall the 2002 bonds. The Town did not issue any additional debt for the acquisition of capital assets during the current fiscal year.
- The Town of Knightdale maintained its bonds ratings of AA, A2, and 82 with Standard and Poor's, Moody's, and the North Carolina Municipal Council respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

- The first two statements (Exhibits 1 and 2) are **Government-wide Financial Statements**. They provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements (Exhibit 3 through 8) are **Fund Financial Statements**. These statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; the budgetary comparison statements; and 4) the proprietary fund statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.



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

Figure 2

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary, such as public safety and parks.	Activities the Town operates similar to private businesses; the water and sewer system.
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 activities - not the Town as a whole. Funds, a group of related accounts, are accounting devices that the Town uses to keep maintain control over specific sources of funding and spending that have been segregated for specific activities or objectives. The Town of Knightdale, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Knightdale can be divided into two categories: governmental and proprietary.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are 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 in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. Consequently, the governmental 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. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

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

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

Notes to the Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure 3
Town of Knightdale's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,957,234	\$ 7,726,646	\$ 2,386,577	\$ 3,714,384	\$ 12,343,811	\$ 11,441,030
Capital assets	<u>34,723,878</u>	<u>35,679,389</u>	<u>-</u>	<u>-</u>	<u>34,723,878</u>	<u>35,679,389</u>
Total assets	<u>44,681,112</u>	<u>43,406,035</u>	<u>2,386,577</u>	<u>3,714,384</u>	<u>47,067,689</u>	<u>47,120,419</u>
Long-term liabilities outstanding	6,654,468	6,930,199	1,942,460	2,196,542	8,596,928	9,126,741
Other liabilities	<u>2,528,964</u>	<u>2,281,012</u>	<u>398,055</u>	<u>473,268</u>	<u>2,927,019</u>	<u>2,754,280</u>
Total liabilities	<u>9,183,432</u>	<u>9,211,211</u>	<u>2,340,515</u>	<u>2,669,810</u>	<u>11,523,947</u>	<u>11,881,021</u>
Net assets:						
Invested in capital assets, net of related debt	28,649,087	28,955,166	-	-	28,649,087	28,955,166
Restricted	1,895,412	1,943,693	-	-	1,895,412	1,943,693
Unrestricted	<u>4,953,181</u>	<u>3,295,965</u>	<u>46,062</u>	<u>1,044,574</u>	<u>4,999,243</u>	<u>4,340,539</u>
Total net assets	<u>\$ 35,497,680</u>	<u>\$ 34,194,824</u>	<u>\$ 46,062</u>	<u>\$ 1,044,574</u>	<u>\$ 35,543,742</u>	<u>\$ 35,239,398</u>

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 \$35,543,742 as of June 30, 2012. The Town's net assets increased by \$304,344 for the fiscal year ended June 30, 2012. However, the largest portion (80.60%) 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, \$1,895,412 (5.33%), represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, \$4,999,243 (14.07%), 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 98.45%, increasing from 98.11% in the prior year. The statewide average tax collection percentage is 97.42%.
- The Town's assessed value at year end (\$1,271,665,387) grew 2.05% as compared to fiscal year 2011 values. The Town continues to benefit from construction of new homes, apartments and retail establishments. Property tax collections were up 2.40%.
- Local option sales tax revenues decreased by \$76,653 (3.85%) mainly due to an adjustment in population numbers used by the State of North Carolina Department of Revenue to distribute sales tax revenue among the various towns in Wake County. Knightdale's estimated population decreased as a result of the 2010 census.
- Total Governmental Activities expenses decreased 13.06% during fiscal year 2012 as the Town primarily due to a reduction in expenditures from the General Capital Project Fund. The Town acquired 73 acres of land for a new park at a cost of \$2,931,529 in the previous year.
- Debt service expenditures in the General Fund increased by \$887,069 in fiscal year 2012. Of this amount, \$557,632 represents bond proceeds from 2011 Refunding Bonds used to retire 2002 public improvements bonds. The remaining increase can be attributed to the initial payment of \$369,080 for park land acquired in fiscal year 2011.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net assets by \$1,302,856, thereby accounting for 100% of the total growth in net assets of the Town of Knightdale.

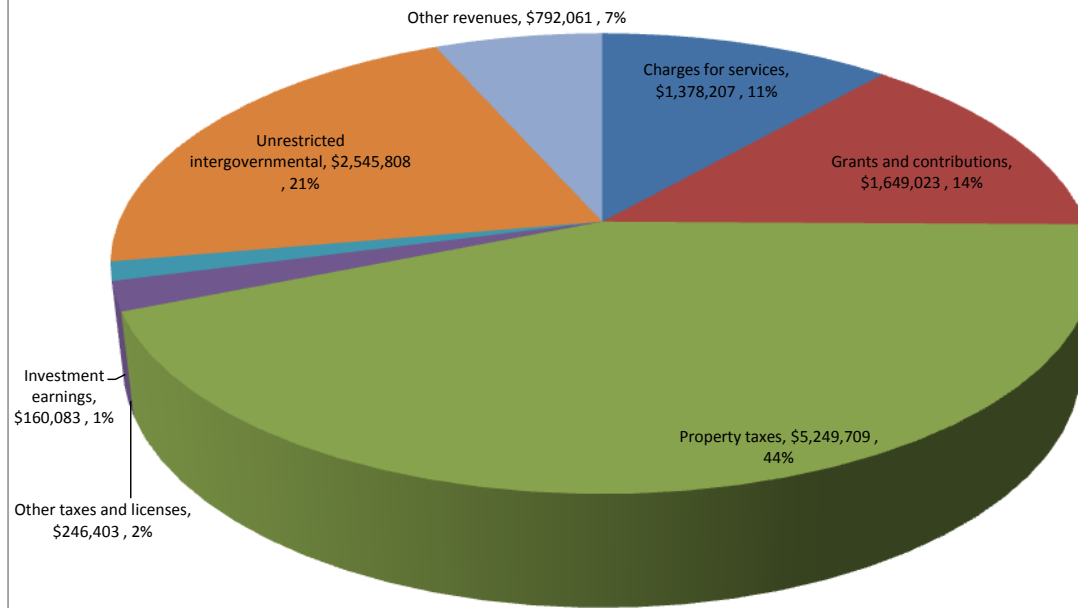
Revenues-Governmental Activities

- Ad Valorem Taxes make up 44.52% 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 2012 was 41 cents with an assessed value of \$1,271,665,387 (per Wake County tax report). Knightdale's tax base grew 2.05% from fiscal year 2011. 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 98.45%.
- Developers contributed \$2,868,615 of infrastructure improvements to the Town during the previous 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 22.03% 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.
- Restricted intergovernmental revenues \$1,531,339 make up 13.24% of total governmental activities revenues. 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. The Town also received \$58,000 from the Triangle J Council of Governments to convert 10 police cars from gasoline to LP fuel.

Figure 4
Town of Knightdale Changes in Net Assets

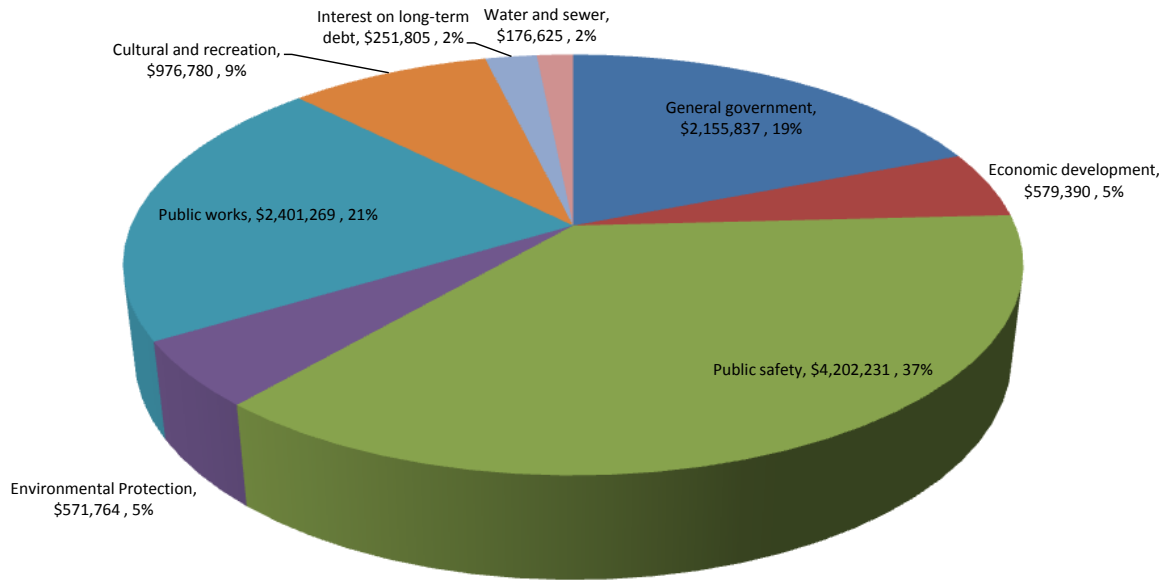
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,378,207	\$ 1,643,504	\$ -	\$ -	\$ 1,378,207	\$ 1,643,504
Operating grants and contributions	830,434	864,939	-	-	830,434	864,939
Capital grants and contributions	730,905	2,961,423	87,684	-	818,589	2,961,423
General revenues:						
Property taxes	5,249,709	5,125,475	-	-	5,249,709	5,125,475
Other taxes	246,403	232,843	-	-	246,403	232,843
Grants and contributions not restricted to specific programs	2,545,808	2,662,238	-	-	2,545,808	2,662,238
Unrestricted investment earnings	34,957	33,351	125,126	130,917	160,083	164,268
Other revenues	774,350	237,404	17,711	6,017	792,061	243,421
Total revenues	<u>11,790,773</u>	<u>13,761,177</u>	<u>230,521</u>	<u>136,934</u>	<u>12,021,294</u>	<u>13,898,111</u>
Expenses:						
General government	2,155,837	1,454,654	-	-	2,155,837	1,454,654
Public safety	4,202,231	4,087,816	-	-	4,202,231	4,087,816
Transportation	2,401,269	2,442,706	-	-	2,401,269	2,442,706
Environmental protection	571,764	532,250	-	-	571,764	532,250
Economic and physical development	579,390	449,226	-	-	579,390	449,226
Cultural and recreation	976,780	918,928	-	-	976,780	918,928
Interest on long-term debt	251,805	299,747	-	-	251,805	299,747
Water and sewer	-	-	176,625	130,422	176,625	130,422
Total expenses	<u>11,139,076</u>	<u>10,185,327</u>	<u>176,625</u>	<u>130,422</u>	<u>11,315,701</u>	<u>10,315,749</u>
Change in net assets before transfers and special item	651,697	3,575,850	53,896	6,512	705,593	3,582,362
Transfers	651,159	-	(651,159)	-	-	-
Special item: loss on assets transferred to City of Raleigh	<u>-</u>	<u>-</u>	<u>(401,249)</u>	<u>(1,608,656)</u>	<u>(401,249)</u>	<u>(1,608,656)</u>
Change in net assets	1,302,856	3,575,850	(998,512)	(1,602,144)	304,344	1,973,706
Net assets, July 1	<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>
Net assets, June 30	<u>\$ 35,497,680</u>	<u>\$ 34,194,824</u>	<u>\$ 46,062</u>	<u>\$ 1,044,574</u>	<u>\$ 35,543,742</u>	<u>\$ 35,239,398</u>

Figure 5
Town of Knightdale
Revenues by Source Fiscal Year 2012



The Town of Knightdale's total revenues were \$12,021,294 for the fiscal year ended June 30, 2012.

**Figure 6
Town of Knightdale
Expenses by Function
Fiscal Year 2012**



The Town of Knightdale's total expenses were \$11,315,701 for the fiscal year ended June 30, 2012. Water and sewer expenses have dropped to an insignificant amount, as the City of Raleigh has assumed control of the utility system.

- Powell Bill funds are generated from the State's Gasoline Tax. A certain percentage of this tax is returned to municipalities through a formula based on a Town's population and street mileage. These funds are limited to maintaining, repairing, construction, reconstruction, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other related needs. Powell Bill funding decreased 2.85% (\$8,745) this year and is included in Operating Grants and Contributions. The decrease is due to a one-time adjustment of \$12,346 received in the previous fiscal year.
- Charges for services, which include recreation, sanitation, permits and fees revenues, decreased \$265,297 this year. The Town received \$277,852 in fiscal year 2011 from a developer for future street improvements. This amount is shown in the General Capital Projects Capital Reserve Fund as restricted net assets.
- Investment earnings increased 4.8% despite record low interest rates due to an increase in the amount of cash reserves invested.
- The Town sold a permanent easement in the amount of \$812,000 to Crown Castle for access to the Town's land. Crown Castle has a cell phone tower located on Town of Knightdale property. The sales proceeds account for the increase in other revenues. The permanent easement replaces annual payments for rent on the property received from Crown Castle.

Expenses-Governmental Activities

- The primary expenditures are divided into eight different categories: General Government, Public Safety, Transportation (Public Works), Environmental Protection, Economic Development, Cultural and Recreational, Capital Outlay and Debt Service.
- General Government consists of the Town Council, Administration Department, and Finance Department. This category represents 19.05% of total expenses.
- General Governmental expenses increased \$701,183 (48.20%) due to an increase of \$299,582 in liabilities for post employment health care benefits and expenditures for energy efficiency improvements to public buildings in the amount of \$598,597 funded by a grant from the United States Department of Energy. Of the total grant expenditures, \$518,464 represents pass-through expenditures for Lee County Schools, a sub-recipient of the grant. The Town of Knightdale expended \$80,133 for improvements to its public buildings. Grant funds were used to replace old light fixtures with more energy efficient lighting in several buildings.
- Public Safety expenses increased approximately 2.80% from fiscal year 2011. 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 decreased by \$41,437 (1.70%) in fiscal year 2012. The Town paid infrastructure reimbursements to developers in the amount of \$247,466 in fiscal year 2012.
- Interest on long-term debt decreased \$47,942 (16%) as the Town paid off several loans for vehicles and equipment during fiscal year 2012.

BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the Town of Knightdale's net assets by \$998,512. Key elements were the transfer of assets to the City of Raleigh and to Governmental Activities 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 capital project. The project was completed in fiscal year 2011. These Town of Knightdale dedicated construction in progress assets in the amount of \$858,656 in 2011 and \$1,249 in 2012 to the City of Raleigh upon completion. Knightdale also transferred remaining cash of \$750,000 in fiscal year 2011 and \$400,000 in fiscal year 2012 to the City of Raleigh. This Utility Capital Project fund is now closed.
- The Town of Knightdale also transferred \$651,159 from business-type activities to governmental activities, \$63,660 for storm water mapping and \$587,499 to the General Capital Project Fund for construction of Knightdale Park.
- 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 earlier, the Town of Knightdale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The General Fund is the chief operating fund of the Town of Knightdale. At the end of the current fiscal year, unrestricted fund balance in the General Fund was \$3,085,208 while total fund balance for the General Fund reached \$4,648,300. 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 29.65% 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 \$3,595,547 or 36.51% of General Fund expenditures and interfund transfers less debt proceeds, 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, 2012, the governmental funds of the Town of Knightdale reported a combined fund balance of \$8,260,211, with a net increase in fund balance of \$1,976,316 (31.45%) over last year. Included in this change in fund balance are increases in the General Fund, Capital Project Funds and Non-Major Special Revenue Fund.

General Fund Budgetary Highlights-Fiscal Year 2012

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 2.40% over the previous year, while sales tax revenues decreased by 3.85%. Permits and fees increased 3.37% over the previous year. Sales and services revenues (sanitation and parks and recreation) decreased slightly (1.77%) compared to fiscal year 2011 revenues. 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. Other revenues decreased 32% due to a reduction in rental fees collected from a cell phone tower located on Town property. After the sale of a permanent easement for access to the cell phone tower, the Town will no longer receive rental fees from the tower.

General Capital Projects – Capital Reserve Fund- Fiscal Year 2012

As of June 30, 2012, the General Capital Projects – Capital Reserve Fund had a fund balance of \$2,939,772. Of this amount \$277,852 is restricted for the extension of Hinton Oaks Blvd to the new Army Reserve Center. The remaining balance is assigned or designated for future capital projects. During the current fiscal year, the fund balance increased by \$1,109,435 due primarily to the sale of a permanent easement to Crown Castle in the amount of \$812,000 for access to a cell tower located on town property. The Town transferred \$243,030 from the Capital Reserve Fund to the Capital Projects Fund to pay for various capital projects including Knightdale Park, Mingo Creek Greenway and First Avenue Street improvements. The General Fund transferred \$248,728 (representing \$0.02 of the current tax levy) to the General Capital Projects - Capital Reserve Fund during fiscal year 2012.

Proprietary Fund Highlights- Fiscal Year 2012

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. The Hodge Road Utility Capital Project Fund was closed out this year upon completion of the project and all remaining funds were transferred to the City of Raleigh (\$400,000) and to other governmental activities funds (\$651,159).

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, 2012, totals \$34,723,878 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 asset transactions during the year are detailed below.

- The Town of Knightdale expended \$170,154, \$116,296 and \$105,134 for construction in progress on the First Avenue street improvements, Mingo Creek Greenway and Knightdale Park projects, respectively during fiscal year 2012.
- The Town also expended \$73,312 to replace all lighting fixtures in Town Hall and the Public Safety Building with more energy efficient light fixtures. This project was funded by a grant from the United States Department of Energy.
- The Town of Knightdale donated equipment with a book value of \$26,936, net of accumulated depreciation, to East Wake Television. The equipment is used by East Wake Television to operate local public and government access cable TV channels under an interlocal agreement with Knightdale and six other towns.
- The Town of Knightdale expended \$58,800 for mapping of all storm water drainage improvements throughout approximately half of the Town limits. The budget for fiscal year 2013 includes funding to complete storm water mapping throughout the rest of the Town limits.

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

Long-term Debt

As of June 30, 2012, the Town of Knightdale had total bonded debt outstanding of \$2,156,000. This outstanding debt is backed by the full faith and credit of the Town. Of that total, \$1,601,790 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. On November 15, 2011, the Town of Knightdale issued \$2,119,000 of 2011 Refunding Bonds to defease \$2,000,000 of 2002 general obligation bonds. The interest rate on the new bonds is 2.27% compared to 4% on the old bonds, resulting in a net savings of \$85,933 in future debt service payments. The remaining Town debt relates to installment purchase agreements and payments to the Eastern Wake Volunteer Fire Dept for ad-valorem taxes on annexed property formerly located within the Eastern Wake Fire District. The Town of Knightdale's total debt decreased \$890,377 (9.62%), net of new issues and repayments, during the current fiscal year.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Knightdale is \$90,638,666, which is well above the Town's current total debt outstanding. The Town has \$5,000,000 in lease purchase agreements for the construction of Knightdale Park Phase I authorized but unissued at June 30, 2012.

Additional debt information can be found in the Note 3.B.5 of the Basic Financial Statements.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 10,423,443	\$ 10,423,443	\$ -	\$ -	\$ 10,423,443	\$ 10,423,443
Construction in progress	1,169,818	859,055	-	-	1,169,818	859,055
Streets and infrastructure	18,722,281	19,494,430	-	-	18,722,281	19,494,430
Building	3,021,156	3,197,986	-	-	3,021,156	3,197,986
Other improvements	419,551	452,690	-	-	419,551	452,690
Intangibles	56,840	-	-	-	56,840	-
Equipment	211,711	291,450	-	-	211,711	291,450
Vehicles and motorized equipment	699,078	960,335	-	-	699,078	960,335
Total	<u>\$ 34,723,878</u>	<u>\$ 35,679,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,723,878</u>	<u>\$ 35,679,389</u>

Figure 8
Town of Knightdale's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 554,210	\$ 578,947	\$ 1,601,790	\$ 1,689,053	\$ 2,156,000	\$ 2,268,000
Installment purchase agreements	5,520,581	6,145,276	672,805	822,897	6,193,386	6,968,173
Eastern Wake Volunteer Fire Dept	19,774	23,364	-	-	19,774	23,364
Total outstanding debt	<u>\$ 6,094,565</u>	<u>\$ 6,747,587</u>	<u>\$ 2,274,595</u>	<u>\$ 2,511,950</u>	<u>\$ 8,369,160</u>	<u>\$ 9,259,537</u>

RESTRICTED FUNDS

The Police Division received \$453 in restricted revenue and controlled substance taxes this year as the Town's share of drug money seized during police activity. As of June 30, 2012, the Town has \$50,407 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 \$6,538 distribution for the Firemen's Relief Fund from the NC Dept of Insurance. The accumulated funds totaling \$33,503 are available to provide immediate relief to firemen or their families in the event of a firefighting injury. These restricted funds totaling \$83,910 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 2.0% for Town employees.
- No merit raises were included in the FY 2013 Budget.
- \$100,800 of Fund Balance, (prior years' equity) used to balance the budget.
- New Public Information Officer and Maintenance Worker positions are included in the new budget.
- Health insurance contribution remained at \$570 per employee per month.
- Sanitation fees for residential customers increased by \$0.42 per month due to a 3% 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 8%.
- The Town of Knightdale implemented a new storm water fee of \$2.00 per month for each residential equivalent unit (ERU = 2,200 square feet) beginning July 1, 2012. The new fee will be used to provide monthly street sweeping service throughout Knightdale, mapping of storm water drainage system, and repairs and maintenance of the storm water system.
- Fiscal year 2013 capital improvement budget includes \$153,500 for renovations to Town Hall and the Public Safety Building, \$51,700 for new equipment in the Public Works Department to provide yard waste and debris pickup services, and \$51,600 in Public Works to replace old mowing equipment.
- During fiscal year 2013, construction on several major capital projects will be completed including Mingo Creek Greenway, Phase I of Knightdale Park, and street improvements along First Avenue in historic downtown Knightdale.

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. You can also call (919) 217-2210 extension 2210, visit our website www.knightdalenc.gov or send an email to james.overton@knightdalenc.gov for more information.

BASIC FINANCIAL STATEMENTS



Knightdale Easter Egg Hunt 2011

Harper Park

Painting by Lewis Chapman

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT 1

Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,850,910	\$ 111,982	\$ 7,962,892
Restricted cash	804,467	-	804,467
Receivables:			
Taxes	146,453	-	146,453
Accounts	114,843	-	114,843
Accrued interest	9,331	-	9,331
Notes-current	-	332,135	332,135
Due from other governments	995,222	-	995,222
Prepaid expenses	36,008	-	36,008
Note receivable-noncurrent	-	1,942,460	1,942,460
Capital assets:			
Land, improvements and construction in progress	11,593,261	-	11,593,261
Other capital assets, net of depreciation	23,130,617	-	23,130,617
TOTAL ASSETS	\$ 44,681,112	\$ 2,386,577	\$ 47,067,689

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT 1

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,248,270	\$ 61,639	\$ 1,309,909
Unearned revenues	113,407	-	113,407
Accrued salaries	92,584	-	92,584
Accrued interest	206,844	4,281	211,125
Due within one year:			
Compensated absences	232,133	-	232,133
Bonds and notes payable	635,726	332,135	967,861
Due in more than one year:			
Compensated absences	91,530	-	91,530
Net pension obligation	351,268	-	351,268
Net other postemployment benefits obligation	752,831	-	752,831
Bonds and notes payable	5,458,839	1,942,460	7,401,299
TOTAL LIABILITIES	9,183,432	2,340,515	11,523,947
NET ASSETS			
Invested in capital assets, net of related debt	28,649,087	-	28,649,087
Restricted for Stabilization by State Statute	1,090,945	-	1,090,945
Restricted for Powell Bill	279,629	-	279,629
Restricted for public safety	83,910	-	83,910
Restricted for loan covenant	146,800	-	146,800
Restricted for Hinton Oaks Blvd. Extension Army Reserve	277,852	-	277,852
Restricted for Storm Water Surety	16,276	-	16,276
Unrestricted	4,953,181	46,062	4,999,243
TOTAL NET ASSETS	\$ 35,497,680	\$ 46,062	\$ 35,543,742

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, 2012

EXHIBIT 2

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-type
	Expenses	Services	Grants and	Grants and	Activities	Activities
			Contributions	Contributions		Total
FUNCTIONS/PROGRAMS						
Governmental activities						
General government	\$ 2,155,837	\$ -	\$ -	\$ 591,857	\$ (1,563,980)	\$ -
Public safety	4,202,231	28,363	405,444	-	(3,768,424)	-
Transportation	2,401,269	143,531	350,809	124,048	(1,782,881)	-
Environmental protection	571,764	620,313	8,738	15,000	72,287	-
Economic and physical development	579,390	158,937	65,443	-	(355,010)	-
Cultural and recreational	976,780	427,063	-	-	(549,717)	-
Interest on long-term debt	251,805	-	-	-	(251,805)	-
Total governmental activities	<u>11,139,076</u>	<u>1,378,207</u>	<u>830,434</u>	<u>730,905</u>	<u>(8,199,530)</u>	<u>-</u>
Business-type activities						
Water and sewer	<u>176,625</u>	<u>-</u>	<u>-</u>	<u>87,684</u>	<u>-</u>	<u>(88,941)</u>
TOTAL	<u>\$ 11,315,701</u>	<u>\$ 1,378,207</u>	<u>\$ 830,434</u>	<u>\$ 818,589</u>	<u>(8,199,530)</u>	<u>(88,941)</u>
General revenues						
Taxes:						
Property taxes, levied for general purposes					5,249,709	-
Other taxes and licenses					246,403	-
Grants and contributions not restricted to specific programs					2,545,808	-
Unrestricted investment earnings					34,957	125,126
Miscellaneous					86,369	17,711
Gain on disposition of capital assets					687,981	-
Transfers					651,159	(651,159)
Special item: transfer of cash and capital assets to the City of Raleigh					-	(401,249)
Total general revenues					<u>9,502,386</u>	<u>(909,571)</u>
Change in net assets					1,302,856	(998,512)
Net assets-beginning					<u>34,194,824</u>	<u>1,044,574</u>
Net assets-ending					<u>\$ 35,497,680</u>	<u>\$ 46,062</u>
						<u>\$ 35,543,742</u>

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

EXHIBIT 3

	Major			Nonmajor	Total
	General	General Capital Project Capital Reserve	General Capital Projects	Storm Water Special Revenue	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,557,769	\$ 2,660,645	\$ 609,162	\$ 23,334	\$ 7,850,910
Restricted cash	510,339	277,852	-	16,276	804,467
Receivables:					
Taxes	146,453	-	-	-	146,453
Accounts	114,843	-	-	-	114,843
Accrued interest	9,331	-	-	-	9,331
Due from other governments	921,022	1,275	72,925	-	995,222
Prepaid expenditures	36,008	-	-	-	36,008
TOTAL ASSETS	\$ 6,295,765	\$ 2,939,772	\$ 682,087	\$ 39,610	\$ 9,957,234
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,198,712	\$ -	\$ 42,161	\$ 7,397	\$ 1,248,270
Accrued salaries	92,584	-	-	-	92,584
Deferred revenue	242,762	-	-	-	242,762
Unearned revenue	113,407	-	-	-	113,407
TOTAL LIABILITIES	1,647,465	-	42,161	7,397	1,697,023
FUND BALANCES					
Nonspendable					
Prepaid expenditures	36,008	-	-	-	36,008
Restricted					
Stabilization by State Statute	1,016,745	1,275	72,925	-	1,090,945
Streets-Powell Bill	279,629	-	-	-	279,629
Public safety	83,910	-	-	-	83,910
Hinton Oaks Blvd. Extension Army Reserve	-	277,852	-	-	277,852
Storm Water Surety	-	-	-	16,276	16,276
Debt service	146,800	-	-	-	146,800
Assigned					
Designated for subsequent year's expenditures	100,800	-	-	-	100,800
Capital Projects Fund	-	2,660,645	567,001	-	3,227,646
Special Revenue Fund	-	-	-	15,937	15,937
Unassigned	2,984,408	-	-	-	2,984,408
TOTAL FUND BALANCES	4,648,300	2,939,772	639,926	32,213	8,260,211
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,295,765	\$ 2,939,772	\$ 682,087	\$ 39,610	\$ 9,957,234

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, 2012

EXHIBIT 3

Fund balances-total governmental funds	\$ 8,260,211
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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	\$ 44,506,319	
Less accumulated depreciation	<u>(9,782,441)</u>	34,723,878

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	(6,094,565)	
Compensated absences	(323,663)	
Net pension obligation	(351,268)	
Net other postemployment benefits (OPEB) obligation	<u>(752,831)</u>	(7,522,327)

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

Deferred revenue		242,762
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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>(206,844)</u>
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Net assets of governmental activities		<u><u>\$ 35,497,680</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, 2012

EXHIBIT 4

Page 1 of 2

	Major			Nonmajor	
	General	General	General	Storm	Total
	Fund	Capital	Capital	Water	Governmental
		Reserve	Projects	Special	Funds
				Revenue	
REVENUES					
Ad valorem taxes	\$ 5,277,887	\$ -	\$ -	\$ -	\$ 5,277,887
Other taxes and licenses	146,204	92,235	-	-	238,439
Unrestricted intergovernmental	2,545,808	-	-	-	2,545,808
Restricted intergovernmental	830,434	-	715,905	15,000	1,561,339
Permits and fees	187,300	183,024	-	16,276	386,600
Sales and services	1,022,573	5,650	-	-	1,028,223
Investment earnings	21,085	10,828	2,869	175	34,957
Miscellaneous	85,522	-	847	-	86,369
TOTAL REVENUES	10,116,813	291,737	719,621	31,451	11,159,622
EXPENDITURES					
Current					
General government	1,159,777	-	-	-	1,159,777
Public safety	3,831,884	-	-	-	3,831,884
Transportation	1,628,223	-	-	-	1,628,223
Environmental protection	565,706	-	-	62,898	628,604
Economic and physical development	577,318	-	-	-	577,318
Cultural and recreational	912,635	-	-	-	912,635
Capital outlay	-	-	985,860	-	985,860
Debt service					
Note principal	629,347	-	-	-	629,347
Note interest	219,184	-	-	-	219,184
Debt issuance fees	14,399	-	-	-	14,399
Bond principal	582,368	-	-	-	582,368
Bond interest	35,418	-	-	-	35,418
TOTAL EXPENDITURES	10,156,259	-	985,860	62,898	11,205,017
REVENUES OVER (UNDER) EXPENDITURES	(39,446)	291,737	(266,239)	(31,447)	(45,395)

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, 2012

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	\$ -	\$ 248,728	\$ 830,529	\$ 63,660	\$ 1,142,917
Transfers to other funds	(248,728)	(243,030)	-	-	(491,758)
Sale of capital assets	920	812,000	-	-	812,920
Installment notes from financing issued	557,632	-	-	-	557,632
TOTAL OTHER FINANCING SOURCES (USES)	309,824	817,698	830,529	63,660	2,021,711
NET CHANGE IN FUND BALANCE	270,378	1,109,435	564,290	32,213	1,976,316
FUND BALANCE - Beginning of Year	4,377,922	1,830,337	75,636	-	6,283,895
FUND BALANCE - End of Year	\$ 4,648,300	\$ 2,939,772	\$ 639,926	\$ 32,213	\$ 8,260,211

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, 2012

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	\$ 1,976,316
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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	\$ 654,033	
Less current year depreciation	<u>(1,484,605)</u>	(830,572)

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	(557,632)	
Eastern Wake Volunteer Fire Department note payable	(1,061)	
Principal payments	<u>1,211,715</u>	653,022

(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, 2012

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	\$	(56,830)
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Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Basis of fixed assets sold	\$	(124,939)	
Change in accrued interest payable		17,196	
Change in compensated absences		3,926	
Change in net pension obligation		(35,681)	
Change in net other postemployment benefits obligation		<u>(299,582)</u>	(439,080)

Change in net assets of governmental activities		<u>\$</u>	<u>1,302,856</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, 2012
EXHIBIT 5

Page 1 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES	<u>Original</u>	<u>Final</u>		
Ad valorem taxes	\$ 5,221,195	\$ 5,240,845	\$ 5,277,887	\$ 37,042
Other taxes and licenses	129,777	133,277	146,204	12,927
Unrestricted intergovernmental revenues	2,576,222	2,582,222	2,545,808	(36,414)
Restricted intergovernmental revenues	755,421	976,223	830,434	(145,789)
Permits and fees	107,500	120,000	187,300	67,300
Sales and services	980,796	987,796	1,022,573	34,777
Investment earnings	16,000	16,000	21,085	5,085
Miscellaneous	64,783	71,006	85,522	14,516
TOTAL REVENUES	9,851,694	10,127,369	10,116,813	(10,556)
EXPENDITURES				
General government	1,164,306	1,203,006	1,159,777	43,229
Public safety	3,789,776	3,959,959	3,831,884	128,075
Transportation	1,876,070	1,971,370	1,628,223	343,147
Environmental protection	607,876	577,476	565,706	11,770
Economic and physical development	578,181	622,973	577,318	45,655
Cultural & recreation	1,021,396	1,029,896	912,635	117,261
Debt service				
Bond and note principal	822,987	827,470	1,211,715	(384,245)
Bond and note interest and fees	387,024	455,860	269,001	186,859
TOTAL EXPENDITURES	10,247,616	10,648,010	10,156,259	491,751
Revenues over (under) expenditures	(395,922)	(520,641)	(39,446)	481,195

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, 2012
EXHIBIT 5

Page 2 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 316,650	\$ 316,650	\$ -	\$ (316,650)
Transfers to other funds	(248,728)	(248,728)	(248,728)	-
Sale of capital assets	8,000	8,000	920	(7,080)
Installment note proceeds	108,000	181,319	557,632	376,313
Appropriated Fund Balance	212,000	263,400	-	(263,400)
TOTAL OTHER FINANCING SOURCES (USES)	395,922	520,641	309,824	(210,817)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	270,378	<u>\$ 270,378</u>
FUND BALANCE - beginning of year			<u>4,377,922</u>	
FUND BALANCE - end of year			<u>\$ 4,648,300</u>	

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

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

June 30, 2012

EXHIBIT 6

ASSETS

Current assets:

Cash and cash equivalents	\$	111,982
Note receivable-current portion		332,135
Total current assets		<u>444,117</u>

Noncurrent assets:

Note receivable-noncurrent portion		1,942,460
Total noncurrent assets		<u>1,942,460</u>

TOTAL ASSETS

\$ 2,386,577

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	61,639
Accrued interest		4,281
Bonds payable-current		175,053
Notes payable-current		<u>157,082</u>
Total current liabilities		<u>398,055</u>

Noncurrent liabilities:

Bonds payable-noncurrent		1,426,737
Notes payable-noncurrent		<u>515,723</u>
Total noncurrent liabilities		<u>1,942,460</u>

TOTAL LIABILITIES

2,340,515

NET ASSETS

Unrestricted

TOTAL NET ASSETS

46,062
\$ 46,062

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, 2012

EXHIBIT 7

OPERATING REVENUES	\$ -
OPERATING EXPENSES	-
Operating income	-
NON-OPERATING REVENUES (EXPENSES)	
Development fees	
Water development fees	9,303
Sewer development fees	8,408
Interest earnings	125,126
Contribution from City of Raleigh - Assumption of note payable	87,684
Debt issuance fees	(40,315)
Interest expense	(136,310)
Net non-operating revenues	53,896
Income before contributions, transfers and other items	53,896
Transfers to other funds	(651,159)
Loss on cash transferred to City of Raleigh	(400,000)
Loss on capital assets transferred to City of Raleigh	(1,249)
CHANGE IN NET ASSETS	(998,512)
NET ASSETS - Beginning of Year	1,044,574
NET ASSETS - End of Year	\$ 46,062

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, 2012

EXHIBIT 8

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from developers	\$ 1,075,930
Cash paid to City of Raleigh	(400,000)
Cash paid to City of Raleigh for fees collected	(1,147,236)
Transfers to other funds	<u>(651,159)</u>

Net cash used by noncapital financing activities	<u>(1,122,465)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(1,440)
Contribution from City of Raleigh - assumption of note payable	87,684
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	1,798,723
Principal paid on debt	(1,798,723)
Interest paid on debt	(139,042)
Debt issuance fees paid	<u>(40,315)</u>

Net cash used for capital and related financing activities	<u>(93,113)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>125,126</u>
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Net decrease in cash and cash equivalents	(1,090,452)
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Cash and cash equivalents - Beginning of the year	<u>1,202,434</u>
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Cash and cash equivalents - End of the year	<u><u>\$ 111,982</u></u>
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The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 fund:

Storm Water Special Revenue Fund - This fund is used to account for storm water fees collected by the Town of Knightdale from residents and commercial businesses. Storm water fees will be used to map and maintain the storm drainage system and to provide street sweeping services to decrease or prevent pollution from storm water runoff into local streams and rivers. The Town of Knightdale initiated a new storm water fee of \$2.00 per month for each equivalent residential unit ERU (2,200 square feet of buildings, parking lots and other impervious surfaces) beginning July 1, 2012.

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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 project level for the multi-year funds. Interfund or interdepartmental transfer of moneys may be made only with specific advanced approval of the Town Council. Supplemental appropriations that amend the total expenditures of any fund require a resolution of the Town Council. The Budget Officer is authorized to reallocate any appropriations within departments. Budgets are reported as originally adopted or as amended by executive action or Council resolution. During the year several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES 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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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. The NCCMT Term Portfolio's securities are valued at fair value.

2. CASH AND CASH EQUIVALENTS

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

3. RESTRICTED CASH

The Town has restricted cash in an amount sufficient to comply with a loan covenant. Powell bills funds are also classified as restricted cash because 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. Storm water surety fees received from developers which are restricted to the repairs and maintenance of storm water drainage improvements installed by the various developers.

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, 2010.

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, 2012 including inactive accounts for garbage collection services have been charged against operations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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
Intangible Assets	5 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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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

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 Town Council 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 THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

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

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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, the expenditures for debt service exceeded the authorized appropriations made by the governing board in the General Fund and Water and Sewer Fund as shown below. The Town of Knightdale refinanced \$2,000,000 of 2002 General Obligation Bonds during the current fiscal year (\$526,316 applicable to the General Fund and \$1,473,684 applicable to the Water and Sewer Fund). The fund financial statements include both the repayment of these bonds as debt service expenditure and the loan proceeds of \$2,000,000 as other financing source of funds. The budget ordinance offsets the debt principal amount that was refinanced against the new loan proceeds (the net amount is zero).

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Excess
Expenditures:			
Debt Service – General Fund	\$1,283,330	\$1,480,716	(\$197,386)
Debt principal – Water and Sewer Fund	324,987	1,798,723	(1,473,736)
Debt issuance fees – Water and Sewer Fund	-	40,315	(40,315)
Other Financing Sources			
Installment debt issuance – General Fund	181,319	557,632	376,313
Installment debt issuance – Water and Sewer Fund	46,743	1,561,368	1,514,625

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

The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, 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, 2012, the Town's deposits had a carrying value of \$7,441,281 and a bank balance of \$7,440,436. Of the bank balance, \$638,138 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the Town's petty cash fund totaled \$1,350.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

2. INVESTMENTS

At June 30, 2012, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$924,226	N/A	AAAm
NC Capital Management Trust – Term Portfolio	<u>400,502</u>	Years	Unrated
Total investments	<u>\$1,324,728</u>		

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2012. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

Concentration of Credit Risk. The Town Council places no limit on the amount that the Town may invest in any one issuer. More than 5 percent of the Town's investments are in the NC Capital Management Trust. This investment is 100% of the Town's total investments. The Town has no policy regarding concentration of credit risk.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,423,443	\$ -	\$ -	\$ -	\$ 10,423,443
Construction in progress	859,055	484,578	173,815	-	1,169,818
Total capital assets not being depreciated	11,282,498	484,578	173,815	-	11,593,261
Capital assets being depreciated:					
Buildings	4,495,214	-	-	-	4,495,214
Other improvements	797,442	-	-	-	797,442
Roads and infrastructure	23,853,817	32,525	-	-	23,886,342
Intangibles	-	58,800	-	-	58,800
Equipment	1,037,450	75,284	126,940	-	985,794
Vehicles and motorized equipment	2,671,946	78,658	61,138	-	2,689,466
Total capital assets being depreciated	32,855,869	245,267	188,078	-	32,913,058
Less accumulated depreciation for:					
Buildings	1,297,228	176,830	-	-	1,474,058
Other improvements	344,753	33,138	-	-	377,891
Roads and infrastructure	4,359,387	804,674	-	-	5,164,061
Intangibles	-	1,960	-	-	1,960
Equipment	746,000	128,087	100,004	-	774,083
Vehicles and motorized equipment	1,711,610	339,916	61,138	-	1,990,388
Total accumulated depreciation	8,458,978	1,484,605	161,142	-	9,782,441
Total capital assets being depreciated, net	24,396,891	(1,239,338)	26,936	-	23,130,617
Governmental activity capital assets, net	\$ 35,679,389	\$ (754,760)	\$ 200,751	\$ -	\$ 34,723,878

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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

General government	\$ 111,863
Public safety	431,616
Transportation	874,226
Environmental protection	1,960
Cultural and recreational	<u>64,940</u>
Total depreciation expense	<u><u>\$ 1,484,605</u></u>

Business-type activities:

Water and Sewer Fund

Capital assets not being depreciated:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Construction in progress	\$ -	\$ 1,249	\$ 1,249	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 1,249</u>	<u>\$ 1,249</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

Construction commitments

The Town has active construction projects as of June 30, 2012. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Total Contract
PLT Construction Co., Inc.- First Avenue	\$155,060	\$822,324	\$977,384
JW Grand – First Avenue Phase II	-	308,977	308,977
Stewart Engineering – Mingo Creek Greenway	241,211	5,346	246,557
Devere Construction Company, Inc. – Greenway	-	2,496,386	2,496,386
PLT Construction Co., Inc.- Knightdale Park	-	4,975,750	4,975,750
Asheville Playgrounds – Playground equipment	-	129,750	129,750
Terra Tech Engineers – Materials testing	-	68,279	68,279
Raleigh Paving, Inc. - BB&T turn lane	-	123,022	123,022
Withers & Ravenel, Inc. – Pedestrian plan	26,400	13,600	40,000
CLH Design – Architect fees for Park – Phase II	-	148,700	148,700
CLH Design – Architect fees for Park – Phase I	250,008	28,092	278,100
Total	\$672,679	\$9,120,226	\$9,792,905

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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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 6.88% and 6.91%, 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, 2012, 2011 and 2010 were \$266,154, \$223,347 and \$163,363, 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011 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>28</u>
Total	<u>29</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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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, 2010 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 – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

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	\$69,292
Interest on net pension obligation	15,779
Adjustment to annual required contribution	<u>(18,826)</u>
Annual pension cost	66,245
Contributions made	<u>30,564</u>
Increase in net pension obligation	35,681
Net pension obligation beginning of year	<u>315,587</u>
Net pension obligation end of year	<u>\$351,268</u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$54,044	42.17%	\$265,276
June 30, 2011	\$73,103	31.18%	\$315,587
June 30, 2012	\$66,245	46.14%	\$351,268

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Funded Status and Funding Progress.

As of December 31, 2011, 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 \$646,103. The covered payroll (annual payroll of active employees covered by the plan) was \$1,594,135 and the ratio of the UAAL to the covered payroll was 40.53 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.

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, 2012 were \$134,229, which consisted of \$82,217 from the Town and \$52,012 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, 2012 were \$122,496, which consisted of \$110,891 from the Town and \$11,605 from employees.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributed \$2,370 on behalf of volunteer firemen for the fiscal year ended June 30, 2012. 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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

- 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.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	3	1
Active plan members	40	28
Total	<u>43</u>	<u>29</u>

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

The current ARC rate is 8.85% of annual covered payroll. For the current year, the Town contributed \$37,656 or 0.99% 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 0.70% and 0.58% of covered payroll, respectively. There were no contributions made by employees, except for dependent dental coverage in the amount of \$1,241. 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the* (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:

Annual required contribution	\$336,428
Interest on net OPEB obligation	18,130
Adjustment to annual required contribution	(17,320)
Annual OPEB cost (expense)	<u>337,238</u>
Less contributions made	<u>(37,656)</u>
Increase (decrease) in net OPEB obligation	299,582
Net OPEB obligation, beginning of year	<u>453,249</u>
Net OPEB obligation, end of year	<u>\$752,831</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 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
2012	\$337,238	11.2%	\$752,831

Funded Status and Funding Progress. As of December 31, 2011, 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 \$3,142,095. The covered payroll (annual payroll of active employees covered by the plan) was \$3,802,422, and the ratio of the UAAL to the covered payroll was 82.6 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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.

In the December 31, 2011 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 9.50 to 5.00 percent annually. The investment rate included a 3.00 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, 2011, 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 service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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, 2012, the Town made contributions to the State for death benefits of \$3,371. 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 Benefit 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 THE FINANCIAL STATEMENTS

June 30, 2012

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	\$ -	\$ 13,942	\$ 13,942
Prepaid privilege licenses	-	57,337	57,337
Prepaid BAB Rebate IRS	-	42,128	42,128
Taxes receivable (Net)	146,453	-	146,453
Decal receivable	72,182	-	72,182
Sanitation receivables	24,127	-	24,127
Total deferred revenues	<u>\$ 242,762</u>	<u>\$ 113,407</u>	<u>\$ 356,169</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 commercial insurance to provide the following types of major coverage: general liability (\$2,000,000), property (\$6,859,697), inland marine (\$666,771), auto liability (\$1,000,000), public officials' liability (\$1,000,000), employment practices 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 Director 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 THE FINANCIAL STATEMENTS

June 30, 2012

4. CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2012, 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, 2012 are composed of the following individual issues:

Serviced by the General Fund:

\$557,632, 2011 Public Improvement Refunding bonds due in annual installments of \$58,947 plus interest through 2022; interest is at 2.27%.	\$ 554,210
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Serviced by the Water and Sewer Fund:

\$1,561,368, 2011 Water and Sewer Refunding bonds due in annual installments of \$165,053 plus interest through 2022; interest is at 2.27%.	1,551,790
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1984 Sewer bonds due in annual installments of increasing amounts through 2017; interest at 5%.	<u>50,000</u>
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Total	<u>\$ 2,156,000</u>
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At June 30, 2012, The Town of Knightdale had an installment purchase agreement authorized but unissued of \$5,000,000 and a legal debt margin of \$90,638,666.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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
2013	\$ 58,947	\$ 12,581	\$ 175,053	\$ 37,726
2014	58,421	11,242	173,579	33,479
2015	57,632	9,916	172,368	29,266
2016	56,842	8,608	170,158	25,052
2017	55,789	7,318	164,211	20,890
2018-2022	266,579	17,957	746,421	50,279
Total	<u>\$ 554,210</u>	<u>\$ 67,622</u>	<u>\$ 1,601,790</u>	<u>\$ 196,692</u>

B. INSTALLMENT NOTE INDEBTEDNESS

The Town also has various installment notes for land, buildings, equipment and vehicles. Installment notes payable at June 30, 2012 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	\$ 336,403	\$ 672,805
\$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	2,172,292	-
\$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	147,110	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$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	\$ 223,648	\$ -
\$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	28,786	-
\$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	72,992	-
\$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>2,539,350</u>	<u>-</u>
Subtotal installment notes payable for land, buildings, vehicles and equipment	<u>5,520,581</u>	<u>672,805</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 at 0.53%	2,271	-
\$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 0.38%	1,494	-
\$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 at 1.79%	6,877	-
\$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 at 0.27%	1,053	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

	Serviced by the General Fund	Serviced by the Water and Sewer Fund
\$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 at 0.53%	\$ 2,614	\$ -
\$1,062 installment debt (0.00%) to Eastern Wake Fire-Rescue Dept for voluntary annexation issued 2-23-12; annual payment of \$197 including interest at 0.00%	789	-
\$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 at 1.08%	<u>4,676</u>	<u>-</u>
Subtotal Eastern Wake Fire – Rescue Dept annexation	<u>19,774</u>	<u>-</u>
Total	<u>\$ 5,540,355</u>	<u>\$ 672,805</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
2013	\$ 576,779	\$ 240,737	\$ 157,082	\$ 29,471
2014	513,119	216,732	164,456	22,098
2015	512,734	193,745	172,175	14,378
2016	518,492	171,281	179,092	7,462
2017	388,480	148,757	-	-
2018-2022	1,549,117	488,640	-	-
2023-2027	465,246	268,755	-	-
2028-2032	569,452	164,548	-	-
2033-2036	446,936	41,092	-	-
Total	\$ 5,540,355	\$ 1,934,287	\$ 672,805	\$ 73,409

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 578,947	\$ 557,632	\$ 582,369	\$ 554,210	\$ 58,947
Installment notes	6,168,640	1,062	629,347	5,540,355	576,779
Compensated absences	327,589	308,910	312,836	323,663	232,133
Other postemployment benefits	453,249	337,238	37,656	752,831	-
Net pension obligation	315,587	66,245	30,564	351,268	-
Governmental activity long-term liabilities	<u>\$ 7,844,012</u>	<u>\$ 1,271,087</u>	<u>\$ 1,592,772</u>	<u>\$ 7,522,327</u>	<u>\$ 867,859</u>
Business-type activities:					
General obligation bonds	\$ 1,689,053	\$ 1,561,368	\$ 1,648,631	\$ 1,601,790	\$ 175,053
Installment notes	822,897	-	150,092	672,805	157,082
Business-type activity long-term liabilities	<u>\$ 2,511,950</u>	<u>\$ 1,561,368</u>	<u>\$ 1,798,723</u>	<u>\$ 2,274,595</u>	<u>\$ 332,135</u>

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

D. ADVANCE REFUNDING

On November 15, 2011, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust with BB&T Governmental Finance to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds are not included in the Town's financial statements. On June 1, 2012, \$2,000,000 of callable 2002 general obligation public improvement bonds were defeased and paid in full including a 1% or \$20,000 prepayment premium. The amounts of 2002 defeased bonds paid and the proceeds of the 2011 refunding bonds were allocated in the same ratio as the original debt: 26.32% to the General Fund and 73.68% to the Water and Sewer Fund as shown in the table below.

The City of Raleigh, per terms of a 2006 merger agreement, will reimburse the Town of Knightdale for debt service payments related to water and sewer improvements, including debt service payments related to the additional \$87,684 of 2011 refunding bonds for the Water and Sewer Fund.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

	General Fund	Water and Sewer Fund	Total
Proceeds of 2011 Refunding Bonds – BB&T Governmental Finance	\$557,632	\$1,561,368	\$2,119,000
Less Repayment of 2002 General Obligation Public Improvement Bonds	<u>526,316</u>	<u>1,473,684</u>	<u>2,000,000</u>
Subtotal – Net Increase in Bonds Payable	<u>31,316</u>	<u>87,684</u>	<u>119,000</u>
1% Prepayment Penalty	5,263	14,737	20,000
Debt issuance fees	<u>14,399</u>	<u>40,315</u>	<u>54,714</u>
Total Costs of Refunding	<u>19,662</u>	<u>55,052</u>	<u>74,714</u>
Net Bond Proceeds Less Costs of Refunding	11,654	32,632	44,286
Reduction in future debt service payments	<u>10,961</u>	<u>30,686</u>	<u>41,647</u>
Total savings from 2011 refunding bonds	<u>\$ 22,615</u>	<u>\$ 63,318</u>	<u>\$ 85,933</u>
	Principal	Interest	Total
Future debt service payments on 2002 Bonds – 4% Interest Per Year	\$2,000,000	\$443,800	\$2,443,800
Debt service payments on 2011 Refunding Bonds – 2.27%	<u>2,119,000</u>	<u>283,153</u>	<u>2,402,153</u>
Net reduction in future debt service payments	<u>(\$119,000)</u>	<u>\$160,647</u>	<u>\$ 41,647</u>

6. INTERFUND BALANCES AND ACTIVITY

There are no interfund balances due to / from other funds at June 30, 2012.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs. During the 2012 fiscal year, the Town made a one-time transfer of \$651,159 to close out the remaining balance in the Utility Capital Project Fund, \$587,499 to the General Capital Project Fund and \$63,660 to the Storm Water Special Revenue Fund.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

During the fiscal year ended June 30, 2012, the Town had interfund transfers as follows:

From Fund	To Fund	Amount	Purpose
General Fund	General Capital Project Reserve	\$ 248,728	To fund future capital projects
General Capital Project Reserve	General Capital Projects	91,658	For design fees for Knightdale Park
General Capital Project Reserve	General Capital Projects	109,785	For design fees and easement Greenway
General Capital Project Reserve	General Capital Projects	41,587	To fund First Avenue improvements
Utility Capital Project	Storm Water Special Revenue	63,660	To fund Storm Water mapping
Utility Capital Project	General Capital Projects	587,499	To fund construction of Knightdale Park
	Total	<u>\$ 1,142,917</u>	

7. 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>\$4,648,300</u>
Less:	
Prepaid expenditures	36,008
Stabilization by State Statute	1,016,745
Streets-Powell Bill	279,629
Public Safety	83,910
Debt Service	146,800
Appropriated Fund Balance in 2012 budget	100,800
Working Capital / Fund Balance Policy	2,984,408
Remaining Fund Balance	-

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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>General Capital Project Fund</i>
	\$67,858	\$-	\$773,545

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 \$4,592 to the Council during the fiscal year ended June 30, 2012.

NOTE 5 – JOINT VENTURES

East Wake Television (PEG Media Partners)

The Town, in conjunction with the Towns of Clayton, Garner, Rolesville, Wendell and Zebulon, operates two local public, educational and government (PEG) cable TV channels. East Wake TV is funded by state shared video programming franchise taxes collected by the State of North Carolina and remitted to the 6 participating Towns. These funds are restricted for the operation of local PEG channels. Prior to June 30, 2010, East Wake TV was recorded as a special revenue fund of the Town of Knightdale. As of July 1, 2010, East Wake TV was incorporated as a legally separate non-profit organization. The organization is governed by a Board of Directors consisting of the Town Managers of Clayton, Garner, Knightdale, Rolesville, Wendell and Zebulon. Each Town contributes its share of restricted PEG channel funds received from the State of North Carolina to East Wake TV. For the fiscal year ended June 30, 2012, the Town of Clayton contributed \$32,721. All other towns, including Knightdale, contributed \$65,443 each for the current year. 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, 2012. 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 of this loan (\$60,000) was paid in full to the Town of Knightdale during the fiscal year ended June 30, 2012. As of July 1, 2012, the Town of Archer Lodge has also signed an interlocal agreement to join East Wake Television. East Wake Television operates under the name PEG Media Partners. Complete financial statements or a copy of Form 990 Return of Organization Exempt from Income Tax can be obtained from East Wake Television's office at 954 Steeple Square Court, Knightdale, NC 27545-7655.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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, 2012, the Town reported revenues and expenditures for the payments of \$2,370 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, 2012. 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 – RELATED 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 second payment on the installment loan was paid during the fiscal year ended June 30, 2011, leaving a balance of \$60,000. East Wake Television paid the remaining balance of \$60,000 in full to the Town of Knightdale during the fiscal year ended June 30, 2012. Also during the current fiscal year, the Town of Knightdale contributed \$65,443 of restricted PEG channel funds received from State of North Carolina to East Wake Television, including \$16,529 for the quarter ended June 30, 2012, which is included in outstanding accounts payable at year end.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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. No provision has been made in the accompanying financial statements for the refund of grant moneys for fiscal year 2012.

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, 2012, 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 previous fiscal year 2011, 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, 2012, the Town has a contingent liabilities related to these developer agreements as shown below:

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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 balance in the Utility Capital Projects Fund upon completion or mutual agreement. The agreement was amended during the current year to allow the Town of Knightdale to retain \$651,159 of the remaining cash balance in the Utility Capital Projects Fund. The Town transferred this amount to the new Storm Water Fund \$63,660 and the General Capital Projects Funds \$587,499. The Town of Knightdale also transferred the remaining cash balance in the Utility Capital Project Fund of \$400,000 to the City of Raleigh to close out this fund. During the fiscal year ended June 30, 2012, the Town of Knightdale dedicated \$1,249 of construction in progress in the proprietary funds to the City of Raleigh upon completion of the Hodge Road Siphon Project.

The accompanying statement of net assets shows total notes receivable of \$2,274,595 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$332,135 due within one year and \$1,942,460 due in more than one year. The note receivable includes \$87,684 related to the assumption of additional debt service payments for the advance refunding of 2002 general obligation bonds as described in Note 3 Item 5 D above. 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 \$449,344 (\$325,039 principal plus \$124,305 interest) for debt service payments related to proprietary fund long term debt. As of June 30, 2012, the financial statements include current accounts payable to the City of Raleigh in the amount of \$61,639 related to water and sewer fees collected by Knightdale for the City of Raleigh.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

On June 5, 2012, the Local Government Commission formally approved an installment purchase contract under North Carolina Statute G.S 160A-20 with SunTrust Bank in the amount of \$5,000,000 for the construction of Phase I of Knightdale Park. The loan was closed on July 19, 2012. The loan is payable in 15 annual installments of \$333,333 plus interest at 2.33% per year beginning on July 19, 2013 through July 19, 2027. The loan is secured by a lien on Knightdale Town Hall.

At its regular meeting on August 15, 2012, the Town Council approved a bond order and resolution authorizing Parks and Recreational Facility Bonds not to exceed \$3,000,000 for the construction of Phase II of Knightdale Park and minor renovations to Town Hall and the Public Safety Building. The Local Government Commission approved the Town's application for a bond referendum on September 11, 2012. The bond referendum will be placed on the November 6, 2012 election ballot by the Wake County Board of Elections for a vote of the citizens of Knightdale. If approved, the bonds would be payable over a period of 15 to 20 years. The Town of Knightdale may increase the property tax rate by no more than \$0.02 (2 cents) per \$100 of assessed property value to provide sufficient revenues for debt service payments on the proposed bonds. On November 6, 2012, Knightdale citizens approved the bond referendum by a vote of 78% in favor to only 22% against.

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

Ten years ended December 31, 2011

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)
2011	\$ -	\$ 646,103	\$ 646,103	0%	\$ 1,594,135	40.53%
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%

TOWN OF KNIGHTDALE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Ten years ended June 30, 2012

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2012	\$	69,292	44.11%
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%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 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

Three Years ended December 31, 2011

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)
2011	\$ -	\$ 3,142,095	\$ 3,142,095	0%	\$ 3,802,422	82.63%
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**

Three Years ended June 30, 2012

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2012	\$	336,428	7.32%
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, 2011.

Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50% - 5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of ultimate trend rate	2018
Includes inflation at	3.00%

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).



Knightdale Community Day 2011

Harper Park

Painting by Lewis Chapman

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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 1 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 5,113,065	\$ 5,160,708	\$ 47,643	\$ 5,027,969
Prior years	102,280	89,466	(12,814)	94,794
Penalties and interest	25,500	27,713	2,213	31,600
Total	5,240,845	5,277,887	37,042	5,154,363
Other taxes and licenses				
Motor vehicle licenses	41,777	46,088	4,311	44,446
Gross receipts on rental vehicles	21,000	30,535	9,535	27,924
Privilege licenses	70,500	69,581	(919)	67,134
Total	133,277	146,204	12,927	139,504
Unrestricted intergovernmental revenues				
Local option sales tax	1,897,462	1,915,915	18,453	1,992,568
Telecommunications sales tax	86,426	84,549	(1,877)	86,434
Utility franchise tax	369,446	332,345	(37,101)	353,112
Piped natural gas tax	44,768	35,486	(9,282)	44,703
Video programming franchise taxes	102,820	95,564	(7,256)	111,594
Wine and beer tax	49,300	49,796	496	54,621
ABC profits	32,000	32,153	153	19,206
Total	2,582,222	2,545,808	(36,414)	2,662,238
Restricted intergovernmental revenues				
State street aid - Powell Bill	279,000	298,408	19,408	307,153
Federal Emergency Management Agency	220,587	199,872	(20,715)	201,079
Federal Highway Administration - GHSP	78,138	102,743	24,605	162,344
US Department of Justice JAG through City of Raleigh	-	-	-	6,072
Triangle J Council of Governments	79,500	58,000	(21,500)	-
US Department of Transportation	184,602	39,280	(145,322)	-
Equitable sharing and controlled substance tax	11,000	453	(10,547)	21,854
NC Department of Revenue PEG Channel Support	65,350	65,443	93	-
Solid waste disposal tax	6,000	8,738	2,738	10,126
Town of Wendell - Information Technician contract	-	-	-	16,000
Wake County Public Schools - Resource officer	37,838	37,838	-	37,838
NC Department of Transportation - Mowing contract	8,208	13,121	4,913	8,208
Firemen's relief fund	6,000	6,538	538	6,395
Total	976,223	830,434	(145,789)	777,069

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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 2 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Permits and fees				
Development fees	\$ 2,500	\$ 1,733	\$ (767)	\$ 2,648
Certificate of occupancy fees	10,000	11,954	1,954	11,120
Subdivision recording fees	1,500	2,485	985	1,984
Permit fees	52,500	102,339	49,839	56,829
Review fees	11,000	7,270	(3,730)	34,677
Inspection fees	19,800	32,722	12,922	31,034
Miscellaneous fees	1,500	434	(1,066)	1,277
Fire inspection fees	14,600	21,726	7,126	34,322
Officer fees	6,600	6,637	37	7,294
Total	120,000	187,300	67,300	181,185
Sales and services				
Sanitation				
Sanitation fees	441,072	468,158	27,086	484,516
Yard waste fees	2,600	3,235	635	3,196
Recycle fees	160,704	169,260	8,556	163,603
Subtotal	604,376	640,653	36,277	651,315
Recreation				
Program fees	98,920	87,448	(11,472)	97,708
Camp fees	93,000	115,701	22,701	99,542
Sponsor fees	7,000	13,663	6,663	2,675
Parade entry fees	1,500	1,495	(5)	1,500
Pool fees	48,200	54,853	6,653	54,828
Recreation center fees	39,800	25,643	(14,157)	37,034
Track out fees	95,000	83,117	(11,883)	96,431
Subtotal	383,420	381,920	(1,500)	389,718
Total	987,796	1,022,573	34,777	1,041,033
Investment earnings	16,000	21,085	5,085	21,471

(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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 3 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Other revenues				
Miscellaneous	\$ 14,783	\$ 16,263	\$ 1,480	\$ 12,886
Red light camera fees	9,000	28,935	19,935	20,697
Rental fees	39,000	28,312	(10,688)	66,017
Insurance proceeds	2,173	2,263	90	12,292
Donations	4,050	4,050	-	7,580
Fines and forfeitures	2,000	5,699	3,699	6,257
Total	71,006	85,522	14,516	125,729
 TOTAL REVENUES	 10,127,369	 10,116,813	 (10,556)	 10,102,592
EXPENDITURES				
General government				
Town council				
Current				
Personnel services	217,746	216,786	960	168,184
Operations & maintenance	183,508	169,196	14,312	113,638
Total	401,254	385,982	15,272	281,822
Administration				
Current				
Personnel services	150,036	148,390	1,646	143,728
Operations & maintenance	34,225	19,605	14,620	20,928
Capital outlay	-	-	-	-
Total	184,261	167,995	16,266	164,656
Finance				
Current				
Personnel services	395,545	389,301	6,244	403,322
Operations & maintenance	221,946	205,248	16,698	201,109
Capital outlay	-	11,251	(11,251)	-
Total	617,491	605,800	11,691	604,431
 Total general government	 1,203,006	 1,159,777	 43,229	 1,050,909

(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, 2012
With Comparative Actual Amounts for Year Ended June 30, 2011

Page 4 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Public safety				
Police				
Current				
Personnel services	\$ 1,995,146	\$ 1,973,461	\$ 21,685	\$ 1,792,619
Operations & maintenance	475,008	481,303	(6,295)	399,756
Capital outlay	80,900	62,262	18,638	316,221
Total	2,551,054	2,517,026	34,028	2,508,596
Fire				
Current				
Personnel services	1,169,968	1,148,384	21,584	1,067,572
Operations & maintenance	200,937	130,834	70,103	216,805
Capital outlay	38,000	35,640	2,360	27,649
Total	1,408,905	1,314,858	94,047	1,312,026
Total public safety	3,959,959	3,831,884	128,075	3,820,622
Transportation				
Public works				
Current				
Personnel services	549,318	507,586	41,732	515,616
Operations & maintenance	388,825	357,518	31,307	298,704
Capital Outlay	45,200	44,789	411	88,675
Total	983,343	909,893	73,450	902,995

(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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 5 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Engineering				
Current				
Personnel services	\$ 191,998	\$ 191,847	\$ 151	\$ 180,464
Operations & maintenance	14,610	11,806	2,804	28,025
Capital Outlay	273,352	49,707	223,645	25,945
Total	479,960	253,360	226,600	234,434
Streets and Highways				
Operations & maintenance	260,601	217,504	43,097	234,559
Infrastructure reimbursement	247,466	247,466	-	294,807
Total	508,067	464,970	43,097	529,366
Total transportation	1,971,370	1,628,223	343,147	1,666,795
Environmental Protection				
Sanitation				
Current				
Operations & maintenance	577,476	565,706	11,770	532,250
Total environmental protection	577,476	565,706	11,770	532,250
Economic and physical development				
Planning and Zoning				
Current				
Personnel services	380,432	377,178	3,254	375,496
Operations & maintenance	102,174	59,776	42,398	39,121
Total	482,606	436,954	45,652	414,617
Special appropriations				
Current				
Special appropriations	75,017	74,921	96	36,905
East Wake Television - PEG Media Partners	65,350	65,443	(93)	-
Total	140,367	140,364	3	36,905
Total economic and physical development	622,973	577,318	45,655	451,522

(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, 2012
With Comparative Actual Amounts for Year Ended June 30, 2011

Page 6 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Cultural & recreation				
Parks and Recreation				
Current				
Personnel services	\$ 324,182	\$ 326,155	\$ (1,973)	\$ 310,497
Operations & maintenance	244,306	221,012	23,294	215,120
Total	568,488	547,167	21,321	525,617
Knightdale Pool				
Current				
Personnel services	9,047	7,093	1,954	7,073
Operations & maintenance	83,275	90,686	(7,411)	74,878
Capital outlay	69,000	-	69,000	35,774
Total	161,322	97,779	63,543	117,725
Community Park and Recreation Center				
Current				
Personnel services	69,378	68,080	1,298	60,451
Operations & maintenance	134,892	100,306	34,586	105,452
Total	204,270	168,386	35,884	165,903
Track Out Program				
Current				
Personnel services	79,236	75,353	3,883	79,459
Operations & maintenance	16,580	23,950	(7,370)	19,712
Total	95,816	99,303	(3,487)	99,171
Total cultural and recreational	1,029,896	912,635	117,261	908,416

(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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 7 of 7

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Debt service				
Note principal	\$ 771,417	\$ 629,347	\$ 142,070	\$ 368,323
Note interest	363,760	219,184	144,576	147,324
Debt issuance fees	55,563	14,399	41,164	-
Bond principal	56,053	582,368	(526,315)	52,632
Bond interest	36,537	35,418	1,119	25,368
Total debt service	1,283,330	1,480,716	(197,386)	593,647
 TOTAL EXPENDITURES	 10,648,010	 10,156,259	 491,751	 9,024,161
 Revenues over (under) expenditures	 (520,641)	 (39,446)	 481,195	 1,078,431
 OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Capital Reserve	316,650	-	(316,650)	75,797
Transfers to:				
General Capital Reserve	(248,728)	(248,728)	-	(241,343)
Short Term Suspension Fund	-	-	-	(10,000)
Sale of fixed assets	8,000	920	(7,080)	16,480
Installment debt issuance	181,319	557,632	376,313	219,000
Appropriated fund balance	263,400	-	(263,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	520,641	309,824	(210,817)	59,934
 NET CHANGE IN FUND BALANCE	 \$ -	 270,378	 \$ 270,378	 1,138,365
 FUND BALANCE - beginning of year		4,377,922		3,239,557
 FUND BALANCE - end of year		\$ 4,648,300		\$ 4,377,922

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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012			2011
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Other taxes and licenses:				
Motor vehicle licenses	\$ 83,553	\$ 92,235	\$ 8,682	\$ 84,331
Permits and fees:				
Streets-in-lieu fees	-	70,744	70,744	322,772
Transportation fees	-	72,787	72,787	73,405
Recreation-in-lieu fees	-	39,493	39,493	31,268
Sales and services:				
Recreation program fees	-	5,650	5,650	2,375
Investment earnings	7,869	10,828	2,959	11,862
TOTAL REVENUES	91,422	291,737	200,315	526,013
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	248,728	248,728	-	241,343
Transfers to:				
General Fund	(316,650)	-	316,650	(75,797)
General Capital Projects Fund	(640,000)	(243,030)	396,970	(872,066)
Sale of easement cell phone tower	-	812,000	812,000	-
Contribution from East Wake Television	20,000	-	(20,000)	80,000
Fund Balance:				
Appropriated Fund Balance	596,500	-	(596,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(91,422)	817,698	909,120	(626,520)
NET CHANGE IN FUND BALANCE	\$ -	1,109,435	\$ 1,109,435	(100,507)
FUND BALANCE - beginning of year		1,830,337		1,930,844
FUND BALANCE - end of year		\$ 2,939,772		\$ 1,830,337

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, 2012

Page 1 of 2

REVENUES

Restricted intergovernmental revenues

	Project Authorization			Actual		
	June 30, 2011	Amendments	June 30, 2012	Prior Years	Current Year	Total To Date
US Department of Energy	\$ 413,544	\$ -	\$ 413,544	\$ -	\$ 413,544	\$ 413,544
Lee County Schools Matching Funds	148,333	29,980	178,313	-	178,313	178,313
Wayne County Matching Funds	23,405	(23,405)	-	-	-	-
US Department of Transportation - Mingo Creek Greenway	250,000	1,860,000	2,110,000	-	-	-
State of North Carolina - Mingo Creek Greenway	-	150,000	150,000	-	-	-
Wake County - Mingo Creek Greenway	-	670,000	670,000	-	-	-
Community Development Block Grant - Playground Equipment	-	192,240	192,240	-	-	-
US Department of Transportation - First Avenue	640,000	112,000	752,000	-	124,048	124,048
Total	1,475,282	2,990,815	4,466,097	-	715,905	715,905

Investment earnings	67,450	20,400	87,850	76,614	2,869	79,483
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Other revenues:

Donations	-	-	-	-	847	847
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SUBTOTAL REVENUES	1,542,732	3,011,215	4,553,947	76,614	719,621	796,235
Less closed projects	(585,282)	(9,075)	(594,357)	-	(594,357)	(594,357)

TOTAL REVENUES	957,450	3,002,140	3,959,590	76,614	125,264	201,878
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EXPENDITURES

Public Buildings - State Energy Office Grant

Knightdale	52,562	27,491	80,053	81	73,312	73,393
Lee County Schools	474,316	44,148	518,464	-	518,464	518,464
Wayne County	74,841	(74,841)	-	-	-	-
Town Hall Renovations	-	100,000	100,000	-	2,500	2,500
Total	601,719	96,798	698,517	81	594,276	594,357

Fire Station #2	1,500,000	-	1,500,000	98,003	-	98,003
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First Avenue project

Phase I	960,000	(95,000)	865,000	-	159,481	159,481
Professional fees	-	135,000	135,000	99,644	10,507	110,151
Phase II	-	112,000	112,000	-	166	166
Total	960,000	152,000	1,112,000	99,644	170,154	269,798

Mingo Creek Greenway

Engineering fees	440,000	157,000	597,000	361,496	79,382	440,878
Advertising	200	-	200	130	886	1,016
Appraisals	2,000	-	2,000	-	-	-
Construction	320,000	2,500,000	2,820,000	-	5,050	5,050
Lynnwood Connector	-	260,000	260,000	-	-	-
Right of way acquisition	75,500	75,000	150,500	75,417	30,978	106,395
Contingency	16,300	118,000	134,300	-	-	-
Total	854,000	3,110,000	3,964,000	437,043	116,296	553,339

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, 2012

Page 2 of 2

	Project Authorization			Actual		
	June 30, 2011	Amendments	June 30, 2012	Prior Years	Current Year	Total To Date
Knightsdale Park						
Professional services	\$ 277,902	\$ 8,698	\$ 286,600	\$ 171,130	\$ 94,564	\$ 265,694
Construction	-	6,359,429	6,359,429	-	-	-
YMCA	-	150,000	150,000	-	10,570	10,570
Total	277,902	6,518,127	6,796,029	171,130	105,134	276,264
 SUBTOTAL EXPENDITURES	 4,193,621	 9,876,925	 14,070,546	 805,901	 985,860	 1,791,761
Less closed projects	(2,101,719)	702	(2,101,017)	-	(692,360)	(692,360)
 TOTAL EXPENDITURES	 2,091,902	 9,877,627	 11,969,529	 805,901	 293,500	 1,099,401
 Revenues (under) over expenditures before other financing sources	 (1,134,452)	 (6,875,487)	 (8,009,939)	 (729,287)	 (168,236)	 (897,523)
 OTHER FINANCING SOURCES						
Transfers from:						
General Fund	158,389	120,421	278,810	134,469	-	134,469
General Capital Reserve Fund	992,500	1,157,790	2,150,290	670,454	243,030	913,484
Utility Capital Project Fund	-	587,499	587,499	-	587,499	587,499
Transfers to:						
General Fund	-	-	-	-	-	-
Bonds and installment notes from financing issued	1,500,000	5,000,000	6,500,000	-	-	-
 SUBTOTAL OTHER FINANCING SOURCES	 2,650,889	 6,865,710	 9,516,599	 804,923	 830,529	 1,635,452
Less closed projects	(1,516,437)	9,777	(1,506,660)	-	(98,003)	(98,003)
 TOTAL OTHER FINANCING SOURCES (USES)	 1,134,452	 6,875,487	 8,009,939	 804,923	 732,526	 1,537,449
 NET CHANGE IN FUND BALANCE	 \$ -	 \$ -	 \$ -	 \$ 75,636	 \$ 564,290	 \$ 639,926

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

For the Year Ended June 30, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012			2011
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Restricted intergovernmental revenues				
North Carolina Department of Environment and Natural Resources	\$ -	\$ 15,000	\$ 15,000	\$ -
Permits and fees				
Storm Water surety fees	-	16,276	16,276	-
Investment earnings	-	175	175	-
TOTAL REVENUES	-	31,451	31,451	-
EXPENDITURES				
Environmental Protection				
Storm Water Administration				
Current				
Operations & maintenance	4,160	4,098	62	-
Capital outlay	59,500	58,800	700	-
TOTAL EXPENDITURES	63,660	62,898	762	-
Revenues over (under) expenditures	(63,660)	(31,447)	32,213	-
OTHER FINANCING SOURCES				
Transfers from:				
Utility Capital Project Fund	63,660	63,660	-	-
TOTAL OTHER FINANCING SOURCES	63,660	63,660	-	-
NET CHANGE IN FUND BALANCE	\$ -	32,213	\$ 32,213	-
FUND BALANCE - beginning of year		-		-
FUND BALANCE - end of year		<u>\$ 32,213</u>		<u>\$ -</u>

**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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 1 of 3

	2012			2011
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Water operating revenues				
Tap-on and connection fees	\$ 8,000	\$ -	\$ (8,000)	\$ -
Meter installation fees	34,250	-	(34,250)	-
Other operating receipts	750	-	(750)	-
Total	43,000	-	(43,000)	-
Sewer operating revenues				
Tap-on and connection fees	1,600	-	(1,600)	-
Total	1,600	-	(1,600)	-
Total operating revenues	44,600	-	(44,600)	-
Water non-operating revenues				
Capacity fees	150,500	-	(150,500)	-
Acreage fees	70,000	-	(70,000)	-
Nutrient reduction charge	320,000	-	(320,000)	-
Fee in lieu of water improvements	-	9,303	9,303	3,167
Total	540,500	9,303	(531,197)	3,167
Sewer non-operating revenues				
Capacity fees	142,500	-	(142,500)	-
Acreage fees	70,000	-	(70,000)	47
Development fees	223,500	-	(223,500)	-
Fee in lieu of sewer improvements	-	8,408	8,408	2,803
Total	436,000	8,408	(427,592)	2,850
TOTAL REVENUES	1,021,100	17,711	(1,003,389)	6,017

**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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 2 of 3

	2012			2011
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES				
Water & Sewer				
City of Raleigh fees	\$ 1,021,100	\$ -	\$ 1,021,100	\$ -
Professional services	-	-	-	11,972
TOTAL EXPENDITURES	1,021,100	-	1,021,100	11,972
Total revenues over (under) expenditures	-	17,711	17,711	(5,955)
OTHER FINANCING SOURCES (USES)				
Installment debt issuance	46,743	1,561,368	1,514,625	-
Debt Service				
City of Raleigh - reimbursement of debt service payments	420,459	449,344	28,885	491,204
Debt issuance fees	-	(40,315)	(40,315)	-
Interest	(142,215)	(139,042)	3,173	(120,999)
Debt principal	(324,987)	(1,798,723)	(1,473,736)	(370,205)
TOTAL OTHER FINANCING SOURCES (USES)	-	32,632	32,632	-
Total revenues and other financing sources over expenditures and other financing uses	\$ -	50,343	\$ 50,343	(5,955)

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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

Page 3 of 3

	2012			2011
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Principal paid on debt		\$ 1,798,723		\$ 370,205
Payments received on notes receivable		(1,798,723)		(370,205)
Decrease (increase) in accrued interest		2,732		2,549
Loss on transfer of cash to City of Raleigh		(400,000)		(750,000)
Loss on transfer of capital assets to City of Raleigh		(1,249)		(858,656)
Capital project-				
Transfers to				
General Capital Projects Fund		(587,499)		-
Storm Water Fund		(63,660)		-
Investment earnings		821		9,918
NET LOSS		<u>\$ (998,512)</u>		<u>\$ (1,602,144)</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
UTILITY CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

From Inception To June 30, 2012

	Project Authorization			Actual		
	June 30, 2011	Amendments	June 30, 2012	Prior Years	Current Year	Total To Date
REVENUES						
Investment earnings	\$504,209	\$2,791	\$507,000	\$506,068	\$821	\$506,889
TOTAL REVENUES	<u>504,209</u>	<u>2,791</u>	<u>507,000</u>	<u>506,068</u>	<u>821</u>	<u>506,889</u>
EXPENDITURES						
Capital projects:						
Contribution to City of Raleigh	750,000	400,000	1,150,000	750,000	400,000	1,150,000
Sewer improvement project	787,112	(785,862)	1,250	-	1,249	1,249
TOTAL EXPENDITURES	<u>1,537,112</u>	<u>(385,862)</u>	<u>1,151,250</u>	<u>750,000</u>	<u>401,249</u>	<u>1,151,249</u>
Revenues over (under) expenditures before other financing sources (uses)	<u>(1,032,903)</u>	<u>388,653</u>	<u>(644,250)</u>	<u>(243,932)</u>	<u>(400,428)</u>	<u>(644,360)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from:						
Utility Capital Reserve Fund	1,032,903	262,616	1,295,519	1,295,519	-	1,295,519
Transfers to:						
General Capital Projects Fund	-	(587,609)	(587,609)	-	(587,499)	(587,499)
Storm Water Fund	-	(63,660)	(63,660)	-	(63,660)	(63,660)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,032,903</u>	<u>(388,653)</u>	<u>644,250</u>	<u>1,295,519</u>	<u>(651,159)</u>	<u>644,360</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051,587</u>	<u>\$ (1,051,587)</u>	<u>\$ -</u>

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

June 30, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Current Levy	Collections and Credits	Uncollected Balance June 30, 2012
2012	\$ -	\$ 5,242,074	\$ 5,160,708	\$ 81,366
2011	96,771	-	83,612	13,159
2010	18,230	-	8,896	9,334
2009	14,398	-	7,234	7,164
2008	13,033	-	2,604	10,429
2007	9,230	-	1,323	7,907
2006	8,159	-	752	7,407
2005	5,026	-	475	4,551
2004	3,280	-	424	2,856
2003	3,105	-	825	2,280
2002	3,399	-	3,399	-
Total	\$ 174,631	\$ 5,242,074	\$ 5,270,252	\$ 146,453

RECONCILIATION WITH REVENUES

Taxes - Ad Valorem - General Fund	\$ 5,277,887
Add (deduct):	
Penalties and interest	(27,713)
Taxes written off	3,399
Releases, rebates and adjustments	16,679
Total Collections and Credits	\$ 5,270,252

TOWN OF KNIGHTDALE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY

June 30, 2012

	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	\$ 1,224,528,366	0.41	\$ 5,021,607	\$ 4,785,555	\$ 236,052
Registered motor vehicles taxed at prior year's rate	30,928,129	0.41	127,135	-	127,135
Penalties	-		3,897	3,897	-
Total	1,255,456,495		5,152,639	4,789,452	363,187
Discoveries:					
Current year taxes	21,255,477	0.41	87,148	87,148	-
Prior year taxes	-	0.41	20,997	13,381	7,616
Penalties	-		1,981	1,981	-
Total	1,276,711,972		5,262,765	4,891,962	370,803
Abatements	(5,046,585)	0.41	(20,691)	(12,327)	(8,364)
Total property valuation	<u>\$ 1,271,665,387</u>				
Net levy			5,242,074	4,879,635	362,439
Uncollected taxes at June 30, 2011			81,366	12,920	68,446
Current year's taxes collected			<u>\$ 5,160,708</u>	<u>\$ 4,866,715</u>	<u>\$ 293,993</u>
Current levy collection percentage			<u>98.45%</u>	<u>99.74%</u>	<u>81.12%</u>



Knightdale Christmas Parade 2011

Historic Downtown Knightdale

Painting by Lewis Chapman



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



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TOWN OF KNIGHTDALE, NORTH CAROLINA

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 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	\$ 28,649,087
Restricted	3,536,167	-	408,305	546,747	721,391	374,673	362,226	434,244	1,943,693	1,895,412
Unrestricted	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	4,953,181
Total governmental activities net assets	<u>\$ 10,293,914</u>	<u>\$ 14,206,852</u>	<u>\$ 17,074,707</u>	<u>\$ 24,520,043</u>	<u>\$ 29,123,824</u>	<u>\$ 30,056,595</u>	<u>\$ 30,520,510</u>	<u>\$ 30,618,974</u>	<u>\$ 34,194,824</u>	<u>\$ 35,497,680</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 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	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	46,062
Total business-type activities net assets	<u>\$ 10,944,960</u>	<u>\$ 12,992,326</u>	<u>\$ 14,383,826</u>	<u>\$ 5,303,951</u>	<u>\$ 4,436,212</u>	<u>\$ 2,712,135</u>	<u>\$ 2,628,382</u>	<u>\$ 2,646,718</u>	<u>\$ 1,044,574</u>	<u>\$ 46,062</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 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	\$ 28,649,087
Restricted	3,536,167	1,732,118	656,394	546,747	721,391	374,673	362,226	434,244	1,943,693	1,895,412
Unrestricted	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	4,999,243
Total primary government net assets	<u>\$ 21,238,874</u>	<u>\$ 27,199,178</u>	<u>\$ 31,458,533</u>	<u>\$ 29,823,994</u>	<u>\$ 33,560,036</u>	<u>\$ 32,768,730</u>	<u>\$ 33,148,892</u>	<u>\$ 33,265,692</u>	<u>\$ 35,239,398</u>	<u>\$ 35,543,742</u>

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$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	\$2,155,837
Public safety	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	4,202,231
Public works	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	2,401,269
Environmental protection	-	-	-	-	-	-	520,985	535,182	532,250	571,764
Economic development	-	-	-	-	-	-	571,441	418,950	449,226	579,390
Cultural and recreational	672,397	2,684,396	829,087	844,994	953,912	999,956	916,189	898,375	918,928	976,780
Interest on long-term debt	133,723	144,452	126,787	187,678	219,065	213,735	217,628	168,894	299,747	251,805
Total governmental activities expenses	\$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	\$11,139,076
Business-type activities:										
Water and sewer	2,372,969	2,689,297	2,872,621	2,808,455	176,251	308,128	149,315	133,748	130,422	176,625
Total business-type activities expenses	2,372,969	2,689,297	2,872,621	2,808,455	176,251	308,128	149,315	133,748	130,422	176,625
Total primary government expenses	\$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	\$11,315,701
Program Revenues										
Governmental activities:										
Charges for service:										
General government	\$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	28,363
Public works	257,744	265,144	284,469	854,770	782,327	466,284	776,099	8,080	396,177	143,531
Environmental protection	-	-	-	-	-	-	-	590,782	642,781	620,313
Economic development	-	-	-	-	-	-	-	102,752	139,569	158,937
Cultural and recreational	171,160	177,132	211,125	309,771	290,171	389,067	517,406	371,833	423,361	427,063
Operating grants and contributions	2,514,755	560,402	284,639	285,157	230,133	392,971	400,597	518,147	864,939	830,434
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	730,905
Total governmental activities program revenue	\$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	\$2,939,546
Business-type activities:										
Charges for service:										
Water and sewer	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	-	-	-	-	-	87,684
Total business-type activities program revenues	3,373,604	4,513,899	3,934,811	7,428,414	610,182	-	-	-	-	87,684
Total primary government program revenues	\$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	\$3,027,230

TOWN OF KNIGHTDALE, NORTH CAROLINA
Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2 (continued)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net (Expense) / Revenue										
Governmental activities	\$ (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)	\$ (8,199,530)
Business-type activities	1,000,635	1,824,602	1,062,190	4,619,959	433,931	(308,128)	(149,315)	(133,748)	(130,422)	(88,941)
Total primary government net revenue /(expense)	<u>\$ 233,566</u>	<u>\$ 1,719,672</u>	<u>\$ (381,816)</u>	<u>\$ 6,862,367</u>	<u>\$ (656,840)</u>	<u>\$ (6,539,574)</u>	<u>\$ (6,812,774)</u>	<u>\$ (7,522,318)</u>	<u>\$ (4,845,883)</u>	<u>\$ (8,288,471)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 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	\$ 5,249,709
Other taxes and licenses	958,085	54,036	76,679	71,811	90,276	111,506	206,738	220,629	232,843	246,403
Unrestricted intergovernmental revenues	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	2,545,808
Unrestricted investment earnings	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351	34,957
Miscellaneous	152,991	178,215	267,495	655,657	355,591	228,540	136,315	132,991	237,404	774,350
Transfers	-	-	-	(12,224)	-	216,529	(3)	-	-	651,159
Total governmental activities	<u>3,494,562</u>	<u>3,869,782</u>	<u>4,311,861</u>	<u>5,351,568</u>	<u>5,694,552</u>	<u>6,943,406</u>	<u>7,127,374</u>	<u>7,487,034</u>	<u>8,291,311</u>	<u>9,502,386</u>
Business-type activities:										
Unrestricted investment earnings	74,282	60,987	141,010	209,862	338,757	278,875	192,393	146,081	130,917	125,126
Gain /(Loss) on abandoned capital project	-	-	-	-	(4,750)	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	6,003	6,017	17,711
Transfers	-	-	-	12,224	-	(216,529)	3	-	-	(651,159)
Special item (loss on transfer of assets to Raleigh)	-	-	-	(13,902,400)	(13,426)	(1,478,295)	(126,834)	-	(1,608,656)	(401,249)
Total business-type activities	<u>74,282</u>	<u>60,987</u>	<u>141,010</u>	<u>(13,680,314)</u>	<u>320,581</u>	<u>(1,415,949)</u>	<u>65,562</u>	<u>152,084</u>	<u>(1,471,722)</u>	<u>(909,571)</u>
Total primary government	<u>\$ 3,568,844</u>	<u>\$ 3,930,769</u>	<u>\$ 4,452,871</u>	<u>\$ (8,328,746)</u>	<u>\$ 6,015,133</u>	<u>\$ 5,527,457</u>	<u>\$ 7,192,936</u>	<u>\$ 7,639,118</u>	<u>\$ 6,819,589</u>	<u>\$ 8,592,815</u>
Change in Net Assets										
Governmental activities	\$ 2,727,493	\$ 3,764,852	\$ 2,867,855	\$ 7,593,976	\$ 4,603,781	\$ 711,960	\$ 463,915	\$ 98,464	\$ 3,575,850	\$ 1,302,856
Business-type activities	1,074,917	1,885,589	1,203,200	(9,060,355)	754,512	(1,724,077)	(83,753)	18,336	(1,602,144)	(998,512)
Total primary government	<u>\$ 3,802,410</u>	<u>\$ 5,650,441</u>	<u>\$ 4,071,055</u>	<u>\$ (1,466,379)</u>	<u>\$ 5,358,293</u>	<u>\$ (1,012,117)</u>	<u>\$ 380,162</u>	<u>\$ 116,800</u>	<u>\$ 1,973,706</u>	<u>\$ 304,344</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 997,272	\$ 968,808	\$ 843,605	\$ 1,080,454	\$ 1,281,443	\$ 1,584,857	\$ 1,120,396	\$ 1,309,298	\$ -	\$ -
Unreserved	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	36,008
Restricted	-	-	-	-	-	-	-	-	1,605,841	1,527,084
Assigned	-	-	-	-	-	-	-	-	212,000	100,800
Unassigned	-	-	-	-	-	-	-	-	2,536,605	2,984,408
Total General Fund	\$ 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	\$ 4,648,300
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	737,186	770,356	779,047	1,388,265	1,556,839	877,484	1,758,431	-	-	-
Capital project funds	1,749,537	65,133	(34,445)	88,235	22,637	56,693	19,266	1,945,388	-	-
Restricted	-	-	-	-	-	-	-	-	337,852	368,328
Assigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	15,937
Capital project funds	-	-	-	-	-	-	-	-	1,568,121	3,227,646
Total all other governmental funds	\$ 2,657,414	\$ 899,100	\$ 808,837	\$ 1,543,292	\$ 1,650,835	\$ 989,763	\$ 1,777,697	\$ 1,979,458	\$ 1,905,973	\$ 3,611,911

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 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	\$ 5,277,887
Other taxes and licenses	957,052	53,414	74,488	69,665	88,392	94,528	119,763	212,371	223,835	238,439
Unrestricted intergovernmental	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	2,545,808
Restricted intergovernmental	335,033	561,402	284,639	285,157	230,133	434,893	400,597	1,002,839	949,247	1,561,339
Permits and fees	247,065	258,864	239,767	335,240	267,934	264,989	321,595	147,330	608,630	386,600
Sales and services	426,333	444,099	491,796	1,137,608	1,074,922	851,642	1,344,991	967,385	1,043,408	1,028,223
Investment earnings	48,359	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351	34,957
Miscellaneous	152,991	177,215	267,495	655,657	355,591	228,540	160,876	117,836	140,924	86,369
Total revenues	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	11,159,622
Expenditures										
General government	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	1,159,777
Public safety	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	3,831,884
Public works	554,480	832,267	795,895	631,817	982,507	3,019,257	1,614,249	1,586,331	1,666,795	1,628,223
Environmental protection	-	-	-	-	-	-	-	535,182	532,250	628,604
Economic development	-	-	-	-	-	-	-	430,008	451,522	577,318
Cultural and recreation	490,382	602,908	720,860	807,402	902,940	950,595	868,644	844,184	908,416	912,635
Capital outlay	189,620	2,685,488	261,917	2,625,122	1,557,773	757,229	787,870	666,180	3,716,800	985,860
Debt service :										
Principal	271,949	330,491	346,505	359,166	495,035	537,192	597,471	597,558	420,955	1,211,715
Interest	134,498	143,120	129,844	116,763	197,996	216,114	209,415	188,746	172,692	269,001
Total expenditures	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	11,205,017
Excess of revenues over (under) expenditures	485,754	(2,095,219)	249,069	(581,462)	(870,772)	(1,716,696)	318,486	120,727	(2,072,100)	(45,395)
Other financing sources (uses)										
Transfers in	421,827	670,024	99,772	8,000	344,188	1,017,419	1,230,921	443,909	1,199,206	1,142,917
Transfers out	(421,827)	(670,024)	(99,772)	-	(344,188)	(800,890)	(1,230,924)	(443,909)	(1,199,206)	(491,758)
Sale of fixed assets	-	-	-	-	-	-	-	35,695	16,480	812,920
Bonds issued	1,000,000	-	-	-	-	-	-	-	-	-
Installment debt issued	-	68,165	50,200	2,482,365	682,760	592,000	175,000	60,059	3,040,500	557,632
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)	1,000,000	37,787	68,740	2,493,774	687,763	818,237	174,997	95,754	3,136,980	2,021,711
Net change in fund balance	\$ 1,485,754	\$ (2,057,432)	\$ 317,809	\$ 1,912,312	\$ (183,009)	\$ (898,459)	\$ 493,483	\$ 216,481	\$ 1,064,880	\$ 1,976,316
Debt service as a percentage of noncapital expenditures	12.0%	11.6%	11.0%	10.4%	11.8%	9.0%	11.2%	9.2%	6.8%	14.0%

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
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
2012	0.41	5,249,709	5,249,709

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

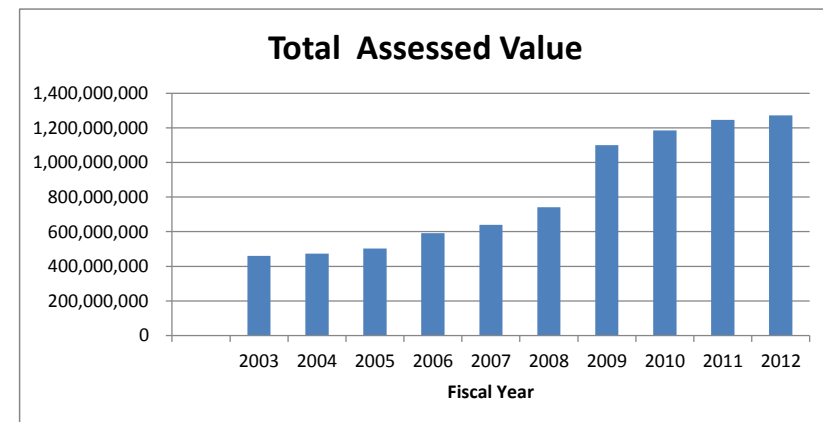
Table 6

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
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	1,175,573,333	106%
2012	1,133,994,181	128,739,400	8,931,806	1,271,665,387	0.41	1,166,665,493	109%

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
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
2012	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

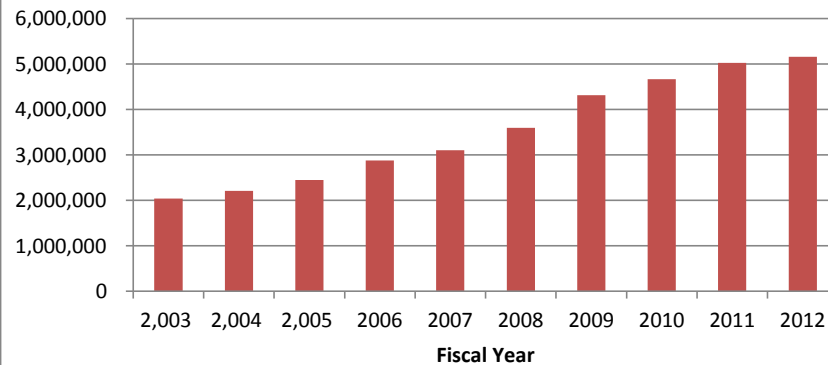
Property Tax Levies and Collections

Last Ten Fiscal Years

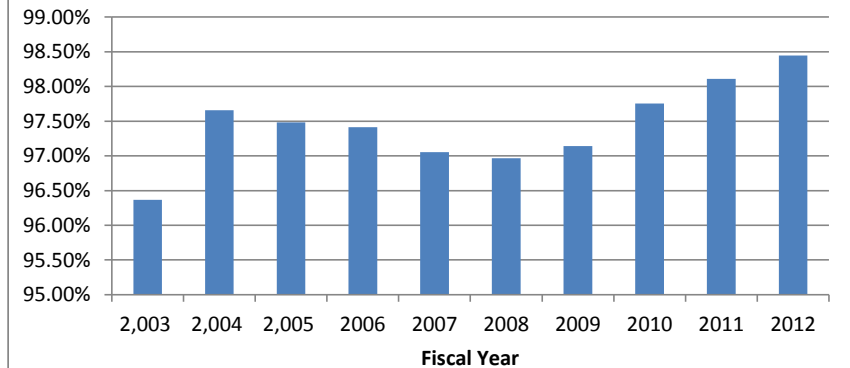
Table 8

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
2003	\$2,119,988	\$2,042,922	96.36%	\$74,786	\$2,117,708	99.89%	\$114,485	5.40%
2004	2,267,754	2,214,679	97.66%	50,219	2,264,898	99.87%	89,322	3.94%
2005	2,515,619	2,452,297	97.48%	58,771	2,511,068	99.82%	101,013	4.02%
2006	2,953,293	2,876,888	97.41%	68,998	2,945,886	99.75%	116,246	3.94%
2007	3,201,115	3,106,828	97.05%	86,380	3,193,208	99.75%	142,470	4.45%
2008	3,708,082	3,595,606	96.97%	102,047	3,697,653	99.72%	167,022	4.50%
2009	4,441,324	4,314,443	97.14%	119,717	4,434,160	99.84%	194,828	4.39%
2010	4,779,605	4,672,322	97.76%	97,949	4,770,271	99.80%	203,519	4.26%
2011	5,124,740	5,027,969	98.11%	83,612	5,111,581	99.74%	174,631	3.41%
2012	5,242,074	5,160,708	98.45%	-	5,160,708	98.45%	146,453	2.79%

Current Year Levy Collections



Tax Collection Percentage



TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2012			2003		
		Assessed	Percentage Of Total Assessed	Rank	Assessed	Percentage Of Total Assessed	Rank
Taxpayer (1)	Type of Enterprise	Valuation	Valuation		Valuation	Valuation	
Knightdale Centers LLC	Real Estate	\$ 53,088,428	4.17%	1	\$ -	-	
Greystone WW Co. LLC	Real Estate	30,000,716	2.36%	2	-	-	
Widewaters Knightdale Co. LLC	Real Estate	25,236,113	1.98%	3	7,348,451	-	3
Legacy Oaks Apartments LP	Real Estate/Apartments	24,615,005	1.94%	4	-	-	
BRC Knightdale LLC	Real Estate/Apartments	23,052,814	1.81%	5	-	-	
Lowe's Home Centers, Inc.	Retail	18,373,991	1.44%	6	12,258,879	2.66%	1
Laurens Way Co LTD Partnership	Real Estate/Apartments	14,716,009	1.16%	7	11,685,798	2.54%	2
Rex Hospital Inc.	Health Care	13,064,260	1.03%	8	-	-	
TG LVF Eastpoint LLC	Manufacturer	13,037,814	1.03%	9	-	-	
Target Corporation	Retail	10,553,817	0.83%	10	-	-	
F & F Capital, Inc.	Real Estate	-			7,122,180	1.55%	4
Wal-Mart	Retail	-			6,215,276	1.35%	5
BellSouth Telephone	Utility	-			5,085,336	1.11%	6
Time Warner Entertainment	Cable TV	-			4,449,618	0.97%	7
Knightdale Crossing LLC	Insurance	-			4,296,062	0.93%	8
HCPI Knightdale, Inc.	Health Care	-			2,993,472	0.65%	9
Steeple Square LLC	Real Estate	-			2,986,081	0.65%	10
Totals		\$ 225,738,967	17.75%		\$ 64,441,153	12.41%	
Total Assessed Value		\$ 1,271,665,387			\$ 460,137,434		

(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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value	\$ 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	\$ 1,271,665,387
Debt limit (8% of assessed value)	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	101,733,231
Debt applicable to limit:										
Total outstanding debt	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	8,369,160
Debt authorized but unissued	-	-	-	-	-	-	-	2,821,500	-	5,000,000
Less debt applicable to business-type activities Enterprise Fund debt	-	-	-	-	-	-	-	(2,882,155)	(2,511,950)	(2,274,595)
Total net debt applicable to limit	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	11,094,565
Legal debt margin	\$ 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	\$ 90,638,666
Total net debt applicable to the limit, as a percentage of the total debt limit	21.91%	19.91%	17.30%	19.23%	17.51%	14.74%	8.99%	7.33%	6.77%	10.91%
Total net debt applicable to the limit, as a percentage of assessed value	1.75%	1.59%	1.38%	1.54%	1.40%	1.18%	0.72%	0.59%	0.54%	0.87%

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					
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
2012	554,210	5,540,355	1,601,790	672,805	8,369,160	1,271,665,387	0.66%	11,493	728

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
	Governmental Activities	Business-Type Activities					
2003	\$ 1,000,000	\$ 3,005,500	\$ 4,005,500	\$228,095,040	1.76%	6,360	\$ 630
2004	947,371	2,839,632	3,787,003	\$238,669,556	1.59%	6,484	584
2005	894,737	2,678,263	3,573,000	\$260,372,700	1.37%	6,660	536
2006	842,105	2,515,895	3,358,000	\$285,075,482	1.18%	6,938	484
2007	789,474	2,350,526	3,140,000	\$374,982,234	0.84%	8,877	354
2008	736,842	2,186,158	2,923,000	\$409,113,783	0.71%	9,813	298
2009	684,211	2,020,789	2,705,000	\$436,716,907	0.62%	10,967	247
2010	631,579	1,855,421	2,487,000	\$513,565,920	0.48%	12,393	201
2011	578,947	1,689,053	2,268,000	N/A	N/A	11,401	199
2012	554,210	1,601,790	2,156,000	N/A	N/A	11,493	188

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, 2012

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	\$ 1,750,762,941	1.055%	\$ 18,467,730
Subtotal, overlapping debt			18,467,730
Town of Knightdale direct debt			6,094,565
Total direct and overlapping debt			\$ 24,562,295

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	\$ 1,271,665,387
Wake County Assessed Value (1)	120,555,400,651
Percentage applicable to Knightdale	1.055%

- (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.

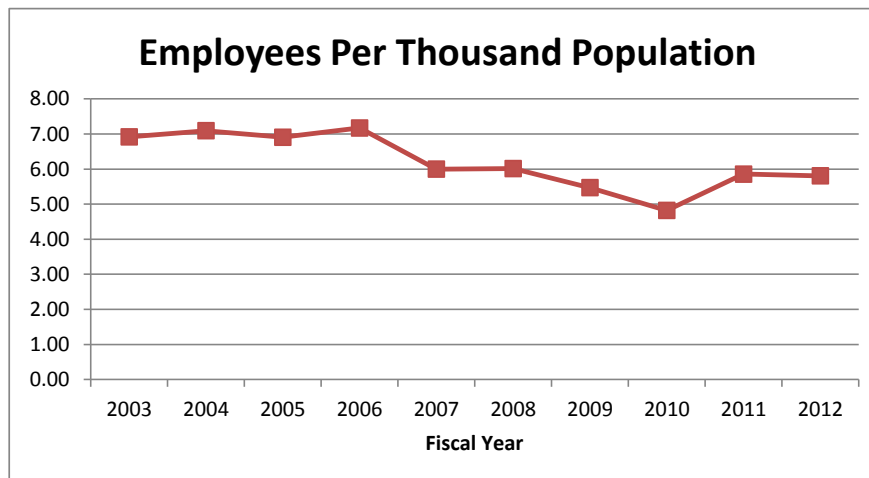
TOWN OF KNIGHTDALE, NORTH CAROLINA

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
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
2012	8.75	38.0	5.0	7.00	8.0	66.75



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

TOWN OF KNIGHTDALE, NORTH CAROLINA
Operating Indicators by Function

Last Ten Fiscal Years

Table 15

Function	Fiscal Year									
	2003	2004 (2)	2005 (2)	2006 (2)	2007	2008	2009	2010	2011	2012
<i>Legislative Department</i>										
meetings	100%	NA	NA	100%	100%	100%	100%	100%	100%	100%
Minutes prepared within 3 working days of Council meetings	NA	NA	NA	100%	100%	89%	95%	80%	90%	90%
Meeting minutes completed without error	100%	NA	NA	95%	95%	100%	100%	100%	100%	100%
Employees successfully completing probation period	100%	NA	NA	100%	100%	100%	100%	100%	100%	100%
Employee turnover	10%	NA	NA	NA	5%	7%	5%	0%	6%	6%
<i>Finance Department</i>										
Bank statement reconciled within 7 days of receipt	100%	66%	100%	58%	100%	83%	100%	75%	92%	92%
Month is closed out within 15 days of month end	83%	NA	NA	NA	100%	100%	100%	100%	100%	100%
Accuracy of bank deposits submitted to the bank	98%	NA	NA	96%	98%	98%	99%	99%	99%	99%
Average accuracy rate in forecasting all major revenues	88%	98%	94%	89%	94%	85%	88%	98%	98%	99%
Accuracy rate in forecasting ad valorem revenue tax revenue.	99%	99%	98%	92%	99%	97%	98%	97%	97%	99%
Number of budget amendments requiring council approval	20	NA	28	18	11	16	20	14	15	13
<i>Planning Department</i>										
Permits issued: (1)										
Commercial	41	37	130	93	71	143	127	42	56	64
Residential	124	238	275	294	269	174	98	152	168	181
<i>Public Safety Department</i>										
<i>Police Division</i>										
Reports submitted on time and accurately	90%	88%	81%	84%	88%	85%	80%	76%	89%	96%
Follow-up investigations closed within 30 days.	30%	78%	83%	92%	85%	97%	83%	92%	94%	94%
Average response time to calls for service (minutes : seconds)	3:15	6:48	6:42	NA	4:22	4:00	4:30	11:05	3:45	3:41

All data in this table provided by Town of Knightdale Department Directors.

Continued

TOWN OF KNIGHTDALE, NORTH CAROLINA
Operating Indicators by Function

Last Ten Fiscal Years

Table 15

	Fiscal Year									
	2003	2004 (3)	2005 (3)	2006 (3)	2007	2008	2009	2010	2011	2012
<i>Fire Division (First year of operation, FY 2003)</i>										
Average response time to calls for service (minutes : seconds)	4:26	4:37	4:44	4:25	3:53	4:03	4:18	4:12	4:24	4:28
Average personnel responding to structure related calls	15.0	13.5	13.4	12.5	11.8	11.5	12.9	11	10	11.7
Training hours for all staff & volunteers	5,515	5,263	5,552	6,635	6,932	6,656	7543	8,041	8,188	8,813
Fire loss for the year	\$75,200	\$56,020	\$63,050	\$171,270	\$97,700	\$208,593	\$337,995	70,790	188,900	234,802
Value of property saved	\$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	5,667,695
Percentage of property loss	2.24%	3.49%	3.41%	6.30%	1.40%	0.89%	3.17%	0.73%	2.65%	3.98%
Total calls	608	618	800	782	921	928	959	1,002	1,067	1,252
<i>Public Works (3)</i>										
Residential tons collected yearly										
Solid Waste	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	2,582.00
Recycling	255.72	327.81	364.04	328.81	379.90	434.00	486.93	NA	506.56	657.00
Mulching / compost	122.34	92.26	88.27	110.75	80.60	53.00	80.00	NA	NA	NA
Households served	2,064	2,158	2,359	2,595	2,546	3,180	3,180	3,525	3,615	3,736
<i>Parks and Recreation (4)</i>										
Participants in camps and recreation programs										
Baseball	336	362	376	433	301	267	348	327	308	344
Softball	50	47	47	60	52	92	69	71	59	60
Basketball	338	387	403	408	275	355	327	334	275	282
Swimming Pool	7,716	6,508	6,622	6,957	8,001	9,927	10,016	9,240	12,017	9,535
Swim Lessons	NA	NA	NA	151	121	137	209	271	320	304
Track Out Camp (5) (6)	NA	NA	NA	NA	NA	1,256	1,125	1,014	4,222	3,506

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.
- (6) Track Out Camp registered by the week in fiscal years 2003 to 2010. Registered by the day in fiscal years 2011 and 2012. Did not register for Track 2 in fiscal year 2012.

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
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	\$513,566	\$37,576,938	\$41,440	\$76,852	8.3
2011	11,401	900,993	(6)	(6)	(6)	\$78,826	8.4
2012	11,493	907,314	(6)	(6)	(6)	\$79,900	7.9

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	2012					2006				
	Employment Range					Restated (1) Employment Range (3)				
Wake County Public School System, <i>All Knightdale Locations.</i>	1	550	-	600	11.90%	400	-	450	11.30%	
Schneider Electric	2	450	-	500	9.83%	400	-	450	11.30%	
Wal-Mart Store #1816	3 (tie)	125	-	150	2.85%	125	-	150	3.65%	
Lowe's Home Improvement	3 (tie)	125	-	150	2.85%	100	-	125	2.99%	
Target	3 (tie)	125	-	150	2.85%					
Kohl's	6 (tie)	100	-	125	2.33%					
Wellington Nursing Center	6 (tie)	100	-	125	2.33%	100	-	125	2.99%	
Lowe's Foods	8 (tie)	75	-	100	1.81%					
Weathermaster Heating & Air	8 (tie)	75	-	100	1.81%	100	-	125	2.99%	
The Home Depot	8 (tie)	75	-	100	1.81%					
Best Buy	8 (tie)	75	-	100	1.81%					
Total of Top Employers, in a range		1,875	to	2,200		1,225	to	1,425		
Total Estimated Employed in Town (2)		4,830				3,762				
Estimated Percentage of Total Employment Represented by Top Employers		42.18%				35.22%				

Notes:

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

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

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

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

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

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA**Commercial Activity**

Last Ten Calendar Years

Table 18

Building Permits (1)

Calendar Year	All Commercial		New Residential		Total	
	Number	Value	Number	Value	Number	Value
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	56	6,449,164	126	22,242,753	182	28,691,917
2011	64	8,588,038	137	24,275,987	201	32,864,025

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-2012

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, 2012 \$1,271,665,387
1 cent of the tax rate equals \$127,167.



AWARDS & RECOGNITION

20 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
2011\$79,900

Area Unemployment Rate-Wake County
June 2012.....7.9%

Construction

201 permits issued in 2011 (calendar year)

Land Area

6.33 square miles - 2012
4,054 acres

YOUR TAX DOLLAR FUNDING-2012

General Administration	10.35%
Community Develop.	5.15%
Fire Protection	11.74%
Police Dept.	22.46%
Parks & Recreation	8.14%
Public Works	15.09%
Sanitation	5.05%
Capital Projects	8.80%
Debt Service	13.22%

POPULATION

2012	11,493
2011	11,401
2010	12,393



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TOWN OF KNIGHTDALE NORTH CAROLINA

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

COMPLIANCE SECTION



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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, 2012, which collectively comprises the Town of Knightdale's basic financial statements, and have issued our report thereon dated November 13, 2012. 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.

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

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 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. We consider the deficiency 2012-1 described in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiencies 2012-2 and 2012-3 described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Knightdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted additional matters that we reported to management of the Town of Knightdale in a separate letter dated November 13, 2012.

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.

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 13, 2012

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 programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 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 the 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, such 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.

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 13, 2012

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

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

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? yes X 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 X 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
81.128	Energy Efficiency in Governmental Buildings

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

- Auditee qualified as low-risk auditee? yes X No

State Awards

The Town of Knightdale has no major state programs.

Section II. Financial Statement Findings

Material Weakness

Item 2012 - 1 Exceptions to internal control policies

Criteria: Town policies, procedures and internal control should be designed and enforced such that controls are in place to prevent, detect and correct errors and fraud in a timely fashion.

Condition: Numerous violations of Town internal control policies have occurred including:

- purchasing policies not always being followed;
- credit card reconciliation being performed by the person who has the authority to change credit card limits;
- credit cards not being timely cancelled upon employee termination;
- part-time positions, who are less familiar with Town policies, being given authorization to make purchases;
- lack of investigation of voided items within cash receipts at Town Hall;
- lack of periodic review of gas and fuel charges for unusual fluctuations and random inspection of vehicles to verify that odometer readings are reasonable.

Effect: Several immaterial theft and fraudulent instances have occurred.

Cause: Lack of timely review and adequate supervision; Finance Department employee turnover within the past several years; lack of enforcement of Town policies and procedures

Recommendation: Strict enforcement of Town approved policies and procedures; timely review of all functions; surprise counts, reconciliations and reviews of various functions; consideration of implementation of a policy on misconduct whereby the Town's position on misconduct, fraud and abuse along with disciplinary actions are specifically identified and communicated to employees.

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

Significant Deficiencies

Item 2012 - 2 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 2012 - 3 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, 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

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

TOWN OF KNIGHTDALE
SCHEDULE OF FINDINGS AND RESPONSES OF SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROLS
For the year ended June 30, 2012

Significant deficiencies

Item 2012 – 1 Exceptions to Internal Control Policy

Contact Person – James C. Overton, Finance Director

Management's Response – Town hired a new purchasing agent and completed training on purchasing and credit card policies for all departments. All voided receipts must be approved by the Accounting Operations Manager or Finance Director with an written explanation attached to receipt of why the receipt was voided. Other employees cannot void receipts. The purchasing agent and department directors will review gas and fuel charges monthly report for any unusual fluctuations in gas purchases. Purchase orders over \$5,000 must be approved by Finance Director.

Proposed Completion Date – October 31, 2012

Item 2012 – 2 Segregation 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 – October 31, 2012

Item 2012 – 3 Purchase Orders

Contact Person – James C. Overton, Finance Director

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

Proposed Completion Date – October 31, 2012

**TOWN OF KNIGHTDALE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2012**

Schedule

Finding 2009-1

Lack of segregation of duties

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

Finding 2009-2

Timesheet procedures and hiring policies

Status: Corrected

Finding 2010-1

Lack of segregation of duties

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

Finding 2010-2

Cash management of federal grant funds

Status: Corrected

Finding 2011-1

Lack of segregation of duties

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

Finding 2011-2

Exceptions from purchase order policy and authorization of accounts payable

Status: This has not been fully corrected

Finding 2011-2

Grant management variances

Status: Corrected

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2012

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal Direct and Pass-Through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Total Expenditures</u>
Federal Grants:						
Cash Programs:						
<u>United States Department of Transportation</u>						
Federal Highway Administration						
Passed Through North Carolina Department of Transportation (GHSP)						
Safety Belt Performance Grant	20.609	K4-2011-04-03	\$ 32,754	\$ -	\$ 5,780	\$ 38,534
Safety Belt Performance Grant	20-609	PT-2014-03-04-40	69,989	-	29,995	99,984
Total cluster	20-609		102,743	-	35,775	138,518
STPDA - 0512(4) First Avenue Improvements	20.205.1	EL-5100 CB	124,048	-	30,923	154,971
SPR-2003(4) Bicycle and Pedestrian Planning Grant	20.205.1	TIP # M-0371	18,480	-	7,920	26,400
STPDA - 0512(10) Knightdale Blvd. & Widewaters	20.205.1	TIP # U-5118 HA	20,800	-	5,200	26,000
Total cluster	20.205.1		163,328	-	44,043	207,371
Total U.S. Department of Transportation			266,071	-	79,818	345,889
<u>United States Department of Homeland Security</u>						
Direct Program						
Federal Emergency Management Agency						
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2009-FH-01193	166,594	-	-	166,594
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2010-FF-00478	33,278	-	-	33,278
Total U.S. Department of Homeland Security			199,872	-	-	199,872
<u>United States Department of Energy</u>						
Passed Through North Carolina Department of Commerce						
State Energy Office - ARRA						
Energy Efficiency in Governmental Buildings						
Energy Efficiency Community Block Grant	81.128	PO 43-900-14818	413,544	-	184,973	598,517
Total federal assistance			879,487	-	264,791	1,144,278

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2012

<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			\$ -	\$ 247,466	\$ -	\$ 247,466
Total NC Department of Transportation			-	247,466	-	247,466
<u>North Carolina Department of Environment and Natural Resources</u>						
Division of Water Resources						
Water Resources Development Grant - Storm Water Mapping	052912-1148		-	15,000	41,500	56,500
Total NC Department of Environment and Natural Resources			-	15,000	41,500	56,500
Total state assistance			-	262,466	41,500	303,966
Total federal and state assistance			\$ 879,487	\$ 262,466	\$ 306,291	\$ 1,448,244

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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