

Town of Knightdale North Carolina



**Comprehensive Annual
Financial Report
For the Fiscal Year Ended June 30, 2013**

**TOWN OF KNIGHTDALE,
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY

**JAMES C. OVERTON
FINANCE DIRECTOR**



**KNIGHTDALE STATION PARK
GRAND OPENING SEPTEMBER 19, 2013**

MAYOR AND MEMBERS OF TOWN COUNCIL

As of June 30, 2013

Russell B. Killen
Mayor
Term: 2011-2015

Mike Chalk
Mayor Pro-Tem
Term: 2009-2013

James Roberson
Council Member
Term: 2011-2015

Jeff Eddins
Council Member
Term: 2009-2013

Dustin Tripp
Council Member
Term: 2011-2015

Timothy Poirier
Council Member
Term: 2012-2013

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



Knightdale High School Knights Men's Track Team

North Carolina High School Athletic Association 4A State Champions

Three Consecutive Years 2011, 2012 and 2013

TOWN OF KNIGHTDALE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013

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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, 2013

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, 2013. 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 2013

Public Works and Engineering Departments

The Town has expended \$1,391,158 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 \$1,403,500 with another \$329,000 for Phase II. Construction on Phase I and Phase II have been completed and the street has been reopened.

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 \$6,306,029 which is financed by an installment purchase agreement of \$5,000,000 with SunTrust Bank payable in 15 annual payments of \$333,333 plus interest at 2.33% beginning July 14, 2013. The Town expended \$4,740,087 for construction of Phase I of the park which was completed on September 19, 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 bonds were sold in a private sale to SunTrust Bank on July 19, 2013 and are payable in 15 annual installments of \$200,000 plus interest at 1.97% per annum beginning July 19, 2014. Construction on Phase II of the park is currently underway and is scheduled for completion in the fall of 2014.

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 of \$250,000 was administered by the City of Raleigh, which constructed a greenway trail from Raleigh to the Neuse River and a bridge across the river (Phase I). Construction was completed at a cost of \$692,568 and Phase I of the greenway opened in April 2013. The Town of Knightdale will construct Phase II of the greenway trail from Hodge Road on the western side of town. 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. 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 June 30, 2013, expenditures for the Phase II of the greenway project totaled \$1,565,448. Construction on Phase II is expected to be completed in the spring of 2014.

Renovations to Public Buildings

The Town of Knightdale expended \$28,857 and \$62,791, respectively, in fiscal year 2013 for renovations to the Public Safety Building and Town Hall. The renovations include remodeling of the Police and Finance Department offices, additional security for both buildings, and repairs to the roof at Town Hall. The total estimated cost of these renovations is \$153,500 and renovations should be completed in the fall of 2013.

Street and Sidewalk Improvements

The Town of Knightdale expended \$152,340 to add a turn lane on US Highway 64 Business (Knightdale Boulevard) at the intersection with Widewaters Parkway. The Town received a grant of \$123,362 from the United State Department of Transportation for this project. The Town also expended \$131,843 for various street and sidewalk improvements on Smithfield Road. The total estimated cost for these projects is \$1,347,000. The Town has been awarded various Federal grant funds totaling \$1,043,900 for these projects. Construction will begin in fiscal year 2014. Developers of the Churchill subdivision dedicated infrastructure improvements including land, streets and sidewalks totaling \$2,408,878 to the Town of Knightdale in fiscal year 2013.

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 (925,938) grew 32% 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 27% over the next eight years, to 1,173,840 residents in the year 2020. As of June 2013, this area of the state has an unemployment rate of 7.4% compared to the statewide rate of 8.8%. The median family income for a family is \$75,285. Knightdale was recognized as the fastest growing town in North Carolina in 2009. The Town's population is 11,904, which represents an 83.6% 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 30,972 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 2012, the Town Planning Department issued 263 combined residential and commercial building permits; representing a total value of \$46,608,529 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 remained the same in 2012 as compared to the previous year at \$177,508. The Laurel Crossings apartment complex is currently under construction. Also, a developer is planning to build up to 800 homes in the new Knightdale Station Subdivision adjacent to Knightdale Station Park. Construction of the Army Reserve Training Center in Knightdale was completed in 2013. 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 18.85 square miles, or 12,064 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, has taken advantage of these lower interest rates to refinance outstanding mortgages and other debt. In fiscal year 2013, The Town of Knightdale refinanced an outstanding loan of \$2,115,099 on the Public Safety Building reducing the interest rate from 4.125% to 2.3% and saving \$710,875 in future debt service payments over the remaining term of the loan.

National

The national economy continues a long and often sluggish recovery from the recession of 2008 to 2010. Unemployment nationwide has dropped to 7.6% but job growth continues at a slower than expected pace. Sales of home and automobiles have improved in 2013 as compared to 2012, and home prices are also showing an upward trend nationwide. The stock market has recovered from the recession of 2008, with the DOW Jones Industrial Average reaching record heights in recent months.

However, the future of the stock market and the national economy remain uncertain due to the recent shutdown of the Federal Government, the debate over raising the national debt limit, implementation of the Affordable Healthcare Act (Obama care) and the Federal Reserve's economic policies. The Federal Reserve has hinted that it may reduce purchases of US Treasuries which could cause an increase in interest rates. As of the date of this report, interest rates remain at historically low levels. Many small businesses and their employees are concerned about maintaining their healthcare insurance plans and many may actually lose coverage or see a dramatic increase in premiums as a result of the Affordable Healthcare Act.

State

North Carolina's economy also remains sluggish with unemployment statewide at 8.8%. The economic recovery in North Carolina has lagged behind the national economy due to the loss of manufacturing jobs during the past recession. However, sales tax revenues have improved in 2013 as compared to the previous year. 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, 2013, 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 2013, the Town transferred \$254,003 from the General Fund to the General Capital Project – Capital Reserve Fund. Certain other revenues received from developers and motor vehicle licenses are also set aside in this fund for future capital improvements to streets, sidewalks and recreational facilities. The Town of Knightdale transferred \$835,239 from the Capital Reserve Fund to the General Fund and Capital Projects Funds during fiscal year 2013 for various construction projects and the purchase of vehicles and equipment. Over the past several years, the Town has accumulated a reserve of \$2,730,210 in the General Capital Projects – Capital Reserve Fund. Of this amount, \$2,141,500 is appropriated for capital projects in the fiscal year 2014 budget ordinance.

AWARDS AND OTHER INFORMATION

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

Management's Discussion and Analysis. The Management's discussion and analysis, contained on pages 24-37, 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, 2012. This is the twenty-first (21st) 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 2013 budget should be considered a companion document to the Comprehensive Annual Financial Report. The detailed 2012-13 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 Joyce and Company, 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



Government Finance Officers Association

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

Presented to

**Town of Knightdale
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Enos".

Executive Director/CEO

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

as of June 30, 2013

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

Brain Bowman
Public Information Officer

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

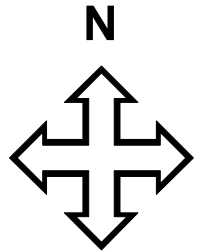
- This committee meets with representatives from the Knightdale Planning Department.
- Issues affecting the older, downtown part of Knightdale are reviewed. Recommendations are forwarded to the town council as appropriate.

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



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 grand opening of Knightdale Station Park was held on September 19, 2013. Phase II of the park will be completed in the fall of 2014. Phase I of the Mingo Creek Greenway was completed in April of 2013. Phase II of the greenway is currently under construction and will be completed in the spring of 2014. This paved bicycle and walking trail connects 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 11,904 per the latest State Office of Budget and Management estimate, while Wake County has an estimated population of 925,938. In 2013 the median family income in Knightdale was projected to be \$75,285. The Wake County unemployment rate as of June 2013 was 7.4%. 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 45.02 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, Accounting Technician, 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) Senior Planners, a Code Enforcement Officer and a Planning Technician.

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. Public Safety consists of two separate departments - 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 Department consists of Lieutenants, a Detective, a School Resource Officer, Public Safety Officers and an Administrative Assistant. The Fire Department 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.

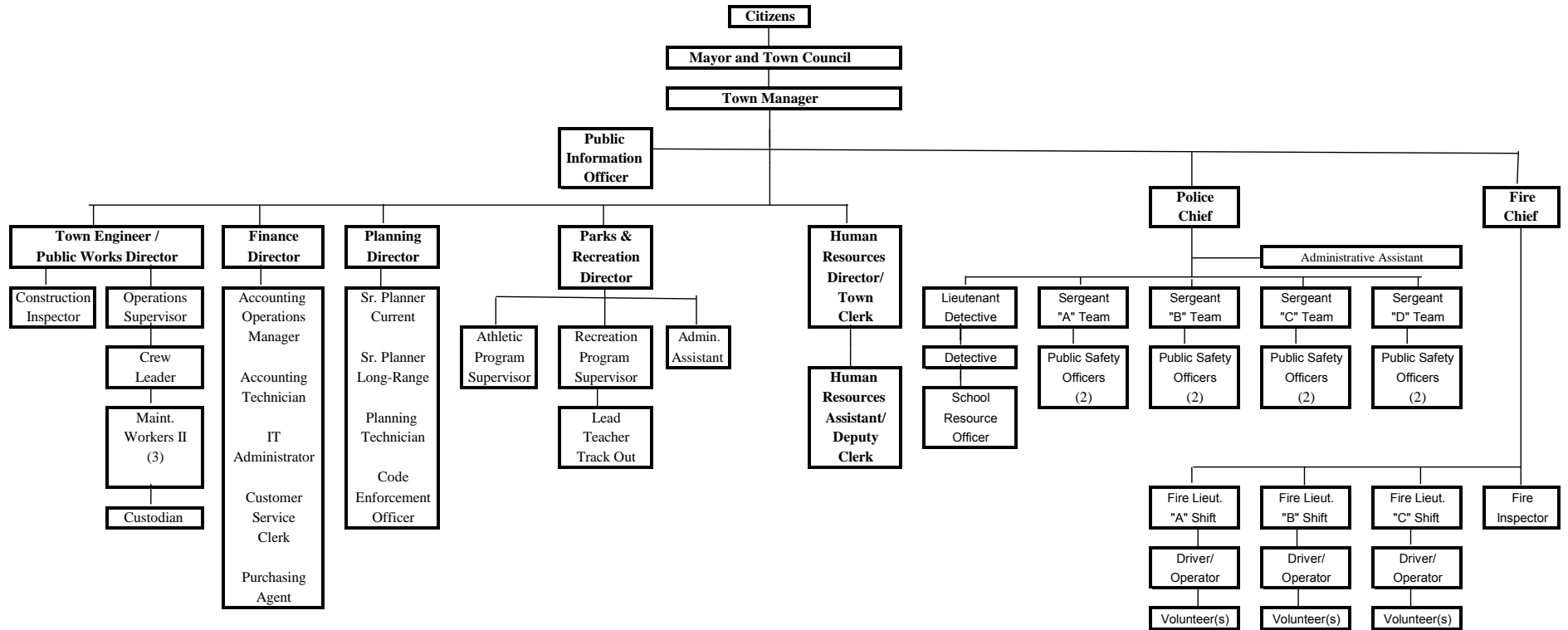
<p style="text-align: center;">TOWN OF KNIGHTDALE, NORTH CAROLINA RESPONSIBILITIES OF TOWN GOVERNMENT (Continued)</p>

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 2013



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 Station Park Playground



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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Knightdale, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Knightdale, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance'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 required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

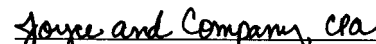
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Knightdale, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2013 on our consideration of Town of Knightdale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Knightdale's internal control over financial reporting and compliance.


Joyce and Company, CPA
Cary, North Carolina

November 13, 2013

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, 2013. 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

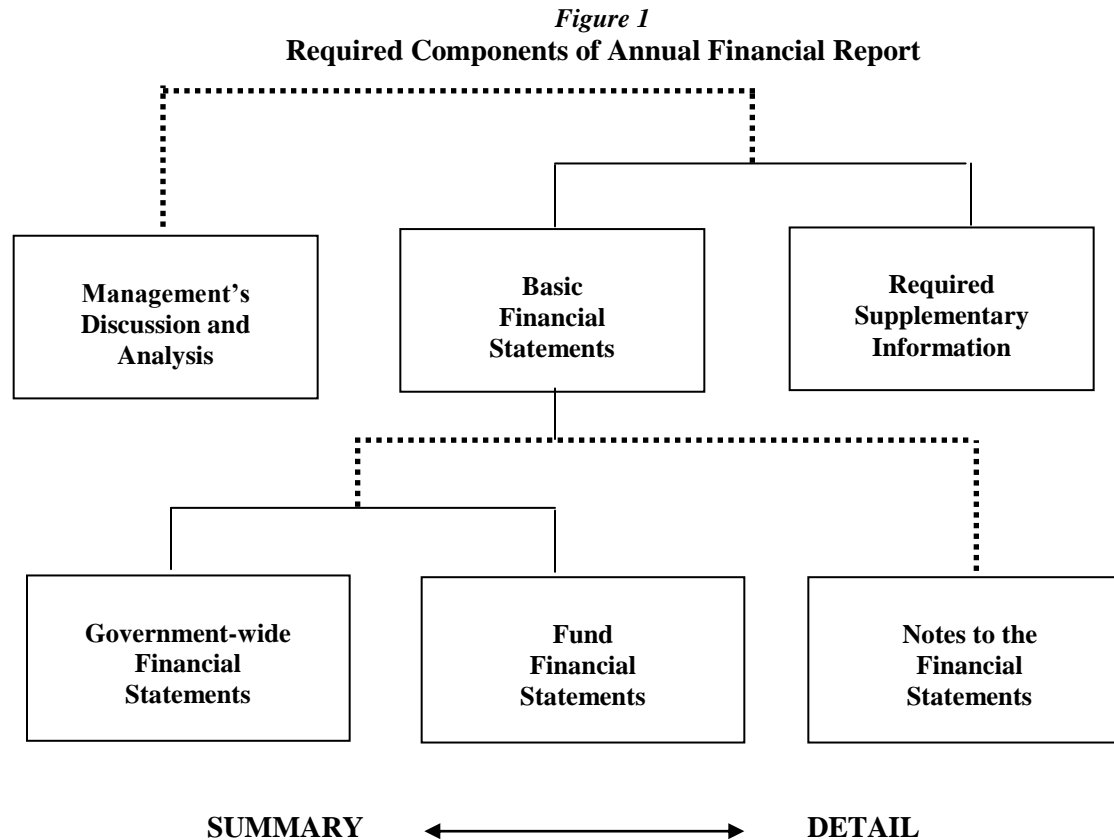
- The assets of the Town of Knightdale exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,804,138 (*net position*).
- The Town's total net position increased over the course of this year's operations by \$5,106,414 (14.30%). Net assets for business-type activities increased \$15,438 (33.52%), primarily due to fees in lieu of water and sewer improvements collected from developers. The net assets related to governmental activities *increased* \$5,090,976 (14.28%) primarily due to the contribution of infrastructure (streets and sidewalks) from developers and the construction of several major capital projects including Knightdale Station Park, Mingo Creek Greenway and First Avenue Street Improvements.
- Knightdale no longer owns nor operates the water and sewer utility system in the Town. Knightdale has chosen to maintain the water and sewer proprietary funds because of the internal controls inherent with these funds. Knightdale now collects water and sewer fees and charges on behalf of the City of Raleigh. Amounts collected on behalf of Raleigh are remitted to the City of Raleigh by the middle of the following month.
- As of the close of the current fiscal year, the Town of Knightdale's governmental funds reported combined ending fund balances of \$9,142,952 with a net change of \$882,741 in fund balance. Approximately 25.28% of this total amount, or \$2,310,908 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,430,429 or 29.48% 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, 2013 was \$4,480,689 or 47.06% of the General Fund's expenditures, transfers out and adjusted for debt financed expenditures.
- The Town of Knightdale's current debt due within one year for general obligation and installment notes (\$1,303,050) increased \$335,189 during the current fiscal year. Of this amount, the City of Raleigh will transfer \$338,035 to the Town to fund water and sewer debt which could not legally be transferred to Raleigh in the utility merger.
- The Town of Knightdale's total debt increased by \$4,032,086 (48.18%) during the current fiscal year. The Town borrowed \$5,000,000 from SunTrust Bank for the construction of Phase I of Knightdale Station Park and renovations to the Public Safety Building and Town Hall. The loan is payable in 15 annual installments of \$333,333 plus interest at 2.33% per annum beginning on July 14, 2013.
- The Town refinanced an outstanding loan of \$2,115,099 secured by the Public Safety Building, reducing both the remaining term of the loan from 23 years to 15 years and the interest rate from 4.125% to 2.30% per annum. This resulted in a net savings of \$710,875 in debt service payments over the remaining term of the loan.
- 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) in the basic financial statements are **Government-wide Financial Statements**. They provide both long-term and short-term information about the Town's overall financial status.
 - The remaining statements (Exhibit 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.



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

Figure 2

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

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

Government-wide Financial Statements

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

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

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

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

- Governmental activities - Most of the Town's basic services are included here, such as the police, fire, public works, 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 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 maintain control over specific sources of funding and spending that have been segregated for specific activities or objectives. The Town of Knightdale, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Knightdale can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 55-87 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Knightdale's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 88 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure 3
Town of Knightdale's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 12,374,766	\$ 9,957,234	\$ 2,460,232	\$ 2,386,577	\$ 14,834,998	\$ 12,343,811
Capital assets	<u>43,797,493</u>	<u>34,877,860</u>	<u>-</u>	<u>-</u>	<u>43,797,493</u>	<u>34,877,860</u>
Total assets	<u>56,172,259</u>	<u>44,835,094</u>	<u>2,460,232</u>	<u>2,386,577</u>	<u>58,632,491</u>	<u>47,221,671</u>
Long-term liabilities outstanding	11,041,082	6,654,468	1,604,390	1,942,460	12,645,472	8,596,928
Other liabilities	4,312,966	2,415,557	794,342	398,055	5,107,308	2,813,612
Deferred inflows of resources	<u>75,573</u>	<u>113,407</u>	<u>-</u>	<u>-</u>	<u>75,573</u>	<u>113,407</u>
Total liabilities and deferred inflows of resources	<u>15,429,621</u>	<u>9,183,432</u>	<u>2,398,732</u>	<u>2,340,515</u>	<u>17,828,353</u>	<u>11,523,947</u>
Net position:						
Invested in capital assets, net of related debt	33,353,729	28,803,069	-	-	33,353,729	28,803,069
Restricted	2,299,485	1,895,412	-	-	2,299,485	1,895,412
Unrestricted	<u>5,089,424</u>	<u>4,953,181</u>	<u>61,500</u>	<u>46,062</u>	<u>5,150,924</u>	<u>4,999,243</u>
Total net position	<u>\$40,742,638</u>	<u>\$35,651,662</u>	<u>\$ 61,500</u>	<u>\$ 46,062</u>	<u>\$40,804,138</u>	<u>\$35,697,724</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Knightdale exceeded liabilities and deferred inflows by \$40,804,138 as of June 30, 2013. The Town's net position increased by \$5,106,414 for the fiscal year ended June 30, 2013. However, the largest portion (81.74%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Knightdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Knightdale's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Knightdale's net position, \$2,299,485 (5.64%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,150,924 (12.62%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The following items also affected the financial position of the Town.

- Wake County bills and collects all property tax due to the Town of Knightdale. The percent of net levy collected for the year was 98.11%, decreasing from 98.45% in the prior year. The statewide average tax collection percentage is 97.42%.
- The Town's assessed value at year end (\$1,315,570,011) grew 3.45% as compared to fiscal year 2012 values. The Town continues to benefit from construction of new homes, apartments and retail establishments. Property tax collections were up 2.21%.
- Local option sales tax revenues increased by \$132,624 (6.92%) mainly due to improvement in the local economy of Wake County and an increase in Knightdale's population which is used by the State of North Carolina Department of Revenue to distribute sales tax revenue among the various towns in Wake County. Knightdale's estimated population increased from 11,493 to 11,904.
- Total Governmental Fund expenditures increased by \$8,124,490 (71.52%) during fiscal year 2013 primarily due to construction of several major capital projects.
- Debt service expenditures in the General Fund increased by \$1,517,142 in fiscal year 2013. Of this amount, \$2,115,099 represents loan proceeds from refinancing and paying off an outstanding loan on the Public Safety Building.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net position by \$5,090,976, thereby accounting for 99.70% of the total growth in net position of the Town of Knightdale. Key elements of this increase are as follows:

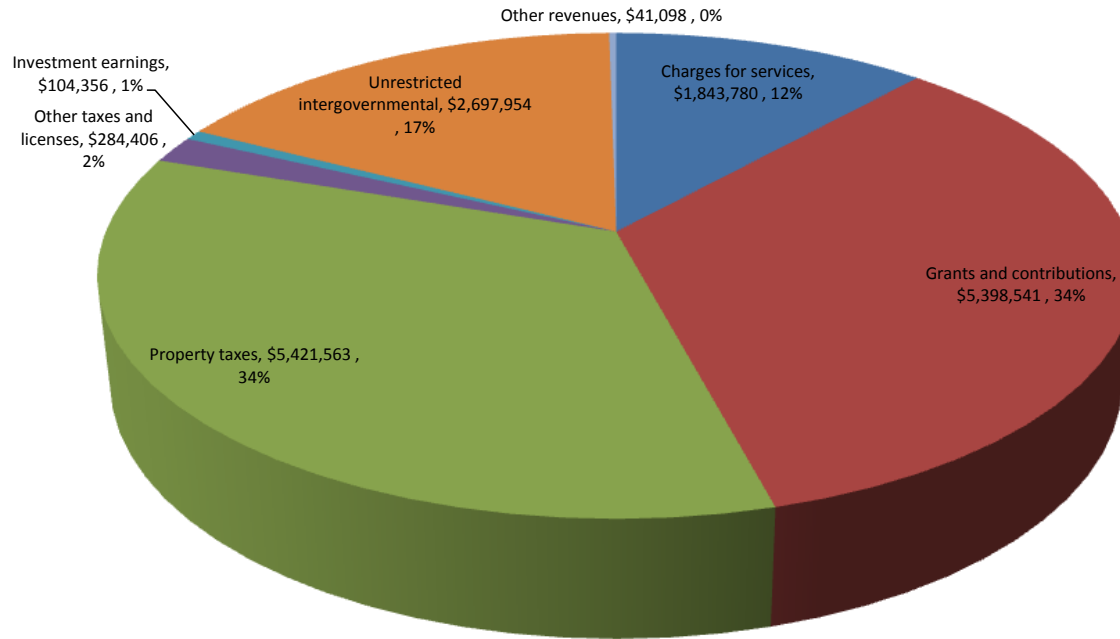
Revenues-Governmental Activities

- Ad Valorem Taxes make up 34.53% 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 2013 was 41 cents with an assessed value of \$1,315,570,011 (per Wake County tax report). Knightdale's tax base grew 3.45% from fiscal year 2012. The Town continues to experience commercial and residential growth. Wake County continues to act as a tax collector for the Town, with current year collections at 98.11%.
- Developers contributed \$2,471,878 of land and infrastructure improvements to the Town during the current fiscal year. While the infrastructure provided by the new development is a cost the Town avoids, the infrastructure is not a resource that can be used to retire financial obligations.
- Unrestricted intergovernmental revenue is also a large revenue source accounting for 17.18% 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 \$2,926,663 make up 18.64% 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 Federal grants for the construction of street improvements on First Avenue and US Highway 64, Mingo Creek Greenway, and the purchase of playground equipment for Knightdale Station Park.

Figure 4
Town of Knightdale Changes in Net Position

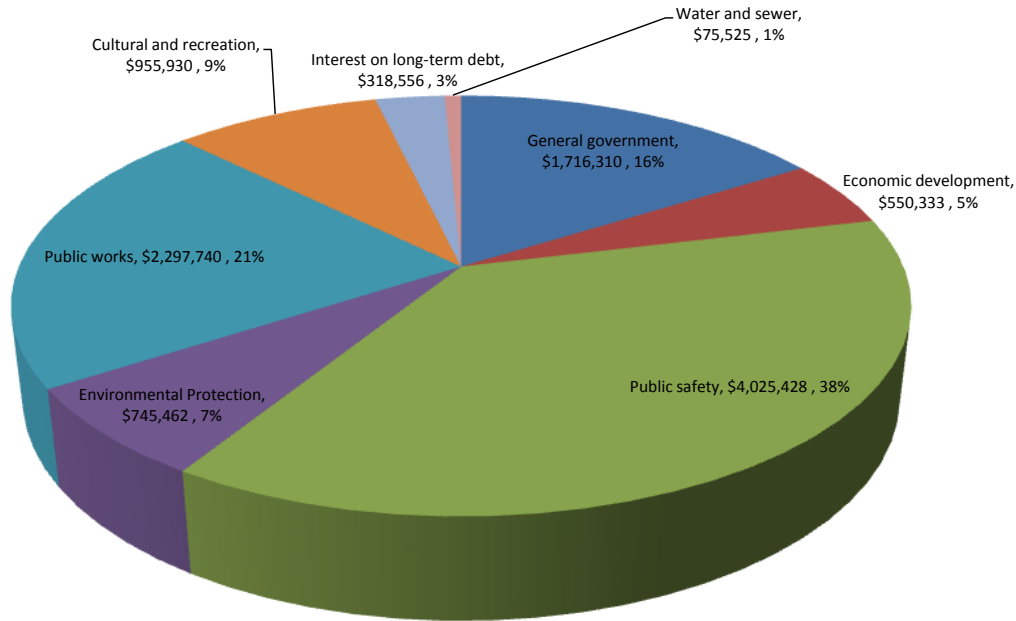
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,843,780	\$ 1,378,207	\$ -	\$ -	\$ 1,843,780	\$ 1,378,207
Operating grants and contributions	684,002	830,434	-	-	684,002	830,434
Capital grants and contributions	4,714,539	884,887	-	87,684	4,714,539	972,571
General revenues:						
Property taxes	5,421,563	5,249,709	-	-	5,421,563	5,249,709
Other taxes	284,406	246,403	-	-	284,406	246,403
Grants and contributions not restricted to specific programs	2,697,954	2,545,808	-	-	2,697,954	2,545,808
Unrestricted investment earnings	37,194	34,957	67,162	125,126	104,356	160,083
Other revenues	17,297	774,350	23,801	17,711	41,098	792,061
Total revenues	<u>15,700,735</u>	<u>11,944,755</u>	<u>90,963</u>	<u>230,521</u>	<u>15,791,698</u>	<u>12,175,276</u>
Expenses:						
General government	1,716,310	2,155,837	-	-	1,716,310	2,155,837
Public safety	4,025,428	4,202,231	-	-	4,025,428	4,202,231
Transportation	2,297,740	2,401,269	-	-	2,297,740	2,401,269
Environmental protection	745,462	571,764	-	-	745,462	571,764
Economic and physical development	550,333	579,390	-	-	550,333	579,390
Cultural and recreation	955,930	976,780	-	-	955,930	976,780
Interest on long-term debt	318,556	251,805	-	-	318,556	251,805
Water and sewer	-	-	75,525	176,625	75,525	176,625
Total expenses	<u>10,609,759</u>	<u>11,139,076</u>	<u>75,525</u>	<u>176,625</u>	<u>10,685,284</u>	<u>11,315,701</u>
Change in net position before transfers and special item	5,090,976	805,679	15,438	53,896	5,106,414	859,575
Transfers	-	651,159	-	(651,159)	-	-
Special item: loss on assets transferred to City of Raleigh	-	-	-	(401,249)	-	(401,249)
Change in net position	5,090,976	1,456,838	15,438	(998,512)	5,106,414	458,326
Net position, July 1	<u>35,651,662</u>	<u>34,194,824</u>	<u>46,062</u>	<u>1,044,574</u>	<u>35,697,724</u>	<u>35,239,398</u>
Net position, June 30	<u>\$ 40,742,638</u>	<u>\$ 35,651,662</u>	<u>\$ 61,500</u>	<u>\$ 46,062</u>	<u>\$ 40,804,138</u>	<u>\$ 35,697,724</u>

Figure 5
Town of Knightdale
Revenues by Source Fiscal Year 2013



The Town of Knightdale's total revenues were \$15,791,698 for the fiscal year ended June 30, 2013.

Figure 6
Town of Knightdale
Expenses by Function
Fiscal Year 2013



The Town of Knightdale's total expenses were \$10,685,284 for the fiscal year ended June 30, 2013. 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 of \$314,790 increased 5.49% this year and is included in Operating Grants and Contributions.
- Charges for services, which include recreation, sanitation, storm water fees, permits and fees revenues, increased by \$465,573 (33.78%) this year. Effective July 1, 2012 the Town implemented a new storm water fee of \$2.00 per residential unit which generated \$261,444 of additional revenue. Sanitation fees increased by 3% due to a cost of living rate adjustment. Development fees also increased as the number of building permits issued by the Planning Department increased by 28% over the previous year.
- The Town sold a permanent easement in the amount of \$812,000 to Crown Castle for access to the Town's land in fiscal year 2012. The one-time sale proceeds received in the prior year accounts for the significant decrease in other revenues during the current fiscal year.

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 16.18% of total expenses.
- General Governmental expenses decreased \$439,527 (20.39%) due to expenditures for energy efficiency improvements to public buildings in the amount of \$598,597 in fiscal year 2012 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 decreased approximately 4.21% from fiscal year 2012. The decrease was primarily due to reductions in operating expenses in the Police Department.
- Environmental protection expenses increased by 30.38% due to a 3% increase in contracted services for trash collection from Waste Industries and expenses for street sweeping and storm water maintenance paid from the new storm water fees.
- Interest on long-term debt increased \$66,751 (26.51%) due to the new \$5,000,000 loan from SunTrust Bank for construction of Knightdale Station Park.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the Town of Knightdale's net position by \$15,438. Key elements of this increase are fees received from developers in lieu of water and sewer improvements.

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

- The Town of Knightdale cannot legally transfer the debt associated with the Water and Sewer Fund. As part of the merger agreement, the City of Raleigh will make periodic payments to the Town of Knightdale as debt service payments come due. The City of Raleigh carries an AAA bond rating.
- Knightdale accepts certain water and sewer fees from developers and builders. Depending on the nature of the fees, the money is either transferred to Raleigh on a monthly basis, held in reserve to fund infrastructure reimbursements to developers, or fund water and sewer line extensions to annexed areas.
- The City of Raleigh reimbursed the Town of Knightdale \$399,332 for debt service payments made during the fiscal year ended June 30, 2013.
- The Town of Knightdale remitted to the City of Raleigh \$1,874,684 in development fees collected on behalf of the City of Raleigh during fiscal year 2013.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the Town of Knightdale. At the end of the current fiscal year, Town of Knightdale's fund balance available in the General Fund was \$4,480,689, while total fund balance for the General Fund reached \$5,634,429. The Town Council of the Town of Knightdale has determined that the Town should maintain an available fund balance between 25% and 40% of General Fund expenditures and interfund transfers in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance 47.06% of General Fund expenditures and transfers out adjusted for debt financed expenditures, while total fund balance represents 59.17% 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.

At June 30, 2013, the governmental funds of the Town of Knightdale reported a combined fund balance of \$9,142,952, with a net increase in fund balance of \$882,741 (10.69%) over last year. Included in this change in fund balance are increases in the General Fund, Capital Project Funds and Non-Major Funds. The fund balance in the General Capital Reserve Fund decreased from the previous year.

General Fund Budgetary Highlights-Fiscal Year 2013

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 2.21% over the previous year, while sales tax revenues increased by 6.92%. Permits and fees increased 17.98% over the previous year due to an increase in the number of residential and commercial construction permits issued by the Planning Department. Sales and services revenues (sanitation and parks and recreation) increased by 6.86% compared to fiscal year 2012 revenues. Restricted intergovernmental revenues were less than the previous year as several Federal and state grant projects were completed and closed out during the current fiscal year. Other revenues decreased 19.45% as the Town no longer receives any rental income from a cell phone tower after the sale of a permanent easement to a private company in the previous fiscal year. Expenditures were held in check to comply with its budgetary requirements.

General Capital Projects – Capital Reserve Fund- Fiscal Year 2013

As of June 30, 2013, the General Capital Projects – Capital Reserve Fund had a fund balance of \$2,730,210. 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 decreased by (\$209,562) due primarily to interfund transfers totaling \$835,239 to the General Fund and Capital Projects Funds for various construction projects. The General Fund transferred \$254,003 (representing \$0.02 of the current tax levy) to the General Capital Projects - Capital Reserve Fund during fiscal year 2013.

Proprietary Fund Highlights- Fiscal Year 2013

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Knightdale's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$43,797,493 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 include the following.

- The Town of Knightdale expended \$1,391,158, \$1,550,695 and \$4,740,087 for construction in progress on the First Avenue street improvements, Mingo Creek Greenway and Knightdale Park projects, respectively, during fiscal year 2013.
- Phase I of the Mingo Creek Greenway from Hodge Road to the Neuse River was completed in cooperation with the City of Raleigh and opened in April 2013.
- The Grand Opening of Knightdale Station Park Phase I was held on September 19, 2013.
- The Town also expended \$28,857 and \$62,791, respectively, for renovations to the Public Safety Building and Town Hall.
- Riverside Plantation LLC donated land valued at \$63,000 in the Cheswick Subdivision to the Town of Knightdale for the future site of additional park facilities.
- The Town received contributions of infrastructure improvements totaling \$2,408,878 (including land, sidewalks and streets) from the developers of the Churchill subdivision.
- The Town expended \$197,251 for the purchase of new vehicles and equipment and replacement of old vehicles and equipment.
- The Town of Knightdale expended \$42,525 to complete mapping of all storm water drainage improvements throughout 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, 2013, the Town of Knightdale had total bonded debt outstanding of \$1,922,000. This outstanding debt is backed by the full faith and credit of the Town. Of that total, \$1,426,737 is debt related to the utility system. The merger agreement with the City of Raleigh requires the City to make periodic transfers to Knightdale to fund these debt service payments. The remaining Town debt 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 increased by \$4,032,086 (48.18%), during the past fiscal year, primarily due to the \$5,000,000 installment purchase agreement for construction of Knightdale Station Park Phase I. The Town also refinanced an outstanding loan of \$2,115,099 on the Public Safety Building resulting in a net savings of \$710,875 over the remaining life of the new loan.

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 \$91,786,780, which is well above the Town's current total debt outstanding. The Town has \$3,000,000 in bonds authorized but unissued at June 30, 2013 for the construction of Knightdale Station Park Phase II.

Additional information regarding the Town of Knightdale's long-term debt can be found in the Note 3.B.5 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 10,911,560	\$ 10,423,443	\$ -	\$ -	\$ 10,911,560	\$ 10,423,443
Construction in progress	8,341,836	1,323,800	-	-	8,341,836	1,323,800
Streets and infrastructure	19,812,968	18,722,281	-	-	19,812,968	18,722,281
Building	2,873,183	3,021,156	-	-	2,873,183	3,021,156
Other improvements	1,078,981	419,551	-	-	1,078,981	419,551
Intangibles	84,061	56,840	-	-	84,061	56,840
Equipment	224,935	211,711	-	-	224,935	211,711
Vehicles and motorized equipment	469,969	699,078	-	-	469,969	699,078
Total	<u>\$ 43,797,493</u>	<u>\$ 34,877,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,797,493</u>	<u>\$ 34,877,860</u>

Figure 8
Town of Knightdale's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 495,263	\$ 554,210	\$ 1,426,737	\$ 1,601,790	\$ 1,922,000	\$ 2,156,000
Installment purchase agreements	9,948,501	5,520,581	515,688	672,805	10,464,189	6,193,386
Eastern Wake Volunteer Fire Dept	15,057	19,774	-	-	15,057	19,774
Total outstanding debt	<u>\$ 10,458,821</u>	<u>\$ 6,094,565</u>	<u>\$ 1,942,425</u>	<u>\$ 2,274,595</u>	<u>\$ 12,401,246</u>	<u>\$ 8,369,160</u>

RESTRICTED FUNDS

The Police Department received \$293 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, 2013, the Town has \$44,734 reserved for drug enforcement and police purposes. The money will be used to purchase necessary equipment and support anti-drug activity. The Fire Department received \$6,781 distribution for the Firemen's Relief Fund from the NC Dept of Insurance. The accumulated funds totaling \$29,462 are available to provide immediate relief to firemen or their families in the event of a firefighting injury. These restricted funds totaling \$74,196 are shown as fund balance reserved for public safety in the General Fund.

NEXT YEAR'S BUDGET'S HIGHLIGHTS & ECONOMIC FACTORS

- Tax Rate increased by 2 cents from \$0.41 to \$0.43 per \$100 of assessed value to pay for debt service expenditures on general obligation bonds.
- Town of Knightdale issued \$3,000,000 of general obligation bonds on July 19, 2013 for the construction of Knightdale Station Park Phase II.
- No cost of living adjustment for Town employees was included in fiscal year 2014 budget.
- Fiscal year 2014 budget includes possible 2% merit raises for employees.
- \$146,720 of General Fund Balance, (prior years' equity) used to balance the budget.
- \$2,141,500 of Fund Balance in General Capital Reserve Fund appropriated for completion of Knightdale Station Park Phase II, Mingo Creek Greenway and First Avenue Street Improvement projects.
- Health insurance contribution increased from \$570 to \$590 per employee per month.
- Sanitation fees for residential customers decreased by \$1.02 per month due to change in recycling service from weekly to bi-weekly service.
- Water and sewer rates billed by the City of Raleigh were increased by 9%.
- Storm water fees remained the same at \$2.00 per month for each residential equivalent unit (ERU = 2,200 square feet).
- Fiscal year 2014 capital improvement budget includes approximately \$608,000 for various projects and equipment including \$200,000 for street resurfacing, \$10,000 for thermal imaging camera for Fire Dept., \$140,000 for equipment for Knightdale Station Park, \$111,000 to replace old equipment in the Public Works Department, and \$112,000 to replace old vehicles in Police and Public works Departments.
- Sales tax revenue increased by 6.92% for the fiscal year ended June 30, 2013 due to economic growth in Wake County and the Town of Knightdale.
- Unemployment rate for Wake County in June 2013 was 7.4% as compared to 8.8% for the State of North Carolina.

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.



Knightdale Station Park Playground Grand Opening September 19, 2013

BASIC FINANCIAL STATEMENTS

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET POSITION

June 30, 2013

EXHIBIT 1

Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,291,885	\$ 472,366	\$ 8,764,251
Restricted cash	1,157,168	-	1,157,168
Receivables:			
Taxes	173,561	-	173,561
Accounts	132,492	-	132,492
Assessments	-	45,441	45,441
Accrued interest	12,197	-	12,197
Notes-current	-	338,035	338,035
Due from other governments	2,596,040	-	2,596,040
Prepaid expenses	11,423	-	11,423
Note receivable-noncurrent	-	1,604,390	1,604,390
Capital assets:			
Land, improvements and construction in progress	19,253,396	-	19,253,396
Other capital assets, net of depreciation	24,544,097	-	24,544,097
TOTAL ASSETS	\$ 56,172,259	\$ 2,460,232	\$ 58,632,491

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF NET POSITION

June 30, 2012

EXHIBIT 1

Page 2 of 2

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 2,777,158	\$ 452,664	\$ 3,229,822
Accrued salaries	92,895	-	92,895
Accrued interest	245,765	3,643	249,408
Due within one year:			
Compensated absences	232,133	-	232,133
Bonds and notes payable	965,015	338,035	1,303,050
Due in more than one year:			
Compensated absences	87,118	-	87,118
Net pension obligation	376,874	-	376,874
Net other postemployment benefits obligation	1,083,284	-	1,083,284
Bonds and notes payable	9,493,806	1,604,390	11,098,196
TOTAL LIABILITIES	15,354,048	2,398,732	17,752,780
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes and licenses	75,573	-	75,573
TOTAL DEFERRED INFLOWS OF RESOURCES	75,573	-	75,573
NET POSITION			
Invested in capital assets, net of related debt	33,353,729	-	33,353,729
Restricted for Stabilization by State Statute	1,142,317	-	1,142,317
Restricted for Powell Bill	577,334	-	577,334
Restricted for public safety	74,196	-	74,196
Restricted for loan covenant	211,510	-	211,510
Restricted for Hinton Oaks Blvd. Extension Army Reserve	277,852	-	277,852
Restricted for Storm Water Surety	16,276	-	16,276
Unrestricted	5,089,424	61,500	5,150,924
TOTAL NET POSITION	\$ 40,742,638	\$ 61,500	\$ 40,804,138

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, 2013

EXHIBIT 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	
Expenses		Services	Grants and	Grants and	Activities	Activities	Total
			Contributions	Contributions			
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 1,716,310	\$ -	\$ -	\$ -	\$ (1,716,310)	\$ -	\$ (1,716,310)
Public safety	4,025,428	22,974	176,327	-	(3,826,127)	-	(3,826,127)
Transportation	2,297,740	200,389	438,152	3,208,606	1,549,407	-	1,549,407
Environmental protection	745,462	938,852	6,706	-	200,096	-	200,096
Economic and physical development	550,333	197,998	62,817	-	(289,518)	-	(289,518)
Cultural and recreational	955,930	483,567	-	1,505,933	1,033,570	-	1,033,570
Interest on long-term debt	318,556	-	-	-	(318,556)	-	(318,556)
Total governmental activities	10,609,759	1,843,780	684,002	4,714,539	(3,367,438)	-	(3,367,438)
Business-type activities							
Water and sewer	75,525	-	-	-	-	(75,525)	(75,525)
TOTAL	\$ 10,685,284	\$ 1,843,780	\$ 684,002	\$ 4,714,539	(3,367,438)	(75,525)	(3,442,963)
General revenues							
Taxes:							
Property taxes, levied for general purposes					5,421,563	-	5,421,563
Other taxes and licenses					284,406	-	284,406
Grants and contributions not restricted to specific programs					2,697,954	-	2,697,954
Unrestricted investment earnings					37,194	67,162	104,356
Miscellaneous					68,895	23,801	92,696
Gain on disposition of capital assets					(51,598)	-	(51,598)
Total general revenues					8,458,414	90,963	8,549,377
Change in Net Position					5,090,976	15,438	5,106,414
Net Position-beginning, as previously reported					35,497,680	46,062	35,543,742
Prior period adjustment					153,982	-	153,982
Net Position-beginning					35,651,662	46,062	35,697,724
Net Position-ending					\$ 40,742,638	\$ 61,500	\$ 40,804,138

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

EXHIBIT 3

Page 1 of 2

ASSETS

	Major			Total	
	General	General	General	Nonmajor	Total
	Capital Project	Capital	Governmental	Governmental	
	Capital Reserve	Projects	Funds	Funds	
	General				
Cash and cash equivalents	\$ 5,418,234	\$ 2,452,358	\$ 411,549	\$ 9,744	\$ 8,291,885
Restricted cash	863,040	277,852	-	16,276	1,157,168
Receivables:					
Taxes	173,561	-	-	-	173,561
Accounts	122,306	-	-	10,186	132,492
Accrued interest	12,197	-	-	-	12,197
Due from other funds	1,400	-	-	-	1,400
Due from other governments	1,028,579	-	1,443,637	123,824	2,596,040
Prepaid expenditures	11,423	-	-	-	11,423
TOTAL ASSETS	\$ 7,630,740	\$ 2,730,210	\$ 1,855,186	\$ 160,030	\$ 12,376,166

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

EXHIBIT 3

Page 2 of 2

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,547,948	\$ -	\$ 1,134,108	\$ 95,102	\$ 2,777,158
Accrued salaries	91,873			1,022	92,895
Due to other funds	-	-	-	1,400	1,400
TOTAL LIABILITIES	1,639,821	-	1,134,108	97,524	2,871,453

DEFERRED INFLOWS OF RESOURCES

Property taxes receivable	173,561				173,561
Prepaid taxes and licenses	75,573				75,573
Accounts receivable	107,356			5,271	112,627
TOTAL DEFERRED INFLOWS OF RESOURCES	356,490	-	-	5,271	361,761

FUND BALANCES

Nonspendable

Prepaid expenditures	11,423	-	-	-	11,423
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Restricted

Stabilization by State Statute	1,142,317	-	-	-	1,142,317
Streets	577,334	-	-	-	577,334
Public safety	74,196	-	-	-	74,196
Hinton Oaks Blvd. Extension Army Reserve	-	277,852	-	-	277,852
Storm Water Surety	-	-	-	16,276	16,276
Debt service	211,510	-	-	-	211,510

Assigned

Subsequent year's expenditures	187,220	-	-	-	187,220
Storm Water	-	-	-	58,631	58,631
Capital Projects Fund	-	2,452,358	721,078	-	3,173,436
Special Revenue Fund	-	-	-	-	-

Unassigned

	3,430,429	-	-	(17,672)	3,412,757
TOTAL FUND BALANCES	5,634,429	2,730,210	721,078	57,235	9,142,952
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,630,740	\$ 2,730,210	\$ 1,855,186	\$ 160,030	\$ 12,376,166

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

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

June 30, 2013

EXHIBIT 3

Fund balances-total governmental funds	\$ 9,142,952
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Amounts reported for governmental activities in the statement
of net position are different because:

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

Governmental capital assets	\$ 54,870,905	
Less accumulated depreciation	<u>(11,073,412)</u>	43,797,493

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	(10,458,821)	
Compensated absences	(319,251)	
Net pension obligation	(376,874)	
Net other postemployment benefits (OPEB) obligation	<u>(1,083,284)</u>	(12,238,230)

Deferred revenue (inflows of resources) in governmental funds is susceptible to
full accrual on the entity-wide statements.

Deferred inflows of resources	286,188
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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>(245,765)</u>
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Net position of governmental activities	<u><u>\$ 40,742,638</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, 2013

EXHIBIT 4

Page 1 of 2

	Major			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	General Capital Reserve	General Capital Projects		
REVENUES					
Ad valorem taxes	\$ 5,394,455	\$ -	\$ -	\$ -	\$ 5,394,455
Other taxes and licenses	176,699	95,940	-	-	272,639
Unrestricted intergovernmental	2,697,954	-	-	-	2,697,954
Restricted intergovernmental	684,002	-	2,186,990	55,671	2,926,663
Permits and fees	220,972	246,896	-	261,444	729,312
Sales and services	1,092,687	17,230	-	-	1,109,917
Investment earnings	22,960	11,608	2,568	58	37,194
Miscellaneous	68,895	-	-	-	68,895
TOTAL REVENUES	10,358,624	371,674	2,189,558	317,173	13,237,029
EXPENDITURES					
Current					
General government	1,294,788	-	-	-	1,294,788
Public safety	3,708,123	-	-	-	3,708,123
Transportation	1,359,538	-	-	131,843	1,491,381
Environmental protection	577,557	-	-	195,126	772,683
Economic and physical development	547,941	-	-	-	547,941
Cultural and recreational	897,127	-	-	-	897,127
Capital outlay	-	-	7,773,588	-	7,773,588
Debt service					
Note principal	2,691,896	-	-	-	2,691,896
Note interest	231,340	-	-	-	231,340
Debt issuance fees	3,094	-	-	-	3,094
Bond principal	58,947	-	-	-	58,947
Bond interest	12,581	-	-	-	12,581
TOTAL EXPENDITURES	11,382,932	-	7,773,588	326,969	19,483,489
REVENUES OVER (UNDER) EXPENDITURES	(1,024,308)	371,674	(5,584,030)	(9,796)	(6,246,460)

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, 2013

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	\$ 135,239	\$ 254,003	\$ 665,182	\$ 58,500	\$ 1,112,924
Transfers to other funds	(254,003)	(835,239)	-	(23,682)	(1,112,924)
Sale of capital assets	14,102	-	-	-	14,102
Installment notes from financing issued	2,115,099	-	5,000,000	-	7,115,099
TOTAL OTHER FINANCING SOURCES (USES)	2,010,437	(581,236)	5,665,182	34,818	7,129,201
NET CHANGE IN FUND BALANCE	986,129	(209,562)	81,152	25,022	882,741
FUND BALANCE - Beginning of Year	4,648,300	2,939,772	639,926	32,213	8,260,211
FUND BALANCE - End of Year	\$ 5,634,429	\$ 2,730,210	\$ 721,078	\$ 57,235	\$ 9,142,952

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, 2013

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	\$ 882,741
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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	\$ 7,980,728	
Less current year depreciation	<u>(1,467,273)</u>	6,513,455

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	(7,115,099)	
Principal payments	<u>2,750,843</u>	(4,364,256)

(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, 2013

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	\$	43,426	
Donated land		63,000	
Donated assets		<u>2,408,878</u>	\$ 2,515,304

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	\$	(65,700)	
Change in accrued interest payable		(38,921)	
Change in compensated absences		4,412	
Change in net pension obligation		(25,606)	
Change in net other postemployment benefits obligation		<u>(330,453)</u>	(456,268)

Change in net position of governmental activities			<u><u>\$ 5,090,976</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF KNIGHTDALE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013
EXHIBIT 5

Page 1 of 2

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 5,330,098	\$ 5,372,598	\$ 5,394,455	\$ 21,857
Other taxes and licenses	136,734	141,734	176,699	34,965
Unrestricted intergovernmental revenues	2,601,392	2,601,392	2,697,954	96,562
Restricted intergovernmental revenues	638,859	721,089	684,002	(37,087)
Permits and fees	113,300	113,300	220,972	107,672
Sales and services	995,640	997,760	1,092,687	94,927
Investment earnings	14,000	14,000	22,960	8,960
Miscellaneous	42,156	66,206	68,895	2,689
TOTAL REVENUES	9,872,179	10,028,079	10,358,624	330,545
EXPENDITURES				
General government	1,281,805	1,351,380	1,294,788	56,592
Public safety	3,750,293	3,868,047	3,708,123	159,924
Transportation	1,715,549	1,748,849	1,359,538	389,311
Environmental protection	641,196	583,946	577,557	6,389
Economic and physical development	601,870	604,370	547,941	56,429
Cultural & recreation	998,394	1,025,715	897,127	128,588
Debt service				
Bond and note principal	636,354	2,751,454	2,750,843	611
Bond and note interest and fees	210,565	246,465	247,015	(550)
TOTAL EXPENDITURES	9,836,026	12,180,226	11,382,932	797,294
Revenues over (under) expenditures	36,153	(2,152,147)	(1,024,308)	1,127,839

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, 2013
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	\$ 135,850	\$ 135,850	\$ 135,239	\$ (611)
Transfers to other funds	(254,003)	(254,003)	(254,003)	-
Sale of capital assets	8,000	10,500	14,102	3,602
Installment note proceeds	-	2,115,100	2,115,099	(1)
Appropriated Fund Balance	74,000	144,700	-	(144,700)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,153)</u>	<u>2,152,147</u>	<u>2,010,437</u>	<u>(141,710)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	986,129	<u>\$ 986,129</u>
FUND BALANCE - beginning of year			<u>4,648,300</u>	
FUND BALANCE - end of year			<u>\$ 5,634,429</u>	

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

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

June 30, 2013

EXHIBIT 6

ASSETS

Current assets:

Cash and cash equivalents	\$	472,366
Assessments receivable		45,441
Note receivable-current portion		338,035
Total current assets		855,842

Noncurrent assets:

Note receivable-noncurrent portion		1,604,390
Total noncurrent assets		1,604,390
TOTAL ASSETS	\$	2,460,232

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	452,664
Accrued interest		3,643
Bonds payable-current		173,579
Notes payable-current		164,456
Total current liabilities		794,342

Noncurrent liabilities:

Bonds payable-noncurrent		1,253,158
Notes payable-noncurrent		351,232
Total noncurrent liabilities		1,604,390
TOTAL LIABILITIES		2,398,732

NET POSITION

Unrestricted

TOTAL NET POSITION	\$	61,500
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The accompanying notes are an integral part of these financial statements

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

For The Year Ended June 30, 2013

EXHIBIT 7

OPERATING REVENUES	\$ -
OPERATING EXPENSES	-
Operating income	-
NON-OPERATING REVENUES (EXPENSES)	
Development fees	
Water development fees	12,594
Sewer development fees	11,207
Interest earnings	67,162
Interest expense	(66,525)
Net non-operating revenues	24,438
Income before contributions, transfers and other items	24,438
Developer reimbursements	(9,000)
CHANGE IN NET POSITION	15,438
NET POSITION - Beginning of Year	46,062
NET POSITION - End of Year	\$ 61,500

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, 2013

EXHIBIT 8

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from developers	\$ 1,898,484
Cash paid to City of Raleigh for fees collected	<u>(1,529,100)</u>
Net cash provided by noncapital financing activities	<u>369,384</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Developer reimbursements	(9,000)
Debt service reimbursement from City of Raleigh, pursuant to merger agreement	332,170
Principal paid on debt	(332,170)
Interest paid on debt	<u>(67,162)</u>
Net cash used for capital and related financing activities	<u>(76,162)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>67,162</u>
Net increase in cash and cash equivalents	360,384

Cash and cash equivalents - Beginning of the year	<u>111,982</u>
Cash and cash equivalents - End of the year	<u>\$ 472,366</u>

The accompanying notes are an integral part of these financial statements

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

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

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

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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.

Streets and Sidewalks Capital Projects Fund – The Streets and Sidewalks Capital Projects Fund is used to account for financial resources to be used for the acquisition of right of way and for construction of streets and sidewalks...

The Town reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Knightdale has one Proprietary Fund, the Water and Sewer Fund. The Water and Sewer Utility System of the Town was transferred to the City of Raleigh effective May 1, 2006; however these funds remain open to collect certain utility development fees and to pay long term debt. This merger is discussed more fully in Note 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, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. BUDGETARY DATA

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

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

1. DEPOSITS AND INVESTMENTS

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, 2013

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, 2011.

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, 2013 including inactive accounts for garbage collection services and storm water fees have been charged against operations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category – prepaid taxes and licenses and property taxes receivable.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

| 9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. COMPENSATED ABSENCES

| The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Town also allows employees to accrue compensatory time for hours worked in excess of a regular workweek. Non-exempt employees may accumulate this time and then use it at a later date in lieu of using vacation time or they will be paid for these hours when leaving the Town's employment. Exempt employees may accumulate compensatory time up to a maximum of 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

11. NET POSITION/FUND BALANCES

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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.

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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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.

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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. DEFICIT IN FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

1. STREET AND SIDEWALKS CAPITAL PROJECT FUND

The Street and Sidewalk Capital Project Fund had a deficit fund balance of (\$17,672) as of June 30, 2013. This fund includes several street and sidewalk improvement projects partially funded by Federal and State grants. Expenditures exceeded grant revenues at June 30, 2013. The remaining costs of these projects will be paid from transfers of matching funds from the General Fund and General Capital Projects Capital Reserve Fund. The Town has transferred grant matching funds in the amount of \$17,672 from the General Capital Project Capital Reserve Fund in fiscal year 2014 replenish this deficit fund balance.

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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

At June 30, 2013, the Town's deposits had a carrying value of \$8,425,024 and a bank balance of \$8,831,411. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$1,350.

2. INVESTMENTS

At June 30, 2013, the Town's investment balances were as follows:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Cash Portfolio	\$1,243,825	N/A	AAAm
NC Capital Management Trust – Term Portfolio	<u>251,220</u>	Years	Unrated
Total investments	<u>\$1,495,045</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, 2013. 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, 2013

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,423,443	\$ 494,424	\$ 6,307	\$ -	\$ 10,911,560
Construction in progress	1,323,800	7,984,629	245,168	(721,425)	8,341,836
Total capital assets not being depreciated	11,747,243	8,479,053	251,475	(721,425)	19,253,396
Capital assets being depreciated:					
Buildings	4,495,214	-	-	28,857	4,524,071
Other improvements	797,442	-	-	692,568	1,490,010
Roads and infrastructure	23,886,342	1,977,454	56,264	-	25,807,532
Intangibles	58,800	42,525	-	-	101,325
Equipment	985,794	100,289	15,320	-	1,070,763
Vehicles and motorized equipment	2,689,466	96,962	162,620	-	2,623,808
Total capital assets being depreciated	32,913,058	2,217,230	234,204	721,425	35,617,509
Less accumulated depreciation for:					
Buildings	1,474,058	176,830	-	-	1,650,888
Other improvements	377,891	33,138	-	-	411,029
Roads and infrastructure	5,164,061	845,507	15,004	-	5,994,564
Intangibles	1,960	15,304	-	-	17,264
Equipment	774,083	81,703	9,958	-	845,828
Vehicles and motorized equipment	1,990,388	314,791	151,340	-	2,153,839
Total accumulated depreciation	9,782,441	1,467,273	176,302	-	11,073,412
Total capital assets being depreciated, net	23,130,617	749,957	57,902	721,425	24,544,097
Governmental activity capital assets, net	\$ 34,877,860	\$ 9,229,010	\$ 309,377	\$ -	\$ 43,797,493

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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

General government	\$ 86,079
Public safety	402,670
Transportation	898,250
Environmental protection	15,304
Cultural and recreational	64,940
	<hr/>
Total depreciation expense	\$ 1,467,243

Construction commitments

The Town has active construction projects as of June 30, 2013. 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	\$1,084,325	\$19,401	\$1,103,726
JW Grand – First Avenue Phase II	287,882	21,095	308,977
Stewart Engineering – CMAQ Smithfield Road	39,112	51,291	90,403
Devere Construction Company, Inc. – Greenway	1,174,482	1,391,561	2,566,043
PLT Construction Co., Inc.- Knightdale Park	4,218,193	1,070,132	5,288,325
Summit Design & Engineering Services, PLLC	38,413	7,292	45,705
Terra Tech Engineers – Materials testing	73,546	12,071	85,617
Raleigh Paving, Inc. - BB&T turn lane	135,883	4,500	140,383
City of Raleigh – Mingo Creek Greenway Phase I	250,000	166,468	416,468
Monteith Construction – Knightdale Station	-	2,653,000	2,653,000
Summit Design & Engineering Services, PLLC	61,518	142,145	203,663
CLH Design – Architect fees for Park – Phase I	105,815	42,885	148,700
Stewart Engineering - STP-DA Smithfield Road	32,830	37,579	70,409
Total	<hr/> \$7,501,999	<hr/> \$5,619,420	<hr/> \$13,121,419

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

B. LIABILITIES

1. PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Knightdale contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, 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, 2013, 2012 and 2011 were \$252,900, \$266,154 and \$223,347, 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, 2012 the Separation Allowance's membership consisted of:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>26</u>
Total	<u>28</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2011 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. The amortization method is level percentage of projected payroll pay on a closed basis. The remaining amortization period at December 31, 2011, was 18 years.

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:

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Annual required contribution	\$72,610
Interest on net pension obligation	17,563
Adjustment to annual required contribution	<u>(21,860)</u>
Annual pension cost	68,313
Contributions made	<u>42,707</u>
Increase in net pension obligation	25,606
Net pension obligation beginning of year	<u>351,268</u>
Net pension obligation end of year	<u>\$376,874</u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$73,103	31.18%	\$315,587
June 30, 2012	\$66,245	46.14%	\$351,268
June 30, 2013	\$68,313	62.52%	\$376,874

Funded Status and Funding Progress.

As of December 31, 2012, 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 \$689,014. The covered payroll (annual payroll of active employees covered by the plan) was \$1,519,637 and the ratio of the UAAL to the covered payroll was 45.34 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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013 were \$126,542, which consisted of \$78,379 from the Town and \$48,163 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, 2013 were \$122,917, which consisted of \$108,432 from the Town and \$14,485 from employees.

e. Firemen's and Rescue Squad Workers Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Knightdale, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firemen's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 \$10,970 on behalf of volunteer firemen for the fiscal year ended June 30, 2013. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

| f. Other Post Employment Benefits

Healthcare Benefits

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

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

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

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 annual required contribution (ARC) rate is 8.85% of annual covered payroll. For the current year, the Town contributed \$36,088 or 0.95% 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.

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Annual required contribution	\$336,428
Interest on net OPEB obligation	30,113
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	366,541
Less contributions made	(36,088)
Increase (decrease) in net OPEB obligation	330,453
Net OPEB obligation, beginning of year	752,831
Net OPEB obligation, end of year	\$1,083,284

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, 2013 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost contributed	Net OPEB Obligation
2011	\$246,639	7.8%	\$453,249
2012	\$337,238	11.2%	\$752,831
2013	\$366,541	9.8%	\$1,083,284

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.

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 of assets, consistent with the long-term perspective of the calculations.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, the Town did not make contributions to the State for death benefits because of the North Carolina Department of State Treasurer Retirement Systems Division's decision to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012 due to a surplus in the plan. Due to the length of time the Town has contributed to the Death Benefit Plan, there will be a temporary relief period for making contributions of three years.

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, 2013

2. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The Town does not have any deferred outflows of resources at fiscal year-end.

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

General Fund:	Unavailable Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned	\$ -	\$ 10,219	\$ 10,219
Prepaid privilege licenses	-	65,354	65,354
Taxes receivable (Net)	173,561	-	173,561
Decal receivable	83,949	-	83,949
Sanitation receivables	23,407	-	23,407
Storm Water Fund			
Storm water fees receivable	5,271	-	5,271
Total deferred revenues	<u>\$ 286,188</u>	<u>\$ 75,573</u>	<u>\$ 361,761</u>

3. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a participant in one self-funded risk-financing insurance pool administered by the North Carolina League of Municipalities, which provides workers' compensation with coverage up to statutory limits. The pool is reinsured through commercial companies for claims up to the statutory limits for workers' compensation.

The Town purchases commercial insurance to provide the following types of major coverage: general liability (\$2,000,000), property (\$7,065,488), inland marine (\$664,785), 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.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

4. CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2013, 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, 2013 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%.	\$ 495,263
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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%.	1,386,737
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1984 Sewer bonds due in annual installments of increasing amounts through 2017; interest at 5%.	<u>40,000</u>
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Total	<u>\$ 1,922,000</u>
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At June 30, 2013, The Town of Knightdale had general obligations bonds authorized but unissued of \$3,000,000 and a legal debt margin of \$91,786,780.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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
2014	\$ 58,421	\$ 11,243	\$ 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	55,000	6,051	154,000	16,944
2019-2022	211,579	11,906	592,421	33,335
Total	<u>\$ 495,263</u>	<u>\$ 55,042</u>	<u>\$ 1,426,737</u>	<u>\$ 158,966</u>

B. INSTALLMENT NOTE INDEBTEDNESS

The Town also has various installment notes for land, buildings, equipment and vehicles. Installment notes payable at June 30, 2013 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	\$ 257,844	\$ 515,688
\$2,115,099 installment debt to the KS Bank for the Public Safety Building issued 11-30-12; annual payments of \$168,341 which includes interest at 2.30%; secured by land and building	2,115,099	-
\$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	112,710	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

	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	\$ 189,373	\$ -
\$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	16,275	-
\$5,000,000 installment debt to SunTrust Bank for construction of Knightdale Park and renovations to Town Hall issued 07-14-12; annual payments of \$333,333 plus interest at 2.33%; secured by Knightdale Municipal Building	5,000,000	-
\$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>2,257,200</u>	<u>-</u>
Subtotal installment notes payable for land, buildings, vehicles and equipment	<u>9,948,501</u>	<u>515,688</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%	1,960	-
\$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%	1,144	-
\$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%	5,291	-
\$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%	808	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

	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%	\$ 1,726	\$ -
\$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%	592	-
\$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>3,536</u>	<u>-</u>
Subtotal Eastern Wake Fire – Rescue Dept annexation	<u>15,057</u>	<u>-</u>
Total	<u>\$ 9,963,558</u>	<u>\$ 515,688</u>

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

	Governmental Activities		Business-Type Activities	
Year Ending June 30:	Principal	Interest	Principal	Interest
2014	\$ 906,594	\$ 294,632	\$ 164,456	\$ 22,098
2015	906,506	263,581	172,175	14,378
2016	912,505	233,109	179,057	7,496
2017	782,618	202,695	-	-
2018	786,981	177,190	-	-
2019-2023	3,215,118	530,615	-	-
2024-2028	2,453,236	171,637	-	-
Total	\$ 9,963,558	\$ 1,873,459	\$ 515,688	\$ 43,972

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

C. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 554,210	\$ -	\$ 58,947	\$ 495,263	\$ 58,421
Installment notes	5,540,355	7,115,099	2,691,896	9,963,558	906,594
Compensated absences	323,663	137,446	141,858	319,251	232,133
Other postemployment benefits	752,831	366,541	36,088	1,083,284	-
Net pension obligation	351,268	68,313	42,707	376,874	-
Governmental activity long-term liabilities	<u>\$ 7,522,327</u>	<u>\$ 7,687,399</u>	<u>\$ 2,971,496</u>	<u>\$ 12,238,230</u>	<u>\$ 1,197,148</u>
Business-type activities:					
General obligation bonds	\$ 1,601,790	\$ -	\$ 175,053	\$ 1,426,737	\$ 173,579
Installment notes	<u>672,805</u>	<u>-</u>	<u>157,117</u>	<u>515,688</u>	<u>164,456</u>
Business-type activity long-term liabilities	<u>\$ 2,274,595</u>	<u>\$ -</u>	<u>\$ 332,170</u>	<u>\$ 1,942,425</u>	<u>\$ 338,035</u>

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

D. LOAN REFINANCING

On November 30, 2012, the Town of Knightdale refinanced a loan from the United States Department of Agriculture (USDA) secured by the Town's Public Safety Building. The original amount of the USDA loan dated July 13, 2005 was \$2,500,000 payable in 30 annual installments of \$146,800 including interest at 4.125% per annum. The outstanding balance as of November 30, 2012 was \$2,115,099 payable in 23 remaining installments. The new loan from KS Bank in the amount of \$2,115,099 is payable in 15 annual installments of \$168,341 including interest at 2.30% per annum. This loan is also secured by the Public Safety Building. The loan requires that the Town of Knightdale reserve an amount equal to 10% of the loan amount or \$211,510. The Town has a certificate of deposit invested at KS Bank in the amount of \$1,000,000 to satisfy this reserve requirement. By reducing the number of remaining annual payments from 23 to 15 and also reducing the interest rate from 4.125% to 2.30%, the Town of Knightdale will realize a net savings in interest payments of \$710,875 over the next 15 years.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

6. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to General Fund for payment of grant expenditures:

Street and Sidewalks Capital Project Fund	<u>\$1,400</u>
Total	<u>\$1,400</u>

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

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

During the fiscal year ended June 30, 2013, transfers to/from other funds consist of the following:

From Fund	To Fund	Amount	Purpose
General Fund	General Capital Project Reserve	\$ 254,003	To fund future capital projects
General Capital Project Reserve	Street and Sidewalks Capital Project	58,500	Grant matching funds CDBG sidewalk project
General Capital Project Reserve	General Capital Projects	320,000	For Mingo Creek Greenway
General Capital Project Reserve	General Capital Projects	321,500	To fund First Avenue improvements
General Capital Project Reserve	General Fund	135,239	For purchase of vehicles and equipment
Storm Water Special Revenue	General Capital Projects	<u>23,682</u>	To fund First Avenue improvements
	Total	<u>\$ 1,112,924</u>	

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

7. PRIOR PERIOD ADJUSTMENT

Under the terms of an interlocal agreement dated July 21, 2010, between the Town of Knightdale and the City of Raleigh, the City of Raleigh will construct Phase I of the Mingo Creek Greenway from Hodge Road to the Neuse River bridge. Upon completion of the project this section of the Greenway will be dedicated to the Town of Knightdale. The project was completed in April of 2013. The project is funded by a grant of \$250,000 from the United State Department of Transportation. The City of Raleigh completed construction in progress in the amount of \$153,982 during the fiscal year ended June 30, 2012. This prior period adjustment is to recognize \$153,982 in grant revenues and an equal amount in capital outlay expenditures for construction in progress in the General Capital Project Fund. Since the amount of revenues and expenditures is the same, there is no change in the fund balance of the General Capital Project Fund. However, the Town's net position for governmental activities as of June 30, 2012 is increased as follows:

Net position, as previously reported	\$35,497,680
Construction in progress	<u>153,982</u>
Net position, as restated	<u>\$35,651,662</u>

8. FUND BALANCE

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

<i>Total fund balance-General Fund</i>	<i>\$5,634,429</i>
Less:	
Prepaid expenditures	11,423
Stabilization by State Statute	1,142,317
Streets-Powell Bill	577,334
Public Safety	74,196
Debt Service	211,510
Appropriated Fund Balance in 2012 budget	187,220
Working Capital / Fund Balance Policy	3,430,429
Remaining Fund Balance	-

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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.

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>
	\$85,191	\$981	\$2,090,219

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 \$4,478 to the Council during the fiscal year ended June 30, 2013.

NOTE 5 – JOINT VENTURES

East Wake Television (PEG Media Partners)

The Town, in conjunction with the Towns of Archer Lodge, Clayton, Garner, Rolesville, Wendell and Zebulon, operates two local public, educational and government (PEG) cable TV channels. East Wake TV is funded by state shared video programming franchise taxes collected by the State of North Carolina and remitted to the 7 participating Towns. These funds are restricted for the operation of local PEG channels. Prior to June 30, 2010, East Wake TV was recorded as a special revenue fund of the Town of Knightdale. As of July 1, 2010, East Wake TV was incorporated as a legally separate non-profit organization. The organization is governed by a Board of Directors consisting of the Town Managers of Archer Lodge, Clayton, Garner, Knightdale, Rolesville, Wendell and Zebulon. Each Town contributes its share of restricted PEG channel funds received from the State of North Carolina to East Wake TV. For the fiscal year ended June 30, 2013, each town, including Knightdale, contributed \$62,817 to East Wake TV. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2013. East Wake TV operates from a studio built by the Town of Knightdale. East Wake Television operates under the name PEG Media Partners. Complete financial statements or a copy of Form 990 Return of Organization Exempt from Income Tax can be obtained from East Wake Television's office at 954 Steeple Square Court, Knightdale, NC 27545-7655.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, the Town reported revenues and expenditures for the payments of \$10,970 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, 2013. 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

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 current fiscal year, the Town of Knightdale contributed \$62,817 of restricted PEG channel funds received from State of North Carolina to East Wake Television, including \$15,674 for the quarter ended June 30, 2013, which is included in outstanding accounts payable at year end.

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. No provision has been made in the accompanying financial statements for the refund of grant moneys for fiscal year 2013.

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, there were two developers eligible for reimbursements. The Town is also contingently liable for legal fees billable to developers related to development agreements between the Town and various developers in the event such fees are not paid by the developers. During the current fiscal year 2013, the Town of Knightdale paid \$9,000 of outstanding legal fees on behalf of Holly Homes LLC from funds received from the developer. As of June 30, 2013, the Town has a contingent liabilities related to these developer agreements as shown below:

<u>Developer</u>	<u>Legal Fees</u>
Various Developers	\$13,846
Holly Homes LLC	<u>5,133</u>
Total	<u><u>\$18,979</u></u>

Unemployment Taxes

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

NOTE 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

TOWN OF KNIGHTDALE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

ownership of all facilities, property, land, equipment, financial assets, information and data subject to the agreement with Raleigh. Pursuant to the agreement, the Town transferred the remaining balance in the Utility Capital Projects Fund upon completion of construction in the previous fiscal year 2012.

The accompanying statement of net assets shows total notes receivable of \$1,942,425 due from the City of Raleigh related to this merger. The amount due from the City of Raleigh is shown as \$338,035 due within one year and \$1,604,390 due in more than one year. The City of Raleigh will also pay interest on this balance based on the Town of Knightdale's interest rates on the associated long term debt. During the current fiscal year, the City of Raleigh reimbursed the Town of Knightdale \$399,332 (\$332,170 principal plus \$67,162 interest) for debt service payments related to proprietary fund long term debt. As of June 30, 2013, the financial statements include current accounts payable to the City of Raleigh in the amount of \$452,664 related to water and sewer fees and assessments collected by Knightdale for the City of Raleigh.

NOTE 9 – COMPARATIVE DATA / RECLASSIFICATIONS

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

NOTE 10 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

At its regular meeting on 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 Station Park. The Local Government Commission approved the Town's application for a bond referendum on September 11, 2012. The bond referendum was approved by the citizens of Knightdale by a vote of 78% in favor to only 22% against on November 6, 2012. The Town of Knightdale issued \$3,000,000 of general obligation parks and recreational facility bonds on July 19, 2013 in a private sale to SunTrust Bank. The bonds are payable in 15 annual installments of \$200,000 plus interest at 1.97% per annum beginning on July 19, 2014 through July 19, 2028. For the fiscal year ending July 1, 2014, the Town of Knightdale increased the property tax rate by \$0.02 (2 cents) per \$100 of assessed property value to provide sufficient revenues for debt service payments on these bonds.

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

Ten years ended December 31, 2012

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)
2012	\$ -	\$ 689,014	\$ 689,014	0%	\$ 1,519,637	45.34%
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%

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

Ten years ended June 30, 2013

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2013	\$	72,610	58.82%
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%

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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

Four Years ended December 31, 2012

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)
2012	\$ -	\$ 3,142,095	\$ 3,142,095	0%	\$ 3,802,422	82.63%
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**

Four Years ended June 30, 2013

Year Ended June 30		Annual Required Contributions	Percentage Contributed
2013	\$	336,428	10.73%
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	29 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%



Mingo Creek Greenway Phase I

Neuse River Bridge Ribbon Cutting – April 2013

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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



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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 1 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 5,249,566	\$ 5,305,974	\$ 56,408	\$ 5,160,708
Prior years	103,032	70,402	(32,630)	89,466
Penalties and interest	20,000	18,079	(1,921)	27,713
Total	5,372,598	5,394,455	21,857	5,277,887
Other taxes and licenses				
Motor vehicle licenses	43,734	45,581	1,847	46,088
Gross receipts on rental vehicles	23,000	34,430	11,430	30,535
Fuel Excise Tax Refund	5,000	5,608	608	-
Privilege licenses	70,000	91,080	21,080	69,581
Total	141,734	176,699	34,965	146,204
Unrestricted intergovernmental revenues				
Local option sales tax	1,946,787	2,048,539	101,752	1,915,915
Telecommunications sales tax	86,707	79,019	(7,688)	84,549
Utility franchise tax	348,533	340,619	(7,914)	332,345
Piped natural gas tax	43,384	46,318	2,934	35,486
Video programming franchise taxes	100,681	96,200	(4,481)	95,564
Wine and beer tax	45,300	48,062	2,762	49,796
ABC profits	30,000	39,197	9,197	32,153
Total	2,601,392	2,697,954	96,562	2,545,808
Restricted intergovernmental revenues				
State street aid - Powell Bill	314,500	314,790	290	298,408
Federal Emergency Management Agency	107,410	61,879	(45,531)	199,872
US Department of Transportation - GHSP	16,000	68,219	52,219	102,743
Triangle J Council of Governments	-	-	-	58,000
US Department of Transportation	154,602	123,362	(31,240)	39,280
Equitable sharing and controlled substance tax	2,000	293	(1,707)	453
NC Department of Revenue PEG Channel Support	65,041	62,817	(2,224)	65,443
Solid waste disposal tax	8,000	6,706	(1,294)	8,738
NC League of Municipalities Bullet Proof Vest Grant	1,090	1,317	227	-
Wake County Public Schools - Resource officer	37,838	37,838	-	37,838
NC Department of Transportation - Mowing contract	8,208	-	(8,208)	13,121
Firemen's relief fund	6,400	6,781	381	6,538
Total	721,089	684,002	(37,087)	830,434

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 2 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Permits and fees				
Development fees	\$ 1,500	\$ 2,702	\$ 1,202	\$ 1,733
Certificate of occupancy fees	10,000	17,102	7,102	11,954
Subdivision recording fees	2,000	1,960	(40)	2,485
Permit fees	53,700	119,949	66,249	102,339
Review fees	5,000	20,827	15,827	7,270
Inspection fees	16,800	35,151	18,351	32,722
Miscellaneous fees	500	307	(193)	434
Fire inspection fees	17,500	17,919	419	21,726
Officer fees	6,300	5,055	(1,245)	6,637
Total	113,300	220,972	107,672	187,300
Sales and services				
Sanitation				
Sanitation fees	467,088	492,564	25,476	468,158
Yard waste fees	3,500	1,371	(2,129)	3,235
Recycle fees	170,052	178,922	8,870	169,260
Subtotal	640,640	672,857	32,217	640,653
Recreation				
Program fees	87,920	87,965	45	87,448
Camp fees	93,000	128,913	35,913	115,701
Sponsor fees	7,500	8,566	1,066	13,663
Parade entry fees	1,500	1,725	225	1,495
Pool fees	48,200	46,646	(1,554)	54,853
Recreation center fees	24,000	33,546	9,546	25,643
Track out fees	95,000	112,469	17,469	83,117
Subtotal	357,120	419,830	62,710	381,920
Total	997,760	1,092,687	94,927	1,022,573
Investment earnings	14,000	22,960	8,960	21,085

(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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 3 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Other revenues				
Miscellaneous	\$ 13,156	\$ 20,853	\$ 7,697	\$ 16,263
Red light camera fees	30,000	30,043	43	28,935
Rental fees	3,000	3,750	750	28,312
Insurance proceeds	2,800	2,864	64	2,263
Reimbursement for off duty police officers	10,000	6,810	(3,190)	-
Donations	1,250	1,300	50	4,050
Fines and forfeitures	6,000	3,275	(2,725)	5,699
Total	66,206	68,895	2,689	85,522
 TOTAL REVENUES	 10,028,079	 10,358,624	 330,545	 10,116,813
EXPENDITURES				
General government				
Town council				
Current				
Personnel services	238,769	239,066	(297)	216,786
Operations & maintenance	214,752	193,480	21,272	169,196
Total	453,521	432,546	20,975	385,982
Administration				
Current				
Personnel services	219,527	217,275	2,252	148,390
Operations & maintenance	37,950	34,335	3,615	19,605
Total	257,477	251,610	5,867	167,995
Finance				
Current				
Personnel services	428,656	415,878	12,778	389,301
Operations & maintenance	211,726	194,754	16,972	205,248
Capital outlay	-	-	-	11,251
Total	640,382	610,632	29,750	605,800
 Total general government	 1,351,380	 1,294,788	 56,592	 1,159,777

(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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 4 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Public safety				
Police				
Current				
Personnel services	\$ 2,234,285	\$ 2,197,878	\$ 36,407	\$ 1,973,461
Operations & maintenance	417,275	384,584	32,691	481,303
Capital outlay	104,600	85,682	18,918	62,262
Total	2,756,160	2,668,144	88,016	2,517,026
Fire				
Current				
Personnel services	904,750	869,411	35,339	1,148,384
Operations & maintenance	196,237	160,568	35,669	130,834
Capital outlay	10,900	10,000	900	35,640
Total	1,111,887	1,039,979	71,908	1,314,858
Total public safety	3,868,047	3,708,123	159,924	3,831,884
Transportation				
Public works				
Current				
Personnel services	336,326	273,137	63,189	507,586
Operations & maintenance	257,115	242,232	14,883	357,518
Capital Outlay	-	-	-	44,789
Total	593,441	515,369	78,072	909,893

(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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 5 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Engineering				
Current				
Personnel services	\$ 162,587	\$ 140,235	\$ 22,352	\$ 191,847
Operations & maintenance	173,692	149,520	24,172	11,806
Capital Outlay	18,000	1,000	17,000	49,707
Total	354,279	290,755	63,524	253,360
Public Buildings and Grounds				
Current				
Personnel services	171,554	169,396	2,158	
Operations & maintenance	72,375	65,578	6,797	-
Infrastructure reimbursement	-	-	-	-
Capital Outlay	50,000	40,820	9,180	-
Total	293,929	275,794	18,135	-
Streets and Highways				
Current				
Operations & maintenance	231,000	224,059	6,941	217,504
Infrastructure reimbursement	-	-	-	247,466
Capital Outlay	276,200	53,561	222,639	-
Total	507,200	277,620	229,580	464,970
Total transportation	1,748,849	1,359,538	389,311	1,628,223
Environmental Protection				
Sanitation				
Current				
Operations & maintenance	583,946	577,557	6,389	565,706
Total environmental protection	583,946	577,557	6,389	565,706
Economic and physical development				
Planning and Zoning				
Current				
Personnel services	387,448	381,179	6,269	377,178
Operations & maintenance	102,460	59,705	42,755	59,776
Total	489,908	440,884	49,024	436,954

(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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

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	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Special appropriations				
Current				
Special appropriations	\$ 49,421	\$ 44,240	\$ 5,181	\$ 74,921
East Wake Television - PEG Media Partners	65,041	62,817	2,224	65,443
Total	114,462	107,057	7,405	140,364
Total economic and physical development	604,370	547,941	56,429	577,318
Cultural & recreation				
Parks and Recreation				
Current				
Personnel services	334,315	321,812	12,503	326,155
Operations & maintenance	263,565	217,968	45,597	221,012
Total	597,880	539,780	58,100	547,167
Knightdale Pool				
Current				
Personnel services	9,566	6,961	2,605	7,093
Operations & maintenance	100,490	89,355	11,135	90,686
Capital outlay	12,400	6,172	6,228	-
Total	122,456	102,488	19,968	97,779
Community Park and Recreation Center				
Current				
Personnel services	74,047	67,916	6,131	68,080
Operations & maintenance	128,648	88,045	40,603	100,306
Total	202,695	155,961	46,734	168,386
Track Out Program				
Current				
Personnel services	83,674	88,275	(4,601)	75,353
Operations & maintenance	19,010	10,623	8,387	23,950
Total	102,684	98,898	3,786	99,303
Total cultural and recreational	1,025,715	897,127	128,588	912,635

(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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 7 of 7

	2013			2012
	Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)	Actual
Debt service				
Note principal	\$ 2,692,507	\$ 2,691,896	\$ 611	\$ 629,347
Note interest	230,783	231,340	(557)	219,184
Debt issuance fees	3,100	3,094	6	14,399
Bond principal	58,947	58,947	-	582,368
Bond interest	12,582	12,581	1	35,418
Total debt service	2,997,919	2,997,858	61	1,480,716
 TOTAL EXPENDITURES	 12,180,226	 11,382,932	 797,294	 10,156,259
 Revenues over (under) expenditures	 (2,152,147)	 (1,024,308)	 1,127,839	 (39,446)
 OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Capital Reserve	135,850	135,239	(611)	-
Transfers to:				
General Capital Reserve	(254,003)	(254,003)	-	(248,728)
Short Term Suspension Fund	-	-	-	-
Sale of fixed assets	10,500	14,102	3,602	920
Installment debt issuance	2,115,100	2,115,099	(1)	557,632
Appropriated fund balance	144,700	-	(144,700)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,152,147	2,010,437	(141,710)	309,824
 NET CHANGE IN FUND BALANCE	 \$ -	 986,129	 \$ 986,129	 270,378
 FUND BALANCE - beginning of year		4,648,300		4,377,922
 FUND BALANCE - end of year		\$ 5,634,429		\$ 4,648,300

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

	2013			2012
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Other taxes and licenses:				
Motor vehicle licenses	\$ 87,469	\$ 95,940	\$ 8,471	\$ 92,235
Permits and fees:				
Streets-in-lieu fees	-	100,212	100,212	70,744
Parking-in-lieu fees	-	25,000	25,000	-
Transportation fees	17,000	75,177	58,177	72,787
Recreation-in-lieu fees	-	46,507	46,507	39,493
Sales and services:				
Recreation program fees	-	17,230	17,230	5,650
Investment earnings	6,378	11,608	5,230	10,828
TOTAL REVENUES	110,847	371,674	260,827	291,737
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Fund	254,003	254,003	-	248,728
Transfers to:				
General Fund	(135,850)	(135,239)	611	-
General Capital Projects Fund	(641,500)	(641,500)	-	(243,030)
Street and Sidewalk Capital Project Fund	(58,500)	(58,500)	-	-
Sale of easement cell phone tower	-	-	-	812,000
Fund Balance:				
Appropriated Fund Balance	471,000	-	(471,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(110,847)	(581,236)	(470,389)	817,698
NET CHANGE IN FUND BALANCE	\$ -	(209,562)	\$ (209,562)	1,109,435
FUND BALANCE - beginning of year		2,939,772		1,830,337
FUND BALANCE - end of year		\$ 2,730,210		\$ 2,939,772

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, 2013

Page 1 of 2

REVENUES

Restricted intergovernmental revenues

	Project Authorization			Actual		
	June 30, 2012	Amendments	June 30, 2013	Prior Years	Current Year	Total To Date
US Department of Transportation - Mingo Creek Greenway	\$ 2,110,000	\$ -	\$ 2,110,000	\$ 153,982	\$ 1,018,616	\$ 1,172,598
State of North Carolina - Mingo Creek Greenway	150,000	-	150,000	-	-	-
Wake County - Mingo Creek Greenway	670,000	25,000	695,000	-	232,077	232,077
Community Development Block Grant - Playground Equipment	192,240	-	192,240	-	192,240	192,240
US Department of Transportation - First Avenue	752,000	120,000	872,000	124,048	744,057	868,105
Total	3,874,240	145,000	4,019,240	278,030	2,186,990	2,465,020

Investment earnings	85,350	2,500	87,850	76,983	2,568	79,551
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Other revenues:

Donations	-	81,500	81,500	847	-	847
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SUBTOTAL REVENUES	3,959,590	229,000	4,188,590	355,860	2,189,558	2,545,418
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Less closed projects	(250,000)	-	(250,000)	(153,982)	(96,018)	(250,000)
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TOTAL REVENUES	3,709,590	229,000	3,938,590	201,878	2,093,540	2,295,418
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EXPENDITURES

Public Buildings

Town Hall Renovations	97,500	7,000	104,500	-	62,791	62,791
Total	97,500	7,000	104,500	-	62,791	62,791

Public Safety Building Renovations	-	49,000	49,000	-	28,857	28,857
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First Avenue project

Phase I	865,000	391,000	1,256,000	159,481	1,056,227	1,215,708
Professional fees	135,000	12,500	147,500	110,151	34,688	144,839
Phase II	112,000	217,000	329,000	166	300,243	300,409
Total	1,112,000	620,500	1,732,500	269,798	1,391,158	1,660,956

Mingo Creek Greenway

Engineering fees	597,000	50,000	647,000	440,878	68,309	509,187
Advertising	200	1,000	1,200	1,016	-	1,016
Appraisals	2,000	(1,000)	1,000	-	-	-
Construction	2,820,000	-	2,820,000	159,032	1,480,219	1,639,251
Lynnwood Connector	260,000	-	260,000	-	-	-
Right of way acquisition	150,500	-	150,500	106,395	2,167	108,562
Contingency	134,300	-	134,300	-	-	-
Total	3,964,000	50,000	4,014,000	707,321	1,550,695	2,258,016

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, 2013

Page 2 of 2

	Project Authorization			Actual		
	June 30, 2012	Amendments	June 30, 2013	Prior Years	Current Year	Total To Date
Knightdale Park						
Professional services	\$ 286,600	\$ 200,100	\$ 486,700	\$ 265,694	\$ 166,484	\$ 432,178
Construction	6,359,429	2,954,500	9,313,929	10,570	4,389,270	4,399,840
YMCA	150,000	50,000	200,000	-	-	-
Land acquisition	-	203,800	203,800	-	184,333	184,333
Contingency	-	167,000	167,000	-	-	-
Total	6,796,029	3,575,400	10,371,429	276,264	4,740,087	5,016,351
 SUBTOTAL EXPENDITURES	 11,969,529	 4,301,900	 16,271,429	 1,253,383	 7,773,588	 9,026,971
Less closed projects	(614,000)	(28,857)	(642,857)	(430,082)	(291,343)	(721,425)
 TOTAL EXPENDITURES	 11,355,529	 4,273,043	 15,628,572	 823,301	 7,482,245	 8,305,546
 Revenues (under) over expenditures before other financing sources	 (7,645,939)	 (4,044,043)	 (11,689,982)	 (621,423)	 (5,388,705)	 (6,010,128)
 OTHER FINANCING SOURCES						
Transfers from:						
General Fund	272,150	(137,680)	134,470	36,466	-	36,466
General Capital Reserve Fund	2,150,290	1,186,898	3,337,188	913,484	641,500	1,554,984
Storm Water Fund	-	23,682	23,682	-	23,682	23,682
Utility Capital Project Fund	587,499	-	587,499	587,499	-	587,499
Bonds and installment notes from financing issued	5,000,000	3,000,000	8,000,000	-	5,000,000	5,000,000
 SUBTOTAL OTHER FINANCING SOURCES	 8,009,939	 4,072,900	 12,082,839	 1,537,449	 5,665,182	 7,202,631
Less closed projects	(364,000)	(28,857)	(392,857)	(276,100)	(195,325)	(471,425)
 TOTAL OTHER FINANCING SOURCES (USES)	 7,645,939	 4,044,043	 11,689,982	 1,261,349	 5,469,857	 6,731,206
 NET CHANGE IN FUND BALANCE	 \$ -	 \$ -	 \$ -	 \$ 639,926	 \$ 81,152	 \$ 721,078

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 1 of 2

ASSETS

	2013			2012
	Streets and Sidewalks Capital Project Fund	Storm Water Special Revenue Fund	Total Non-Major Governmental Funds	Total
Cash and cash equivalents	\$ -	\$ 9,744	\$ 9,744	\$ 23,334
Restricted cash	-	16,276	16,276	16,276
Receivables, net:				
Accounts receivable - Storm water fees		10,186	10,186	-
Due from other governments	55,671	68,153	123,824	-
TOTAL ASSETS	\$ 55,671	\$ 104,359	\$ 160,030	\$ 39,610

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 71,943	\$ 23,159	\$ 95,102	\$ 7,397
Accrued salaries	-	1,022	1,022	-
Due to other funds	1,400	-	1,400	-
TOTAL LIABILITIES	73,343	24,181	97,524	7,397

DEFERRED INFLOWS OF RESOURCES

Accounts receivable	-	5,271	5,271	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	5,271	5,271	-

(continued)

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

	2013			2012
	Streets and Sidewalks Capital Project Fund	Storm Water Special Revenue Fund	Total Non-Major Governmental Funds	Total
FUND BALANCES				
Restricted				
Storm Water Surety	\$ -	\$ 16,276	\$ 16,276	\$ 16,276
Assigned			-	
Storm Water	-	58,631	58,631	-
Unassigned	(17,672)	-	(17,672)	15,937
TOTAL FUND BALANCES	(17,672)	74,907	57,235	32,213
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 55,671	 \$ 104,359	 \$ 160,030	 \$ 39,610

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

	2013			2012
	Streets and Sidewalks Capital Project Fund	Storm Water Special Revenue Fund	Total Non-Major Governmental Funds	Total
REVENUES				
Restricted intergovernmental revenues	\$ 55,671	\$ -	\$ 55,671	\$ 15,000
Permits and fees	-	261,444	261,444	16,276
Investment earnings	-	58	58	175
TOTAL REVENUES	55,671	261,502	317,173	31,451
EXPENDITURES				
Transportation	131,843	-	131,843	-
Environmental protection	-	195,126	195,126	62,898
TOTAL EXPENDITURES	131,843	195,126	326,969	62,898
Revenues over (under) expenditures	(76,172)	66,376	(9,796)	(31,447)
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Capital Reserve Fund	58,500	-	58,500	-
Utility Capital Project Fund	-	-	-	63,660
Transfers to:				
General Capital Project Fund	-	(23,682)	(23,682)	-
TOTAL OTHER FINANCING SOURCES (USES)	58,500	(23,682)	34,818	63,660
NET CHANGE IN FUND BALANCE	(17,672)	42,694	25,022	32,213
FUND BALANCE - beginning of year	-	32,213	32,213	-
FUND BALANCE - end of year	\$ (17,672)	\$ 74,907	\$ 57,235	\$ 32,213

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

From Inception To June 30, 2013

	Project Authorization			Actual		
	Original Project Authorization	Amendments	June 30, 2013	Prior Years	Current Year	Total To Date
REVENUES						
Restricted intergovernmental revenues						
United States Department of Transportation - STP-DA	\$ 235,900	\$ -	\$ 235,900	\$ -	\$ 22,981	\$ 22,981
Community Development Block Grant - Smithfield Road Sidewalks	208,000	-	208,000	-	1,400	1,400
United States Department of Transportation - CMAQ	600,000	-	600,000	-	31,290	31,290
TOTAL REVENUES	1,043,900	-	1,043,900	-	55,671	55,671
EXPENDITURES						
Capital projects:						
Smithfield Road Sidewalks STP-DA	337,000	-	337,000	-	32,830	32,830
Smithfield Road Sidewalks Community Development Block Grant	260,000	-	260,000	-	59,900	59,900
Smithfield Road Turn Lane CMAQ	750,000	-	750,000	-	39,113	39,113
TOTAL EXPENDITURES	1,347,000	-	1,347,000	-	131,843	131,843
Revenues over (under) expenditures before other financing sources (uses)	(303,100)	-	(303,100)	-	(76,172)	(76,172)
OTHER FINANCING SOURCES (USES)						
Transfers from:						
General Capital Reserve Fund	303,100	-	303,100	-	58,500	58,500
TOTAL OTHER FINANCING SOURCES (USES)	303,100	-	303,100	-	58,500	58,500
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ (17,672)	\$ (17,672)

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 1 of 2

REVENUES

Restricted intergovernmental revenues

North Carolina Department of Environment and Natural Resources	\$	15,000	\$	-	\$	(15,000)	\$	15,000
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Permits and fees

Storm Water fees		271,872		261,444		(10,428)		-
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Storm Water surety fees		-		-		-		16,276
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Total		271,872		261,444		(10,428)		16,276
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Investment earnings		128		58		(70)		175
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TOTAL REVENUES		287,000		261,502		(25,498)		31,451
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EXPENDITURES

Environmental Protection

Storm Water Administration

Current

Personnel services		37,777		35,319		2,458		-
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Operations & maintenance		41,000		30,110		10,890		4,098
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Capital outlay		75,000		42,525		32,475		58,800
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Total		153,777		107,954		45,823		62,898
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Storm Water Maintenance

Current

Personnel services		41,211		33,089		8,122		-
--------------------	--	--------	--	--------	--	-------	--	---

Operations & maintenance		68,330		54,083		14,247		-
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Total		109,541		87,172		22,369		-
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TOTAL EXPENDITURES		263,318		195,126		68,192		62,898
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Revenues over (under) expenditures		23,682		66,376		42,694		(31,447)
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(continued)

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 1 of 3

	2013			2012
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Water operating revenues				
Tap-on and connection fees	\$ 12,000	\$ -	\$ (12,000)	\$ -
Meter installation fees	42,500	-	(42,500)	-
Inspection fees	10,500		(10,500)	-
Total	65,000	-	(65,000)	-
Sewer operating revenues				
Tap-on and connection fees	2,000	-	(2,000)	-
Inspection fees	10,700		(10,700)	-
Total	12,700	-	(12,700)	-
Total operating revenues	77,700	-	(77,700)	-
Water non-operating revenues				
Capacity fees	223,500	-	(223,500)	-
Acreage fees	59,000	-	(59,000)	-
Nutrient reduction charge	485,500	-	(485,500)	-
Fee in lieu of water improvements	12,600	12,594	(6)	9,303
Total	780,600	12,594	(768,006)	9,303
Sewer non-operating revenues				
Assessments	50,000	-	(50,000)	-
Capacity fees	222,500	-	(222,500)	-
Acreage fees	62,200	-	(62,200)	-
Development fees	307,400	-	(307,400)	-
Fee in lieu of sewer improvements	11,200	11,207	7	8,408
Total	653,300	11,207	(642,093)	8,408
TOTAL REVENUES	1,511,600	23,801	(1,487,799)	17,711

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 2 of 3

	2013			2012
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES				
Water & Sewer				
City of Raleigh fees	\$ 1,499,600	\$ -	\$ 1,499,600	\$ -
Professional services	12,000	9,000	3,000	-
TOTAL EXPENDITURES	1,511,600	9,000	1,502,600	-
Total revenues over expenditures	-	14,801	14,801	17,711
OTHER FINANCING SOURCES (USES)				
Installment debt issuance	-	-	-	1,561,368
Debt Service				
City of Raleigh - reimbursement of debt service payments	399,332	399,332	-	449,344
Debt issuance fees	-	-	-	(40,315)
Interest	(67,197)	(67,162)	35	(139,042)
Debt principal	(332,135)	(332,170)	(35)	(1,798,723)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	32,632
Total revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>14,801</u>	<u>\$ 14,801</u>	50,343

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, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

Page 3 of 3

	2013		2012
	Budget	Actual	Variance Favorable (Unfavorable)
			Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Principal paid on debt	\$	332,170	\$ 1,798,723
Payments received on notes receivable		(332,170)	(1,798,723)
Assessments receivable		45,441	-
Assessments payable to City of Raleigh		(45,441)	-
Decrease (increase) in accrued interest		637	2,732
Loss on transfer of cash to City of Raleigh		-	(400,000)
Loss on transfer of capital assets to City of Raleigh		-	(1,249)
Capital project-			
Transfers to			
General Capital Projects Fund		-	(587,499)
Storm Water Fund		-	(63,660)
Investment earnings		-	821
CHANGE IN NET POSITION	\$	15,438	\$ (998,512)

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

June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Current Levy	Collections and Credits	Uncollected Balance June 30, 2013
2013	\$ -	\$ 5,408,394	\$ 5,305,974	\$ 102,420
2012	81,366	-	64,309	17,057
2011	13,159	-	4,277	8,882
2010	9,334	-	1,495	7,839
2009	7,164	-	724	6,440
2008	10,429	-	1,156	9,273
2007	7,907	-	610	7,297
2006	7,407	-	181	7,226
2005	4,551	-	160	4,391
2004	2,856	-	120	2,736
2003	2,280	-	2,280	-
Total	\$ 146,453	\$ 5,408,394	\$ 5,381,286	\$ 173,561

RECONCILIATION WITH REVENUES

Taxes - Ad Valorem - General Fund	\$ 5,394,455
Add (deduct):	
Penalties and interest	(18,079)
Taxes written off	2,280
Releases, rebates and adjustments	2,630
Total Collections and Credits	\$ 5,381,286

TOWN OF KNIGHTDALE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY

June 30, 2013

	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	\$ 1,268,977,902	0.41	\$ 5,203,345	\$ 4,943,385	\$ 259,960
Registered motor vehicles taxed at prior year's rate	34,581,707	0.41	141,978	-	141,978
Penalties	-		563	563	-
Total	1,303,559,609		5,345,886	4,943,948	401,938
Discoveries:					
Current year taxes	19,315,767	0.41	79,195	79,195	-
Prior year taxes	-	0.41	12,493	4,451	8,042
Penalties	-		772	772	-
Total	1,322,875,376		5,438,346	5,028,366	409,980
Abatements	(7,305,365)	0.41	(29,952)	(22,262)	(7,690)
Total property valuation	<u>\$ 1,315,570,011</u>				
Net levy			5,408,394	5,006,104	402,290
Uncollected taxes at June 30, 2013			102,420	20,199	82,221
Current year's taxes collected			<u>\$ 5,305,974</u>	<u>\$ 4,985,905</u>	<u>\$ 320,069</u>
Current levy collection percentage			<u>98.11%</u>	<u>99.60%</u>	<u>79.56%</u>



Cyclists on Mingo Creek Greenway – Ribbon Cutting April 2013



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 Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year									
	<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>	<u>2013</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 12,954,064	\$ 15,429,709	\$ 19,364,428	\$ 24,236,450	\$ 25,886,116	\$ 25,878,475	\$ 26,004,718	\$ 28,955,166	\$ 28,803,069	\$ 33,353,729
Restricted	-	408,305	546,747	721,391	374,673	362,226	434,244	1,943,693	1,895,412	2,299,485
Unrestricted	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	5,089,424
Total governmental activities net position	<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>\$ 35,651,662</u>	<u>\$ 40,742,638</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 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	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	61,500
Total business-type activities net position	<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>	<u>\$ 61,500</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 19,203,158	\$ 25,572,462	\$ 20,832,673	\$ 25,699,945	\$ 26,024,629	\$ 25,976,985	\$ 26,633,220	\$ 28,955,166	\$ 28,803,069	\$ 33,353,729
Restricted	1,732,118	656,394	546,747	721,391	374,673	362,226	434,244	1,943,693	1,895,412	2,299,485
Unrestricted	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	5,150,924
Total primary government net position	<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>\$ 35,697,724</u>	<u>\$ 40,804,138</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 Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	<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>	<u>2013</u>
Expenses										
Governmental activities:										
General government	\$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	\$1,716,310
Public safety	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	4,025,428
Public works	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	2,297,740
Environmental protection	-	-	-	-	-	520,985	535,182	532,250	571,764	745,462
Economic development	-	-	-	-	-	571,441	418,950	449,226	579,390	550,333
Cultural and recreational	2,684,396	829,087	844,994	953,912	999,956	916,189	898,375	918,928	976,780	955,930
Interest on long-term debt	144,452	126,787	187,678	219,065	213,735	217,628	168,894	299,747	251,805	318,556
Total governmental activities expenses	<u>\$6,966,826</u>	<u>\$5,108,419</u>	<u>\$5,590,097</u>	<u>\$6,942,353</u>	<u>\$9,798,959</u>	<u>\$9,139,511</u>	<u>\$9,526,037</u>	<u>\$10,185,327</u>	<u>\$11,139,076</u>	<u>\$10,609,759</u>
Business-type activities:										
Water and sewer	2,689,297	2,872,621	2,808,455	176,251	308,128	149,315	133,748	130,422	176,625	75,525
Total business-type activities expenses	<u>2,689,297</u>	<u>2,872,621</u>	<u>2,808,455</u>	<u>176,251</u>	<u>308,128</u>	<u>149,315</u>	<u>133,748</u>	<u>130,422</u>	<u>176,625</u>	<u>75,525</u>
Total primary government expenses	<u>\$9,656,123</u>	<u>\$7,981,040</u>	<u>\$8,398,552</u>	<u>\$7,118,604</u>	<u>\$10,107,087</u>	<u>\$9,288,826</u>	<u>\$9,659,785</u>	<u>\$10,315,749</u>	<u>\$11,315,701</u>	<u>\$10,685,284</u>
Program Revenues										
Governmental activities:										
Charges for service:										
General government	\$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	22,974
Public works	265,144	284,469	854,770	782,327	466,284	776,099	8,080	396,177	143,531	200,389
Environmental protection	-	-	-	-	-	-	590,782	642,781	620,313	938,852
Economic development	-	-	-	-	-	-	102,752	139,569	158,937	197,998
Cultural and recreational	177,132	211,125	309,771	290,171	389,067	517,406	371,833	423,361	427,063	483,567
Operating grants and contributions	560,402	284,639	285,157	230,133	392,971	400,597	518,147	864,939	830,434	684,002
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	884,887	4,714,539
Total governmental activities program revenue	<u>\$6,861,896</u>	<u>\$3,664,413</u>	<u>\$7,832,505</u>	<u>\$5,851,582</u>	<u>\$3,567,513</u>	<u>\$2,476,052</u>	<u>\$2,137,467</u>	<u>\$5,469,866</u>	<u>\$3,093,528</u>	<u>\$7,242,321</u>
Business-type activities:										
Charges for service:										
Water and sewer	3,137,698	3,729,491	4,690,198	610,182	-	-	-	-	-	-
Operating grants and contributions	1,376,201	-	45,000	-	-	-	-	-	-	-
Capital grants and contributions	-	205,320	2,693,216	-	-	-	-	-	87,684	-
Total business-type activities program revenues	<u>4,513,899</u>	<u>3,934,811</u>	<u>7,428,414</u>	<u>610,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,684</u>	<u>-</u>
Total primary government program revenues	<u>\$11,375,795</u>	<u>\$7,599,224</u>	<u>\$15,260,919</u>	<u>\$6,461,764</u>	<u>\$3,567,513</u>	<u>\$2,476,052</u>	<u>\$2,137,467</u>	<u>\$5,469,866</u>	<u>\$3,181,212</u>	<u>\$7,242,321</u>

TOWN OF KNIGHTDALE, NORTH CAROLINA
Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2 (continued)

	Fiscal Year									
	<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>	<u>2013</u>
Net (Expense) / Revenue										
Governmental activities	\$ (104,930)	\$ (1,444,006)	\$ 2,242,408	\$ (1,090,771)	\$ (6,231,446)	\$ (6,663,459)	\$ (7,388,570)	\$ (4,715,461)	\$ (8,045,548)	\$ (3,367,438)
Business-type activities	1,824,602	1,062,190	4,619,959	433,931	(308,128)	(149,315)	(133,748)	(130,422)	(88,941)	(75,525)
Total primary government net revenue /(expense)	\$ 1,719,672	\$ (381,816)	\$ 6,862,367	\$ (656,840)	\$ (6,539,574)	\$ (6,812,774)	\$ (7,522,318)	\$ (4,845,883)	\$ (8,134,489)	\$ (3,442,963)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 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	\$ 5,421,563
Other taxes and licenses	54,036	76,679	71,811	90,276	111,506	206,738	220,629	232,843	246,403	284,406
Unrestricted intergovernmental revenues	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	2,697,954
Unrestricted investment earnings	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351	34,957	37,194
Miscellaneous	178,215	267,495	655,657	355,591	228,540	136,315	132,991	237,404	774,350	17,297
Transfers	-	-	(12,224)	-	216,529	(3)	-	-	651,159	-
Total governmental activities	3,869,782	4,311,861	5,351,568	5,694,552	6,943,406	7,127,374	7,487,034	8,291,311	9,502,386	8,458,414
Business-type activities:										
Unrestricted investment earnings	60,987	141,010	209,862	338,757	278,875	192,393	146,081	130,917	125,126	67,162
Gain /(Loss) on abandoned capital project	-	-	-	(4,750)	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	6,003	6,017	17,711	23,801
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	60,987	141,010	(13,680,314)	320,581	(1,415,949)	65,562	152,084	(1,471,722)	(909,571)	90,963
Total primary government	\$ 3,930,769	\$ 4,452,871	\$ (8,328,746)	\$ 6,015,133	\$ 5,527,457	\$ 7,192,936	\$ 7,639,118	\$ 6,819,589	\$ 8,592,815	\$ 8,549,377
Change in Net Position										
Governmental activities	\$ 3,764,852	\$ 2,867,855	\$ 7,593,976	\$ 4,603,781	\$ 711,960	\$ 463,915	\$ 98,464	\$ 3,575,850	\$ 1,456,838	\$ 5,090,976
Business-type activities	1,885,589	1,203,200	(9,060,355)	754,512	(1,724,077)	(83,753)	18,336	(1,602,144)	(998,512)	15,438
Total primary government	\$ 5,650,441	\$ 4,071,055	\$ (1,466,379)	\$ 5,358,293	\$ (1,012,117)	\$ 380,162	\$ 116,800	\$ 1,973,706	\$ 458,326	\$ 5,106,414

TOWN OF KNIGHTDALE, NORTH CAROLINA

Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 968,808	\$ 843,605	\$ 1,080,454	\$ 1,281,443	\$ 1,584,857	\$ 1,120,396	\$ 1,309,298	\$ -	\$ -	\$ -
Unreserved	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	11,423
Restricted	-	-	-	-	-	-	-	1,605,841	1,527,084	2,005,357
Assigned	-	-	-	-	-	-	-	212,000	100,800	187,220
Unassigned	-	-	-	-	-	-	-	2,536,605	2,984,408	3,430,429
Total General Fund	\$ 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	\$ 5,634,429
All other governmental funds										
Reserved	\$ 63,611	\$ 64,235	\$ 66,792	\$ 71,359	\$ 55,586	\$ -	\$ 34,070	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	770,356	779,047	1,388,265	1,556,839	877,484	1,758,431	-	-	-	-
Capital project funds	65,133	(34,445)	88,235	22,637	56,693	19,266	1,945,388	-	-	-
Restricted	-	-	-	-	-	-	-	337,852	368,328	294,128
Assigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	15,937	58,631
Capital project funds	-	-	-	-	-	-	-	1,568,121	3,227,646	3,173,436
Unassigned	-	-	-	-	-	-	-	-	-	(17,672)
Total all other governmental funds	\$ 899,100	\$ 808,837	\$ 1,543,292	\$ 1,650,835	\$ 989,763	\$ 1,777,697	\$ 1,979,458	\$ 1,905,973	\$ 3,611,911	\$ 3,508,523

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad valorem taxes	\$ 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	\$ 5,394,455
Other taxes and licenses	53,414	74,488	69,665	88,392	94,528	119,763	212,371	223,835	238,439	272,639
Unrestricted intergovernmental	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	2,697,954
Restricted intergovernmental	561,402	284,639	285,157	230,133	434,893	400,597	1,002,839	949,247	1,715,321	2,926,663
Permits and fees	258,864	239,767	335,240	267,934	264,989	321,595	147,330	608,630	386,600	729,312
Sales and services	444,099	491,796	1,137,608	1,074,922	851,642	1,344,991	967,385	1,043,408	1,028,223	1,109,917
Investment earnings	39,781	70,521	156,309	352,523	223,244	74,465	22,027	33,351	34,957	37,194
Miscellaneous	177,215	267,495	655,657	355,591	228,540	160,876	117,836	140,924	86,369	68,895
Total revenues	5,157,688	5,314,180	7,104,418	7,239,433	8,194,949	9,104,339	9,572,485	10,815,996	11,313,604	13,237,029
Expenditures										
General government	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	1,294,788
Public safety	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	3,708,123
Public works	832,267	795,895	631,817	982,507	3,019,257	1,614,249	1,586,331	1,666,795	1,628,223	1,491,381
Environmental protection	-	-	-	-	-	-	535,182	532,250	628,604	772,683
Economic development	-	-	-	-	-	-	430,008	451,522	577,318	547,941
Cultural and recreation	602,908	720,860	807,402	902,940	950,595	868,644	844,184	908,416	912,635	897,127
Capital outlay	2,685,488	261,917	2,625,122	1,557,773	757,229	787,870	666,180	3,716,800	1,139,842	7,773,588
Debt service :										
Principal	330,491	346,505	359,166	495,035	537,192	597,471	597,558	420,955	1,211,715	2,750,843
Interest	143,120	129,844	116,763	197,996	216,114	209,415	188,746	172,692	269,001	247,015
Total expenditures	7,252,907	5,065,111	7,685,880	8,110,205	9,911,645	8,785,853	9,451,758	12,888,096	11,358,999	19,483,489
Excess of revenues over (under) expenditures	(2,095,219)	249,069	(581,462)	(870,772)	(1,716,696)	318,486	120,727	(2,072,100)	(45,395)	(6,246,460)
Other financing sources (uses)										
Transfers in	670,024	99,772	8,000	344,188	1,017,419	1,230,921	443,909	1,199,206	1,142,917	1,112,924
Transfers out	(670,024)	(99,772)	-	(344,188)	(800,890)	(1,230,924)	(443,909)	(1,199,206)	(491,758)	(1,112,924)
Sale of fixed assets	-	-	-	-	-	-	35,695	16,480	812,920	14,102
Installment debt issued	68,165	50,200	2,482,365	682,760	592,000	175,000	60,059	3,040,500	557,632	7,115,099
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)	37,787	68,740	2,493,774	687,763	818,237	174,997	95,754	3,136,980	2,021,711	7,129,201
Net change in fund balance	\$ (2,057,432)	\$ 317,809	\$ 1,912,312	\$ (183,009)	\$ (898,459)	\$ 493,483	\$ 216,481	\$ 1,064,880	\$ 1,976,316	\$ 882,741
Debt service as a percentage of noncapital expenditures	11.6%	11.0%	10.4%	11.8%	9.0%	11.2%	9.2%	6.8%	13.8%	26.1%

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
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
2013	0.41	5,421,563	5,421,563

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

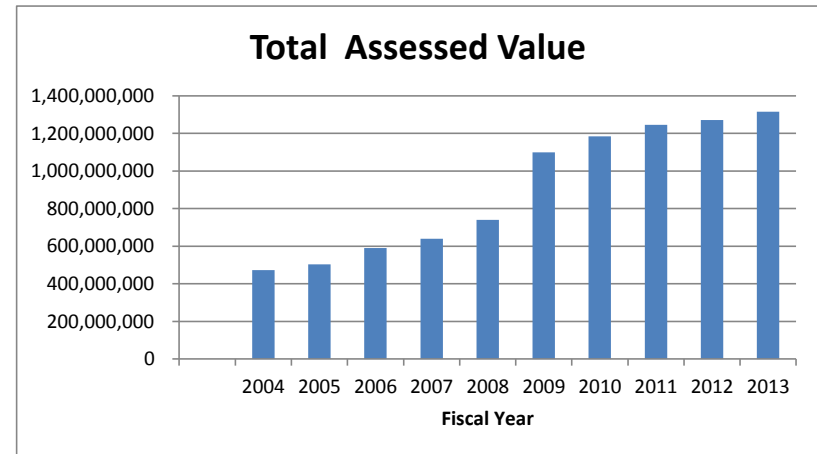
Last Ten Fiscal Years

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
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%
2013	1,167,750,585	138,980,390	8,839,036	1,315,570,011	0.41	1,185,198,208	111%

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
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
2013	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

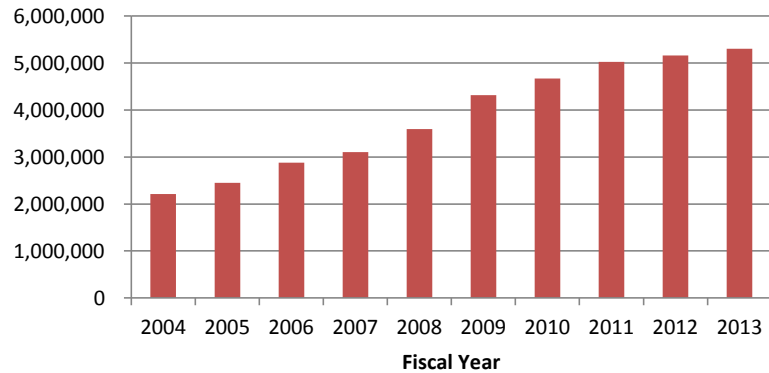
Property Tax Levies and Collections

Last Ten Fiscal Years

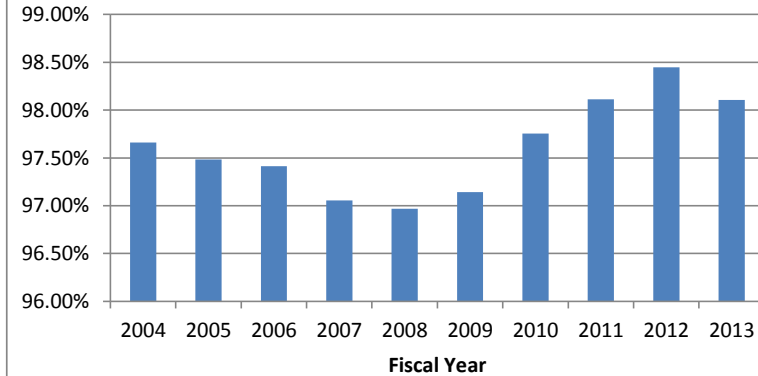
Table 8

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
2004	2,267,754	2,214,679	97.66%	50,339	2,265,018	99.88%	89,322	3.94%
2005	2,515,619	2,452,297	97.48%	58,931	2,511,228	99.83%	101,013	4.02%
2006	2,953,293	2,876,888	97.41%	69,179	2,946,067	99.76%	116,246	3.94%
2007	3,201,115	3,106,828	97.05%	86,990	3,193,818	99.77%	142,470	4.45%
2008	3,708,082	3,595,606	96.97%	103,203	3,698,809	99.75%	167,022	4.50%
2009	4,441,324	4,314,443	97.14%	120,441	4,434,884	99.85%	194,828	4.39%
2010	4,779,605	4,672,322	97.76%	99,444	4,771,766	99.84%	203,519	4.26%
2011	5,124,740	5,027,969	98.11%	87,889	5,115,858	99.83%	174,631	3.41%
2012	5,242,074	5,160,708	98.45%	64,309	5,225,017	99.67%	146,453	2.79%
2013	5,408,394	5,305,974	98.11%	-	5,305,974	98.11%	173,561	3.21%

Current Year Levy Collections



Tax Collection Percentage



TOWN OF KNIGHTDALE, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

		2013			2004		
		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	4.04%	1	\$ -	-	
Greystone WW Co. LLC	Real Estate	30,000,716	2.28%	2	-	-	
Widewaters Knightdale Co. LLC	Real Estate	25,236,113	1.92%	3	7,348,451	-	3
Legacy Oaks Apartments LP	Real Estate/Apartments	24,395,225	1.85%	4	-	-	
BRC Knightdale LLC	Real Estate/Apartments	22,984,763	1.75%	5	-	-	
Lowe's Home Centers, Inc.	Retail	18,306,027	1.39%	6	12,258,879	2.60%	1
Laurens Way Co LTD Partnership	Real Estate/Apartments	14,716,009	1.12%	7	11,685,798	2.47%	2
Rex Hospital Inc.	Health Care	13,644,260	1.04%	8	-	-	
TG LVF Eastpoint LLC	Manufacturer	13,037,814	0.99%	9	-	-	
Target Corporation	Retail	10,418,907	0.79%	10	-	-	
F & F Capital, Inc.	Real Estate	-			7,122,180	1.51%	4
Wal-Mart	Retail	-			6,215,276	1.32%	5
BellSouth Telephone	Utility	-			5,085,336	1.08%	6
Time Warner Entertainment	Cable TV	-			4,449,618	0.94%	7
Knightdale Crossing LLC	Insurance	-			4,296,062	0.91%	8
HCPI Knightdale, Inc.	Health Care	-			2,993,472	0.63%	9
Steeple Square LLC	Real Estate	-			2,986,081	0.63%	10
Totals		\$ 225,828,262	17.17%		\$ 64,441,153	12.09%	
Total Assessed Value		\$ 1,315,570,011			\$ 472,280,403		

(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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value	\$ 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	\$ 1,315,570,011
Debt limit (8% of assessed value)	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	105,245,601
Debt applicable to limit:										
Total outstanding debt	7,522,930	6,968,929	9,085,370	8,955,510	8,730,740	7,903,573	7,010,197	9,259,537	8,369,100	12,401,246
Debt authorized but unissued	-	-	-	-	-	-	2,821,500	-	5,000,000	3,000,000
Less debt applicable to business-type activities Enterprise Fund debt	-	-	-	-	-	-	(2,882,155)	(2,511,950)	(2,274,595)	(1,942,425)
Total net debt applicable to limit	7,522,930	6,968,929	9,085,370	8,955,510	8,730,740	7,903,573	6,949,542	6,747,587	11,094,505	13,458,821
Legal debt margin	\$ 30,259,502	\$ 33,308,110	\$ 38,161,284	\$ 42,200,508	\$ 50,509,312	\$ 80,053,983	\$ 87,843,613	\$ 92,941,032	\$ 90,638,726	\$ 91,786,780
Total net debt applicable to the limit, as a percentage of the total debt limit	19.91%	17.30%	19.23%	17.51%	14.74%	8.99%	7.33%	6.77%	10.91%	12.79%
Total net debt applicable to the limit, as a percentage of assessed value	1.59%	1.38%	1.54%	1.40%	1.18%	0.72%	0.59%	0.54%	0.87%	1.02%

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

TOWN OF KNIGHTDALE, NORTH CAROLINA

Ratio of Outstanding Debt by Type

To Assessed Value, Personal Income and Bonded Debt per Capita

Last Ten Fiscal Years

Table 11

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Assessed Value	Debt as a % of Assessed Valuation	Debt as a % of Personal Income	Population	Debt Per Capita
	GO Bonds	Installment Purchases	GO Bonds	Installment Purchases						
2004	\$ 947,371	\$ 2,028,824	\$ 2,839,632	\$ 1,707,103	\$ 7,522,930	\$ 472,280,403	1.59%	3.15%	6,484	\$ 1,160
2005	894,737	1,803,693	2,678,263	1,592,236	6,968,929	503,462,984	1.38%	2.68%	6,660	1,046
2006	842,105	3,982,932	2,515,895	1,744,438	9,085,370	590,583,180	1.54%	3.19%	6,938	1,310
2007	789,474	4,228,293	2,350,526	1,587,217	8,955,510	639,450,231	1.40%	2.39%	8,877	1,009
2008	736,842	4,345,441	2,186,158	1,462,299	8,730,740	740,500,656	1.18%	2.13%	9,813	890
2009	684,211	3,976,755	2,020,789	1,221,818	7,903,573	1,099,469,450	0.72%	1.81%	10,967	721
2010	631,579	3,496,463	1,855,421	1,026,734	7,010,197	1,184,914,436	0.59%	1.37%	12,393	566
2011	578,947	6,168,640	1,689,053	822,897	9,259,537	1,246,107,733	0.74%	1.91%	11,401	812
2012	554,210	5,540,355	1,601,790	672,805	8,369,160	1,271,665,387	0.66%	N/A	11,493	728
2013	495,263	9,963,558	1,426,737	515,688	12,401,246	1,315,570,011	0.94%	N/A	11,904	1,042

NOTES:

(1) See Table 16 for personal income data

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

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

Table 12

Fiscal Year	GO Bonds		Net General Obligation Debt	Total Personal Income	Debt as a % of Personal Income	Net General Bonded Debt as a % of (3) Property Value	Population	Debt Per Capita
	Governmental Activities	Business-Type Activities						
2004	\$ 947,371	\$ 2,839,632	\$ 3,787,003	\$238,669,556	1.59%	0.76%	6,484	\$ 584
2005	894,737	2,678,263	3,573,000	\$260,372,700	1.37%	0.66%	6,660	536
2006	842,105	2,515,895	3,358,000	\$285,075,482	1.18%	0.53%	6,938	484
2007	789,474	2,350,526	3,140,000	\$374,982,234	0.84%	0.42%	8,877	354
2008	736,842	2,186,158	2,923,000	\$409,113,783	0.71%	0.39%	9,813	298
2009	684,211	2,020,789	2,705,000	\$436,716,907	0.62%	0.25%	10,967	247
2010	631,579	1,855,421	2,487,000	\$513,565,920	0.48%	0.22%	12,393	201
2011	578,947	1,689,053	2,268,000	\$485,169,555	N/A	0.19%	11,401	199
2012	554,210	1,601,790	2,156,000	N/A	N/A	0.18%	11,493	188
2013	495,263	1,426,737	1,922,000	N/A	N/A	0.16%	11,904	161

NOTES:

(1) See Table 16 for personal income data

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

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

TOWN OF KNIGHTDALE, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

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	\$ 1,801,325,000	1.074%	\$ 19,352,930
Subtotal, overlapping debt			19,352,930
Town of Knightdale direct debt			10,458,821
Total direct and overlapping debt			\$ 29,811,751

NOTES:

- (1) Supplied by Wake County Finance Department
Portion of this debt that is outstanding Wake County school bonds, \$1,482,086,981
- (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	\$ 1,315,570,011
Wake County Assessed Value (1)	122,450,151,129
Percentage applicable to Knightdale	1.074%

- (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.

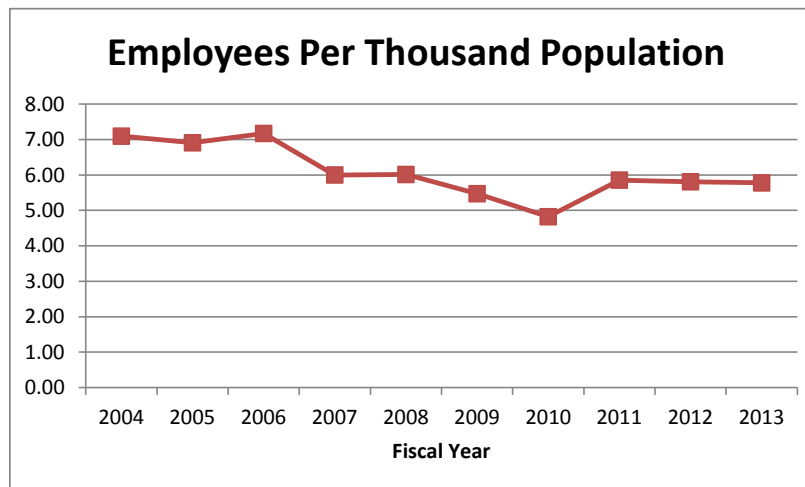
TOWN OF KNIGHTDALE, NORTH CAROLINA

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
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
2013	9.75	38.0	5.0	7.00	9.0	68.75



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									
	2004 (2)	2005 (2)	2006 (2)	2007	2008	2009	2010	2011	2012	2013
<i>Legislative Department</i>										
meetings	NA	NA	100%	100%	100%	100%	100%	100%	100%	100%
Minutes prepared within 3 working days of Council meetings	NA	NA	100%	100%	89%	95%	80%	90%	90%	75%
Meeting minutes completed without error	NA	NA	95%	95%	100%	100%	100%	100%	100%	100%
Employees successfully completing probation period	NA	NA	100%	100%	100%	100%	100%	100%	100%	93%
Employee turnover	NA	NA	NA	5%	7%	5%	0%	6%	6%	7%
<i>Finance Department</i>										
Bank statement reconciled within 7 days of receipt	66%	100%	58%	100%	83%	100%	75%	92%	92%	100%
Month is closed out within 15 days of month end	NA	NA	NA	100%	100%	100%	100%	100%	100%	92%
Accuracy of bank deposits submitted to the bank	NA	NA	96%	98%	98%	99%	99%	99%	99%	99%
Average accuracy rate in forecasting all major revenues	98%	94%	89%	94%	85%	88%	98%	98%	99%	95%
Accuracy rate in forecasting ad valorem revenue tax revenue.	99%	98%	92%	99%	97%	98%	97%	97%	99%	99%
Number of budget amendments requiring council approval	NA	28	18	11	16	20	14	15	13	11
<i>Planning Department</i>										
Permits issued: (1)										
Commercial	37	130	93	71	143	127	42	56	64	67
Residential	238	275	294	269	174	98	152	168	181	246
<i>Public Safety Department</i>										
<i>Police Division</i>										
Reports submitted on time and accurately	88%	81%	84%	88%	85%	80%	76%	89%	96%	96%
Investigative report supplement compliance rates	NA	NA	NA	NA	NA	NA	NA	NA	NA	98%
Follow-up investigations closed within 30 days.	78%	83%	92%	85%	97%	83%	92%	94%	94%	94%
Investigation clearance rates	NA	NA	NA	NA	NA	NA	NA	NA	NA	53%
Average response time to calls for service (minutes : seconds)	6:48	6:42	NA	4:22	4:00	4:30	11:05	3:45	3:41	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									
	2004 (3)	2005 (3)	2006 (3)	2007	2008	2009	2010	2011	2012	2013
<i>Fire Division (First year of operation, FY 2003)</i>										
Average response time to calls for service (minutes : seconds)	4:37	4:44	4:25	3:53	4:03	4:18	4:12	4:24	4:28	4:38
Average personnel responding to structure related calls	13.5	13.4	12.5	11.8	11.5	12.9	11	10	11.7	13.6
Training hours for all staff & volunteers	5,263	5,552	6,635	6,932	6,656	7543	8,041	8,188	8,813	9,141
Fire loss for the year	\$56,020	\$63,050	\$171,270	\$97,700	\$208,593	\$337,995	\$70,790	\$188,900	\$234,802	\$1,139,628
Value of property saved	\$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	\$22,228,757
Percentage of property loss	3.49%	3.41%	6.30%	1.40%	0.89%	3.17%	0.73%	2.65%	3.98%	5.13%
Total calls	618	800	782	921	928	959	1,002	1,067	1,252	1,294
<i>Public Works (3)</i>										
Residential tons collected yearly										
Solid Waste	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	2,087.90
Recycling	327.81	364.04	328.81	379.90	434.00	486.93	NA	506.56	657.00	703.10
Mulching / compost	92.26	88.27	110.75	80.60	53.00	80.00	NA	NA	NA	782.70
Households served	2,158	2,359	2,595	2,546	3,180	3,180	3,525	3,615	3,736	4,042
<i>Parks and Recreation (4)</i>										
Participants in camps and recreation programs										
Baseball (Spring & Fall)	362	376	433	301	267	348	403	403	428	397
Softball (Spring & Fall)	47	47	60	52	92	69	103	99	104	103
Basketball	387	403	408	275	355	327	334	275	282	250
Swimming Pool	6,508	6,622	6,957	8,001	9,927	10,016	9,240	12,017	9,535	8,627
Swim Lessons	NA	NA	151	121	137	209	271	320	304	205
Track Out Camp (5) (6)	NA	NA	NA	NA	1,256	1,125	1,014	4,222	3,506	4,197
Summer Camp	NA	NA	NA	NA	NA	NA	902	928	1,095	1,108

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
2004	6,484	702,440	\$238,670	\$26,508,696	\$36,809	\$62,073	4.7
2005	6,660	725,334	\$260,373	\$28,348,805	\$39,095	\$62,073	4.4
2006	6,938	757,346	\$285,075	\$31,580,978	\$41,089	\$62,073	3.7
2007	8,877	793,401	\$374,982	\$34,623,447	\$42,242	\$62,073	3.9
2008	9,813	831,537	\$409,114	\$36,190,313	\$41,691	\$62,073	4.8
2009	10,967	866,438	\$436,717	\$35,727,859	\$39,821	\$62,073	8.2
2010	12,393	892,409	\$513,566	\$37,576,938	\$41,440	\$62,073	8.3
2011	11,401	900,993	\$485,170	\$39,566,745	\$42,555	\$68,308	8.4
2012	11,493	907,314	(6)	(6)	(6)	\$71,922	7.9
2013	11,904	925,938	(6)	(6)	(6)	\$75,285	7.4

NOTES:

(1) North Carolina Office of State Budget and Management

(2) Bureau of Economic Analysis. Numbers are for Wake County.

Separate figures for the Town are not available.

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

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

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

(4) US Census Bureau - American Community Survey 5-Year estimates 2011 to 2013

US Census Bureau - 200 Census Data 2004 -2010.

(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		2013				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
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
2012	63	9,879,743	200	36,728,786	263	46,608,529

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-2013

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, 2013 \$1,315,570,011
1 cent of the tax rate equals \$131,557.



AWARDS & RECOGNITION

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

DEMOGRAPHICS

Median Family Income-Knightdale
2012\$75,285

Area Unemployment Rate-Wake County
June 2013.....7.4%

Construction

263 permits issued in 2012 (calendar year)

Land Area

6.33 square miles - 2013
4,054 acres

YOUR TAX DOLLAR FUNDING-2013

General Administration	6.65%
Community Develop.	2.81%
Fire Protection	5.34%
Police Dept.	13.69%
Parks & Recreation	4.60%
Public Works	8.66%
Sanitation	2.96%
Capital Projects	39.90%
Debt Service	15.39%

POPULATION

2013	11,904
2012	11,493
2011	11,401



First Avenue Street Improvements

Downtown Knightdale



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***

Independent Auditor's Report

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

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprises the Town of Knightdale's basic financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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 following deficiency described in the accompanying schedule of findings and responses to be a material weaknesses: Finding 2013-1.

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 following deficiency described in the accompanying schedule of findings and responses to be significant deficiency: Finding 2013-2.

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*.

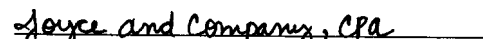
Town of Knightdale's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

We noted additional matters involving the internal control of financial reporting that we have reported to management of the Town of Knightdale in a separate letter dated November 13, 2013.


Joyce and Company, CPA
Cary, North Carolina

November 13, 2013

**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**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Knightdale, North Carolina, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Knightdale's major federal program for the year ended June 30, 2013. The Town of Knightdale's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Knightdale's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Town of Knightdale's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Knightdale complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.


Report on Internal Control Over Compliance

Management of the Town of Knightdale is responsible for establishing and maintaining effective internal control over compliance with the typed of compliance requirements referred to above. 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 in order 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Joyce and Company, CPA
Cary, North Carolina

November 13, 2013

TOWN OF KNIGHTDALE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013

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 noted 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> 20-205.1	<u>Names of Federal Program or Cluster</u> Highway Planning and Construction
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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 2013 - 1 Purchase Orders and Accounts Payable

Criteria: Town has an approved purchasing policy to provide reasonable assurance that purchase orders and purchase approval is handled appropriately.

Condition: Numerous exceptions were noted in which purchase orders were dated after service dates had begun or were not issued.

Effect: Transactions could be mishandled 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.

Significant Deficiency

Item 2013 - 2 Grant reimbursement requests, recording of grant activity and grant accounts receivable

Criteria: Grant reimbursement requests should be consistently and timely filed. All grant activity should be recorded on the books and records and accurately identified by grant funding source and grant related accounts receivable should be correctly recorded.

Condition: Grant reimbursement requests were not timely and consistently filed. Certain grant activity was not recorded on the books and was not accurately identified by funding source. An instance was noted in which a grantor was overbilled for a grant reimbursement.

Effect: Transactions could be mishandled and inaccurate. Interim financial statements of the Town are not accurately recording all transactions of the Town. The Town's cash is less than it would be during the period between expenditure of a grant qualified expenditure and grant reimbursement and the Restricted Stabilization by State Statute at year end is more because of the grant accounts receivable.

Cause: The Town received numerous grants during the audit period and staff was not prepared to handle the volume of transactions. The Town does not have a grant specialist to monitor grant activities and to analyze grant funding of the Town.

Recommendation: Grant reimbursement requests should be consistently and timely filed (monthly for large grants and quarterly for smaller grants) so that the Town does not have material grant accounts receivable. Grants should be analyzed that are being handled through another governmental agency and recorded by the Town according to when the expenditures occur and then the Town should recognize grant revenue and expenditures accordingly. All grant reimbursement requests should be reviewed to detect errors. The chart of accounts should be reviewed and account titles should specifically identify the grant funding source. Due to the volume of grant activity, the Town should prepare a preliminary Schedule of Expenditures of Federal and State Awards prior to the beginning of fieldwork.

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
MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROLS
For the year ended June 30, 2013**

Material Weakness

Item 2013 – 1 Purchase Orders and Accounts Payable

Contact Person – James C. Overton, Finance Director

Management's Response – The Town has updated its purchasing policies and also provided additional training to all staff members with purchasing responsibilities. Any employee not following proper procedures may be subject to disciplinary actions including the removal of any responsibility for purchasing goods and services on behalf of the Town. The Town has also implemented an internal audit of cash disbursements each month. The Town Manager or Finance Director chooses a random sample of 20 to 25 checks to test for compliance with purchasing and cash disbursement policies. All purchase orders over \$5,000 must be approved by the Finance Director. These measures have greatly increased compliance with the Town's policies during the past several months.

Proposed Completion Date – September 30, 2013

Significant Deficiency

Item 2013 – 2 Grant Reimbursement Request

Contact Person – James C. Overton, Finance Director

Management's Response – Grant reimbursement request are completed by the Town Department that applied for the grant. The Town will implement a new policy requiring monthly grant reimbursement reports for major grants and at least quarterly reimbursement reports for all other grants. The Finance Department will provide a printout of all grant expenditures to the various departments each month or quarter in order to assist other departments with the completion of grant reimbursement reports. This should assure that all grant reports are filed timely and will also improve the cash flow of the Town related to grant expenditures. In addition all major grants projects will be recorded in a separate grant fund rather than combining several grants into one Capital Projects Fund.

Proposed Completion Date – December 31, 2013

**TOWN OF KNIGHTDALE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2013**

Schedule

Finding 2010-1

Lack of segregation of duties

Status: Corrected

Finding 2010-2

Cash management of federal grant funds

Status: Corrected

Finding 2011-1

Lack of segregation of duties

Status: Corrected

Finding 2011-2

Exceptions from purchase order policy and authorization of accounts payable

Status: This has not been fully corrected

Finding 2011-3

Grant management variances

Status: This has not been fully corrected

Finding 2012-1

Exceptions to internal control policies

Status: This has not been fully corrected

Finding 2012-2

Lack of segregation of duties

Status: Corrected

Finding 2012-3

Exceptions from purchase order policy and authorization of accounts payable

Status: This has not been fully corrected

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

<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	PT-2013-03-04-14	\$ 46,853	\$ -	\$ 46,853	\$ 93,706
Safety Belt Performance Grant	20-609	PT-2012-03-04-40	21,366	-	9,157	30,523
Total cluster	20-609		68,219	-	56,010	124,229
STPDA - 0512(4) First Avenue Improvements Phase I	20.205.1	EL-5100 CB	515,952	-	574,963	1,090,915
STPDA-0512(11) First Avenue Streetscaping Phase II	20-205.1	EL-5100 CC	228,105	-	72,138	300,243
STPDA-0512(9) Mingo Creek Greenway Phase II	20-205.1	EB-5002 B	922,598	-	365,611	1,288,209
STPDA-0512(6) Mingo Creek Greenway Phase I	20.205.1	EB-5002 A	96,018	-	166,468	262,486
STPDA - 0512(4) Smithfield Road Sidewalk Improvements	20-205.1	EL-5100 CD	22,981	-	9,849	32,830
STPDA -0512(10) BB&T Right Turn Lane	20-205-1	U-5118 HA / ER 2971	113,842	-	25,716	139,558
CMAQ CMS-0512(5) Knightdale Blvd Turn Lane	20.205.1	C-5167	31,290	-	7,823	39,113
Total cluster	20.205.1		1,930,786	-	1,222,568	3,153,354
SPR-2003(4) Bicycle and Pedestrian Planning Grant	20.205.6	TIP # M-0371	9,520	-	4,080	13,600
Total U.S. Department of Transportation			2,008,525	-	1,282,658	3,291,183
<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	20,527	-	-	20,527
Staffing for Adequate Fire and Emergency Response	97.044	EMW-2010-FF-00478	41,352	-	-	41,352
Total U.S. Department of Homeland Security			61,879	-	-	61,879
Total federal cash assistance			2,070,404	-	1,282,658	3,353,062

Town of Knightdale, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

<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>
Total federal assistance			<u>\$ 2,070,404</u>	<u>\$ -</u>	<u>\$ 1,282,658</u>	<u>\$ 3,353,062</u>
State Grants:						
Cash Programs:						
<u>North Carolina Department of Transportation</u>						
Non-State System Street-Aid Allocation Powell Bill			<u>-</u>	<u>17,299</u>	<u>-</u>	<u>17,299</u>
Total NC Department of Transportation			<u>-</u>	<u>17,299</u>	<u>-</u>	<u>17,299</u>
Total state assistance			<u>-</u>	<u>17,299</u>	<u>-</u>	<u>17,299</u>
Total federal and state assistance			<u>\$ 2,070,404</u>	<u>\$ 17,299</u>	<u>\$ 1,282,658</u>	<u>\$ 3,370,361</u>

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.