

A CULTURE *of* SERVICE

DURHAM



1869
CITY OF MEDICINE



City of Durham Citizens' Financial Report

For the Fiscal Year
Ended June 30, 2009

LETTER FROM THE CITY MANAGER

To the Citizens of the City of Durham:

Like most cities across the United States, Durham has not gone untouched by what many are calling the worst recession of our lifetime. While some positive economic indicators have been recently reported, we still do not know exactly how long the recession will continue or how deeply it will challenge our families and businesses. That's why it is all the more crucial that the City strengthen its financial practices and, most importantly, manage the City's resources more wisely by identifying and moving forward with our highest priorities.

Despite the difficult economy, Durham has accomplished much that can make us proud. In addition to other national recognition, in June *U.S. News & World Report* listed Durham as one of the 10 best places to live in the nation. That also supports a Durham Convention and Visitors Bureau poll that showed that 86 percent of the responders say they feel positive about Durham.

What are some of the reasons? Surely, there are numerous reasons, from parks and green spaces to lower unemployment as compared to other places in the country to overall livability. *Or it could be* the Durham Performing Arts Center (DPAC) which won rave reviews for its design and attracted thousands to its first season of stellar performances. *Or it could be* Durham's dedication to improving transportation by opening the new Durham Transportation Center in February and the train station that was dedicated in July. *Or it could be* our dedication to remembering the past while celebrating the future by renovating the historic Durham Athletic Park, and the Holton Career and Resource Center, both of which opened in August. *Or it could be* the growing list of companies that decided to call downtown Durham home — companies such as Burt's Bees, James Scott Farrin, GrassRoots Biotechnology, and Mind Works Multimedia.

Despite the reasons, which may vary for each of us, the bottom line is that we all continue working together as a community to develop and support partnerships that help keep Durham healthy and competitive in the long run.

The bottom line is that we all continue working together as a community to keep Durham healthy and competitive in the long run.



While efforts outside of city hall continue to improve our city, employees also are focused on enhancing our interactions with you, the citizens of Durham. Through a new "Culture of Service" initiative, employees are working to ensure that meeting citizens' needs is at the core of what we do every day. Be sure to turn to page 12 of this report for an update about the "Culture of Service."

As you read this year's *Citizens' Financial Report*, know that the wise and effective use of your tax dollars to provide services and improve the community continues to be the City's top priority. The information presented here was obtained from the audited financial statements included in the *Comprehensive Annual Financial Report (CAFR)* that provides complete financial disclosure. The City's official financial statements received a favorable opinion from its independent auditors, McGladrey-Pullen, Inc., stating that the financial statements are fairly presented in conformity with generally accepted accounting principles (GAAP).

We welcome your comments and ideas. Please address your comments to the City's Finance Department at the address listed on the back cover. Last year, as I arrived in Durham, learning all about this great community was my top priority. Well, I am still learning, and what's more, I am still listening. Thank you for the opportunity to serve you and the City of Durham.

Sincerely,

A handwritten signature in black ink that reads "Thomas J. Bonfield". The signature is fluid and cursive, written in a professional style.

Thomas J. Bonfield
City Manager

City Mission Statement

The City of Durham is dedicated to improving the quality of life in our community by delivering cost effective, highly responsive services with integrity and friendliness.

About the cover: There are seven stars on Durham's city flag, and they are symbolic of the new spirit of Durham. This year, fostering a culture of service in our organization is a priority for the City Manager. The seven employees depicted on the cover have been instrumental in moving this initiative forward. Similar to the seven stars on the flag, these seven employees are both symbolic of, and attach faces to, the City's commitment to creating a culture of service. The seven employees on the cover are top row, left to right Rosalie Bocelli-Hernandez, Michael Hughes, Scott Peruski, Ursala Dawson. Bottom row, left to right are Paul Mason, Virginia Jones, and Kathy Koechling.

ACCOLADES AND AWARDS

Accolades:

American City Business Journal, Durham MSA ranked #11 in the nation for keeping jobs.

Business Week, Duke University's Fuqua-Global Business School #10 of The Best Business Schools.

CNN Money, 15th best mid-sized metro in which to launch a small business.

Children's Health, #37 of the 100 Best Places to Raise Kids.

Forbes Magazine, #3 Best Place for Business and Careers.

Milken Institute, Durham metro area 6th best performing metro in the country.

NewGeography.com, Durham MSA climbed 24 spots to #19 for job-growth potential nationwide.

Next Generation Consulting, Durham ranked #9 on the nation's top mid-sized cities for young professionals.

Princeton Review, North Carolina Central University School of Law #3 most diverse faculty.

Relocate-America, Durham ranked #5 on Relocate-America's 2009 Top 100 Places to Live.

Transportation for America, Durham metro area the second safest place for pedestrians in North Carolina.

U.S. News & World Report, Durham was named one of the 10 Best Places to Live in the Nation.

Wall Street Journal, Durham MSA #3 area with the biggest increase in the number of financial services jobs.

Awards:

The **Finance Department** received the Munis Public Sector Excellence Award by Tyler Technologies, Inc. for demonstrating best practices in developing, deploying, and maintaining Munis Enterprise Resource Planning (ERP) solutions.



2009 City Council

Front row, left to right are Mayor Pro Tem Cora Cole-McFadden, Mayor William V. "Bill" Bell, Diane N. Catotti. Back row, left to right are J. Michael Woodard, Howard Clement, III, Eugene A. Brown, and Farad Ali.

The **Durham JobLink Career Center** received an important distinction – among 22 out of 100 JobLink Career Centers throughout N.C. that has received a Level III Charter from the N.C. Commission on Workforce Development.

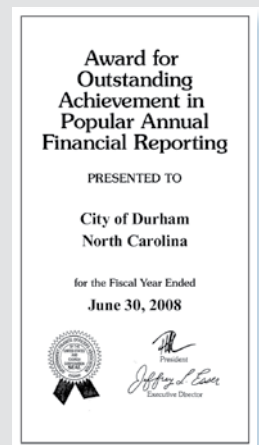
The **Parks & Recreation Department** became one of only 79 agencies in the country and among the five agencies in N.C. to receive national accreditation from the Commission for Accreditation of Park & Recreation Agencies.

The **Office of Economic and Workforce Development** recognized with an Honorable Mention in the Public-Private Partnership category for the Excellence in Economic Development Awards by the International Economic Development Council.

The **Office of Public Affairs** recognized with a SAVVY Award by the City-County Communications and Marketing Association (3CMA) for communications outreach.

Finance Awards

Durham's Comprehensive Annual Financial Report (CAFR) has won the Government Finance Officers Association of the United States and Canada (GFOA) award for 24 consecutive years and Durham has received the GFOA award for Distinguished Budget Presentation for 21 consecutive years – proof our Finance and Budget Departments are repeatedly getting things right when it comes to financial planning, investments, debt management and internal auditing. To earn these Certificates of Achievement, the City must annually publish an easily readable and efficiently organized budget and CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles (GAAP) and accepted legal requirements. In addition, Durham's *Citizens' Financial Report* has received five consecutive awards for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA. No wonder Durham has triple-A ratings from all three major credit rating agencies!



THE CITY OF DURHAM'S BUDGET

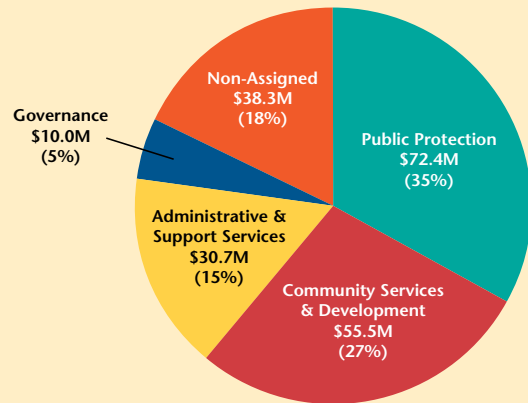
The 2009-10 budget focuses on three broad goals: to reduce crime and its root causes; to maintain core service levels; and, to implement the Capital Improvement Program. The budget builds upon the successes of the last few years and keeps on the course charted to achieve these goals. This year was particularly challenging due to the unprecedented economic conditions at the local, state, and national levels. Although Durham was not as severely impacted by the current economic downturn as the rest of the nation, our revenue decreased in several major categories, including sales tax, hotel occupancy tax, building permit fees, and interest earnings. Economic conditions limited the ability to fund other programs and services. In some cases alternative sources were used, such as those provided through the American Recovery and Reinvestment Act (ARRA).

This year's budget includes a property tax rate of 54 cents per \$100 assessed valuation. This rate remains unchanged from the FY 2008-09 tax rate. Of this, 53.85 cents is dedicated to the General Fund to provide core services to citizens and adequately support debt service requirements resulting from the 2005 and 2007 bond referendums. The remaining 0.15 cent is dedicated to the Durham Convention Center for payment of debt service.

To address crime, the most important issue raised by City Council and our citizens, our goal is to lower the crime rate and make Durham safe. Public safety needs continue to be met, the new Fire Station 15 is appropriately staffed, and the police and fire pay plans are funded. At the same time, we will support other efforts directed at eliminating the root causes of crime, such as revitalizing distressed neighborhoods and providing additional youth programs. A teen center opened in September, and other youth programs are strengthened through the Mayor's Summer Youth Work Program, the Junior Fire Marshal Program, the Youth Employed and Succeeding Program, Walltown Recreation Center reconstruction, and various Durham Parks and Recreation programs. In addition, housing code enforcement has been strengthened to continue eliminating vacant and boarded-up houses.

Major Appropriations Funded in the Budget

Adopted FY 2009-10



Total General Fund Appropriations Equals \$206.9 Million

The FY 2010-2015 Capital Improvement Program is presented to the City Council in a companion document to the 2009-2010 budget. The Capital Improvement Program includes \$71 million for new projects and completing existing projects. Funding is provided through impact fees, grants, water and sewer revenue, revenue bonds, stormwater fees, general obligation bonds, certificates of participation (COPs), general fund revenue, and funds received through ARRA. To monitor the status of any capital project, citizens can visit the city's Web site at www.durhamnc.gov/cip.

American Recovery and Reinvestment Act

The U.S. economy entered into a recession during December 2007. In response, the federal government passed an economic stimulus package called the American Recovery and Reinvestment Act (ARRA). To help ensure our inclusion in the funding process, a team was formed to identify funding opportunities and to coordinate the City's efforts. The City is receiving stimulus funding that the federal government distributes through various agencies using a variety of allocation methods. Some of the funding amounts are determined by formula and some are determined by competition.

2010 Census

The U.S. Census is important to Durham. We encourage participation so that every resident is counted as part of the 2010 Census. Many federal funding programs are based on formulas that include population. Over the past 10 years, the City has received approximately \$150 million in federal dollars that were based on population.

Major Appropriations Funded in the Budget

Year ended June 30 (Amounts in Millions)

Budget Ordinance	Adopted FY 2008-09	Adopted FY 2009-10	As % of Budget
Public Protection	\$72.0	\$72.4	35%
Community Services and Development	61.3	55.5	27%
Administrative and Support Services	34.3	30.7	15%
Governance	10.7	10.0	5%
Non-Assigned	37.7	38.3	18%
Total General Fund	\$216.0	\$206.9	100%

BUDGET HIGHLIGHTS

Improving public safety, enhancing delivery of core services, and implementing our Capital Improvement Program continue to be our highest priorities. To meet major community priorities, the budget for FY 2009-10 is \$345.6 million compared to \$355.5 million for FY 2008-09, a decrease of \$9.9 million (2.9 percent), and includes a General Fund budget of \$206.9 million that funds core city services. This represents a \$9.0 million (4.2 percent) General Fund budget reduction from FY 2008-09. Highlights of the General Fund budget for this year include:

Revenues

A real property assessed value increase of 1.7 percent

A tax rate of 54 cents per \$100 valuation. This tax rate also supports the increased debt service for previously approved capital projects.

A 5 percent decrease in sales tax revenue due to the economic climate.

A 17.2 percent decrease in hotel occupancy tax due to a decline in lodging.

A 3 percent decrease in state shared revenue (Powell Bill and franchise tax).

No transfer from fund balance (savings) to balance the budget. A 12.2 percent fund balance is projected at June 30, 2010.

A 5 percent decrease in inspection fee revenue and a 21.7 percent decrease in planning fee revenue that reflects the impact of current economic conditions on development efforts.

A 6 percent decrease in investment income.

A continuation of the technology surcharge fee (4 percent) that is collected from development-driven permits.



City, Parks and Recreation and community leaders were on hand in March to break ground on the new Walltown Recreation Center on West Club Boulevard. The \$8.8 million facility is set to replace the Walltown Neighborhood Center.

Expenditures

Personnel expenditures decreased by \$2.1 million (1.7 percent).

Operating expenditures decreased by \$1.8 million (4.3 percent).

Capital expenditures decreased by \$0.6 million (85.5 percent).

Debt service decreased by \$1.2 million (5.2 percent).

Transfers decreased by \$3.3 million (14.5 percent).

The City continues to maintain its excellent financial status as evidenced in three areas: A continuing triple-A bond rating by all three national rating agencies; unqualified opinions by independent auditors of the City's financial statements and compliance with major federal and state grants; and, a strong Audit Services Department, ensuring compliance with applicable laws, policies and procedures. In addition to conducting audits based on risk, the department operates a "fraud, waste and abuse" hotline.

Sustainability

The City and County of Durham are committed to "greening" their practices. Highlights for this year include:

Hiring a sustainability manager: The position of sustainability manager was created to implement the recommendations in the "City of Durham and Durham County Greenhouse Gas Emissions Plan" adopted last year. This plan establishes goals for reducing greenhouse gas emissions, such as carbon dioxide, and includes actions for government, businesses, and citizens alike. Going forward, we are incorporating "green" into our building plans and existing facilities.

Recognition of fleet: The City's Fleet Management Department was recognized during November 2009 for having the 32nd best "green fleet" in the nation as ranked by *Government Fleet Magazine*. The "100 Best Fleets Program" recognizes and rewards peak-performing fleet operations in North America. Currently in its seventh year, this program identifies and encourages ever-increasing levels of performance improvement for vehicle fleets.

Debt Management

If the City paid for large projects with only current funds, then current taxpayers would pay 100 percent of the bill. The City is permitted to issue General Obligation (GO) bonds that provide long-term financing for projects for which the City pledges its full faith and credit to repay the debt. Bonds are paid off over a number of years. By spreading the payments out into the future, everyone who moves to the area and utilizes the improvements also has to pay a share – thereby reducing the debt burden shared by current citizens.

The City actively monitors and manages its debt capacity. Evaluating the impact of new or authorized but un-issued bond programs on future operating budgets is an important element of debt management. A debt capacity report is presented to Council as part of its annual retreat. The report is an essential management tool that helps provide a comprehensive assessment of the City's ability to issue debt for its capital needs.

Credit Ratings

There are approximately 22,500 cities in the U.S. and currently Durham is one of 21 cities nationwide to have the top level triple-A debt rating from all three national rating agencies, making the City one of the very few awarded this rare distinction.

To realize interest rate savings, during September and October 2009 both the City and County of Durham refinanced portions of their outstanding GO debt. In conjunction with the refundings, the rating agencies reaffirmed both the City's and County's triple-A credit ratings. The State of North Carolina is also triple-A rated. Credit ratings represent objective and independent third party opinions concerning a government's ability to meet its financial commitments and the ratings reflect the ability to repay loans.

The rating agencies explained their rationales and the most recent reports from all three agencies cited "moderate debt



The Durham Performing Arts Center celebrated its first birthday in November with nearly 250,000 patrons entering the turnstiles during a highly successful first year.

burden" as an important factor contributing to the rating. Each agency also said the reasons included the recognition of the City's solid financial management, stable growth, and its ability to support existing and planned debt obligations.

Ratings are intended to characterize the risk of holding a bond. These ratings in part determine the interest rate that the City must pay to attract purchasers of its bonds. Bonds that are rated triple-A are judged to be of the best quality. High quality ratings are particularly important for Durham because they lower borrowing costs, saving taxpayers millions of dollars in future interest payments. The highest ratings mean that Durham can receive the lowest interest rates possible when it issues bonds, and they provide a seal of approval few others have. High bond ratings mean the City is able to sell GO bonds to finance capital projects at lower interest rates, including the \$110 million bond referendum package that was approved by voters during November 2005 and the \$20 million bond referendum package that was approved during November 2007.

Annual Independent Financial Audit

North Carolina state statutes require that an annual audit be performed by an independent certified public accountant. This annual audit relates to the City's Comprehensive Annual Financial Report (CAFR), and the purpose of the annual audit is to ensure that the City is complying with generally accepted accounting principles (GAAP). In addition to meeting statutory requirements, the audit also complies with the Federal Single Audit Act. As it has in previous years, this year's Independent Auditor's Report confirms that the City's financial statements "present fairly, in all material respects, the respective financial position" of the City of Durham. All financial statement information contained in the Citizens' Financial Report is in conformity with GAAP; portions of the information in this report are taken from financial statements that are contained in the City's CAFR. For more detailed financial information, as well as the full set of notes that accompany the financial statements, visit the City's Web site at www.durhamnc.gov.

Legal Debt Limit

The Local Government Bond Act limits the amount of debt that can be issued by a unit of government in North Carolina. The legal debt limit is 8 percent of the total assessed value of taxable property located within a government's boundaries, and Durham is currently at less than 2 percent. For Durham at the end of FY 2009 the total net debt applicable to the limit as a percentage of the debt limit was 24 percent, leaving an unissued debt margin of 76 percent. This calculation is based on the following: the total assessed value in Durham was approximately \$22 billion and the debt limit of 8 percent of assessed value was approximately \$1.8 billion. The amount of debt applicable to the limit was approximately \$0.4 billion, including GO debt that the City has issued or is authorized to issue. This means the City currently has the legal right to request voter approval for, and then to issue, approximately \$1.4 billion in additional debt. This amount would more than triple the debt that is currently outstanding, and the City plans to issue only a small fraction of this amount in the future.

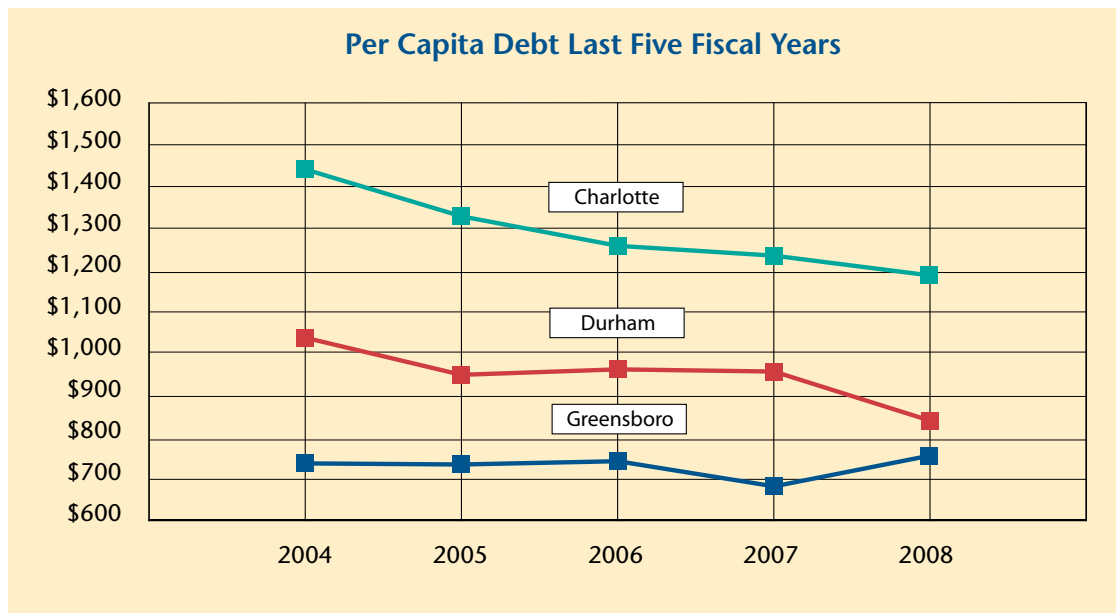
Both the City and County of Durham, as well as the State of North Carolina, currently maintain reasonable levels of debt when compared to their respective peer groups composed of other cities, counties, and states rated triple-A by bond rating agencies. Having an unissued debt margin of 76 percent is an additional indicator that Durham's current debt burden is moderate and does not threaten the City's future economic growth.

Debt Benchmarks

In addition to the legal debt margin, the City tracks several other benchmarks that provide guidance in determining how much debt the City can afford. One of these benchmarks is debt per capita. Durham's debt per capita has declined 19 percent from \$1,038 to \$845 over the past five years, and Durham's per capita debt remains approximately halfway between that of two of its peer cities, Charlotte and Greensboro. The movement of this benchmark for Durham, Charlotte, and Greensboro over the past five years is illustrated in the chart on this page.

FY 2009 Debt Issuance

During August 2008, the City successfully closed on the sale of \$12,350,000 2/3rds GO bonds (Series A) and \$46,570,000 of GO bonds (Series B). The Series B bonds were comprised of \$38,570,000 from the 2005 GO bond authority and \$8,000,000 from the 2007 GO bond authority. Proceeds from the 2/3rd bonds were used to fund various public safety facilities, culture and recreation projects, and improvements to streets and sidewalks. Proceeds from the Series B financing were used to fund improvements to various city facilities.



Other Types of Debt

In addition to GO bonds, the City has categories of debt that are not tax supported. Revenue bonds are pledged by the net revenues from the facility financed by the bonds, such as a utility system. On June 30, 2009, the City had \$31,970,000 outstanding in revenue bonds. Installment financing agreements like certificates of participation (COPs) are purchase agreements that pledge the value of the bonded asset to the buyers. On June 30, 2009, the City had \$109,266,000 in outstanding installment financing agreements.

General Obligation Bonds Authorized and Unissued

During November 2005, voters approved a \$110 million GO Bond Referendum package. At fiscal year-end, \$48.573 million of these bonds had been issued, and the City had the authority to issue an additional \$61.427 million of bonds. These authorized and unissued bonds must be issued prior to

DEBT ADMINISTRATION (CONTINUED)

November 2012. During November 2007, voters approved a \$20 million GO Bond Referendum package for street and sidewalk improvements. At fiscal year-end, \$8 million of these bonds had been issued and the City had the authority to issue an additional \$12 million of bonds. These authorized and unissued bonds must be issued prior to November 2014.

Long-Term Financial Planning

Durham continued with its forward-looking capital budget, presenting a long-term Capital Improvement Program (CIP) to Council. The CIP is a statement of the City of Durham's policy regarding long-range physical development. It is vital to the City because it is the principal planning tool designed to achieve urban growth and development. This program is developed for a six year period and is updated and revised annually. To be included in the CIP, a project requires a total expenditure of at least \$100,000 and a useful life of at least 10 years.

Refunding

To realize interest rate savings, during September 2009 the City sold GO Refunding Bonds in the amount of \$20,300,000. In aggregate, portions of five series of GO bonds were refunded. The refunding had two components: a *current* refunding and an *advance* refunding. For the *current* refunding component, a portion of the net proceeds were used to redeem the Series 1998 and Series 1999 GO Bonds. For the *advance* refunding component of the transaction, the remaining portion of the net proceeds were used to purchase State and Local Government Securities in order to advance refund the Series 2000B, Series 2002 and Series 2004 GO Bonds. The 2009 GO Refunding Bonds have an average life of 5.12 years and a total interest cost



In October, Durham unveiled another set of commemorative pieces honoring Durham's rich African-American history on Parrish Street. This once thriving area was known as "Black Wall Street."

of 2.05 percent. The City realized \$1,115,957.70 in net present value savings or 5.51 percent of par value refunded.

Interdependence with Other Entities

The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City 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 governments and other holders of publicly held U.S. treasury securities.

The 2005 Bonds:

Purpose	Authorized	Issued	Unissued
Cultural Facilities	\$11,005,000	\$6,975,000	\$4,030,000
Neighborhood Improvements	1,500,000	240,000	1,260,000
Parking	7,342,000	1,335,000	6,007,000
Parks and Rec.	38,333,000	13,920,000	24,413,000
Public Improvements	7,113,000	5,680,000	1,433,000
Public Safety	6,195,000	5,080,000	1,115,000
Streets and Sidewalks	18,512,000	8,513,000	9,999,000
Water and Sewer	20,000,000	6,830,000	13,170,000
Total:	\$110,000,000	\$48,573,000	\$61,427,000

The 2007 Bonds:

Purpose	Authorized	Issued	Unissued
Streets and Sidewalks	\$20,000,000	\$8,000,000	\$12,000,000

DURHAM BY THE NUMBERS



DURHAM AREA
106.6
Square Miles

WATER MANAGEMENT DEPARTMENT

84,802
Customers
1,236
Miles of Water Mains

2009 POPULATION
225,093

PARKS & RECREATION

65
Number of Parks
103
Citywide Special Events

SEWER:
1,304
Miles of Sanitary Sewer
658
Miles of Storm Sewer

CITY EMPLOYEES
2,227



POLICE
5
Stations
496
Officers

FIRE
18,345
Emergency Calls
980
Fires Extinguished

PUBLIC WORKS
690
Miles of Streets
19,126
Number of Street Lights



SOLID WASTE
135.1
Tons per day of refuse collected
33.7
Tons per day recyclables collected



BUILDING PERMITS ISSUED
3,201

DURHAM ECONOMIC OVERVIEW 2009

According to the U.S. Department of Commerce's Bureau of Economic Analysis (BEA), last year the Durham metropolitan area posted the highest per capita real GDP in the Southeast. The BEA data shows that the slowdown in the U.S. economy was widespread, with 60 percent of the nation's metropolitan areas seeing no economic growth or contraction. Real GDP growth slowed in 220 of the nation's 366 metropolitan statistical areas (MSAs) in 2008, with downturns in the construction, manufacturing, and finance sectors restraining growth in many metropolitan areas. Growth in real U.S. GDP by metropolitan area slowed from 2.0 percent in 2007 to 0.8 percent in 2008.

Coming in ahead of the other Southeastern metro areas, the Durham metro's per capita real GDP was \$59,947 in 2008. The Durham MSA is composed of Chatham County, Durham County, Orange County, and Person County.

The BEA data shows a slowdown in Durham's rate of economic growth for the year. Adjusted for inflation, with 2001 as the base year, the 2008 real GDP in the Durham MSA was \$29.4 billion. That represents a 1.1 percent increase from 2007, a small rate of growth compared to the previous years, but still ahead of the national average. The Durham metro area had grown by 9.5 percent from 2006 to 2007 and by 11.7 percent from 2005 to 2006.

In order to sustain growth going forward, Durham will continue to focus on life science and technology companies

that have served as a foundation for the City's economic development. There will also be a spurt in new entrants from the environmental remediation cluster that includes firms dedicated to cleaning air and water, and to developing alternative fuel sources.



The Holton Career and Resource Center opened in August with a ribbon cutting and open house. The state-of-the-art facility on North Driver Street is a collaboration between the City of Durham, Durham Public Schools, Durham County and Duke Health Systems to provide education, health and recreation services to the entire community.

What's Durham's Nickname?

Question: I've heard Durham called the "Bull City" and the "City of Medicine." Which one is right?

Answer: Actually, both are right. Durham was nicknamed the "Bull City" in the late 1800s when the Blackwell Tobacco Co. named its product "Bull" Durham Tobacco. By the time James B. Duke (yes, the namesake of Duke University) of the American Tobacco Co. purchased Blackwell in 1898, Bull Durham was the most famous trademark in the world.

Durham prospered as a manufacturing center for the tobacco industry for many decades, but with the birth of Research Triangle Park in the 1950s, the city began to transform itself into a global center for information technology, biotechnology, pharmaceuticals and medicine; hence, the more recent designation the "City of Medicine."

The importance of the health care industry in Durham can be seen in the many health care and research, pharmaceuticals and medical products companies with a combined payroll exceeding \$1.5 billion annually. While tobacco and medicine have been vital to the shaping of the city, other entities have also contributed to the city's world-class status, including Duke and N.C. Central universities, a myriad of annual festivals and the Durham Bulls Triple-A baseball team, just to name a few.

To learn more about what Durham has to offer, visit the City's Web site at www.durhamnc.gov.

DEVELOPMENT PROJECTS

Durham Performing Arts Center

The Durham Performing Arts Center (DPAC) opened November 2008. The Phil Szostak-designed DPAC is a spectacular architectural and cultural landmark in Durham. It has rapidly become a regional beacon for entertainment, drawing audiences from across the midsection of North Carolina. Featuring world-class performances and state-of-the-art sound and lighting, the DPAC allows visitors to experience live shows in a new venue. A year-round schedule of national acts, supplemented with local entertainment events, adds distinction to downtown Durham. Not long before the DPAC came on the scene, Duke University's Nasher Museum of Art opened. The Nasher and DPAC, among many smaller but innovative venues, are transforming the arts scene in Durham.

Durham Athletic Park

The Durham Athletic Park (DAP) underwent a \$5 million renovation that was completed August 2009. The DAP will now be used by Minor League Baseball as a training facility as well as by local schools (including North Carolina Central University and Durham School of the Arts) and for other events planned by the Parks and Recreation Department. The DAP has been a focal point and anchor of the community since the early 1900's and served as the home of the Durham Bulls from 1926 until 1994. The 1988 film *Bull Durham* helped spark new interest in minor league baseball, and the enormous success of the Bulls prompted the City to build a new facility for the team in 1995.

Holton Career and Resource Center

The Holton Career and Resource Center opened August 2009. It is a facility on North Driver Street that provides education, health, and recreation services to the entire community. Four years ago, the Holton School was on the verge of being sold or given away by the Durham Public School system. The building, in service since 1939, was crumbling. What is now the Holton Career and Resource Center is a tremendous asset to Durham following a 14-month renovation. Along with law enforcement programs and housing revitalization efforts, Holton is helping to rejuvenate Northeast Central Durham. The \$17 million effort was mainly funded by the City and County, but Durham Public Schools and Duke University contributed to the renovations.

Durham Central Park

This five-acre urban park is a successful public/private partnership between the City and the non-profit organization Durham Central Park, Inc. The park is easily accessible and looks great, with many exciting features and amenities including colorful red street signs and a skateboard park that opened November 2009. Durham Central Park has also provided an economic benefit by successfully attracting additional investment of \$335 million into the surrounding area, including developments such as Morris Ridge Phase I.

Durham Station Transportation Center

The Durham Station Transportation Center opened February 2009. Adjacent to the newly opened Amtrak station, it is the crown jewel at the heart of the recently created high density zone in Durham and is the home of local and regional bus and taxi service. This transportation hub provides multiple alternatives to automobile traffic, an essential component needed to support more densely populated urban areas.

Parrish Street

We continue to strive towards making Parrish Street, also known as Black Wall Street, a vibrant destination for culture, commerce, and learning. This year we celebrated the unveiling of a series of markers. The six markers are freestanding and pedestrian-scaled. These markers include text that educates passersby about the history of Black Wall Street and symbols that are a part of African-American culture. Durham continues moving forward to commemorate Black Wall Street's legacy and to spur economic revitalization along the street.

Rolling Hills/Southside Project

The Rolling Hills/Southside project, which has had its ups and downs since the late-'90s, is in its current planning stage with St. Louis-based McCormack Baron Salazar and Silver Springs, Md.-based architect Torti Gallas and Partners Inc. A steering committee was formed in 2007 that includes more than 40 community members and city representatives. The goal of the steering committee is to have a community design plan ready by the end of January 2010 that will encompass 100 acres around Rolling Hills, including the Southside neighborhood. The \$745,000 planning effort, paid for by the City of Durham, will yield a master plan for redevelopment that could include 350 or more units of housing and retail space, and cost approximately \$80 million.



The historic Durham Athletic Park had a grand re-opening in August. The former long-time home of the Durham Bulls received a facelift and now serves as a training facility for Minor League Baseball and is home to North Carolina Central University and Durham School of the Arts baseball.

A CULTURE OF SERVICE

Over the past year, our effort to create a culture of service has begun to bear fruit. What's more, we are starting to hear from citizens who have noticed the renewed pride that employees are taking in their work. We thought we should show you how citizens over the past year have seen our organization, the people here, our performance, and our energy. We think that the enthusiasm and spirit of employees has risen. Here are some messages we've received that gauge that increased performance and energy.

(All of these comments were received over the past 12 months.)

I had the absolute pleasure of meeting one of the city's employees yesterday – Ms. Diane Thorne. What a wonderful representative of the city, parks and rec, and youth services. What I will remember, for some time, is a city employee helping me out, when she was not required to, expected to, paid to, or even anticipated to. What I will remember is Ms. Thorne's graciousness, friendly conversation, and agreeable nature.

*Thank you very much,
Risa Foster*

Neighborhood Improvement Services is really on its game. This morning as I was out for a run I saw an NIS truck with a pressure washer pull into Bay-Hargrove Park. I just received notification from Durham One Call notifying me that the graffiti has been removed. This was just one business day after I reported this on Friday. Thank you NIS!

Steve Graff

Just called Durham One Call about an hour ago. FABULOUS service! The call was answered on the first ring! On top of that, I got prompt, courteous service! Keep it up, y'all. I really appreciate the work y'all do!

Regina DeLacy



City and community officials took part in a groundbreaking for the new Bethesda Park in October. The \$3.1 million facility is scheduled to be completed in August 2010.



The City held a grand opening for the skate park in November. The new facility in Durham Central Park offers a safe state-of-the-art place for skateboarding.

Congratulations on a fantastic event on Saturday! The event was awesome! Great music, great food, and the excitement from the skaters and community was wonderful to see. You all should be very proud of your work on the park as it turned out better than could have been expected. In addition, I rode by yesterday on my way home and there were probably 40 kids out there skating. Can't say enough good things about it.

*Thanks!
Matt Coppedge*

One hot day last week, I got up early to take my dog for a walk in Cornwallis Park. I expect you know that a delightful new playground was installed there this summer. There in the playground was Mary Lee Martin, from the General Services Department, with a garden hose she had just hauled out of her trunk to water the new grass just sprouting. I walked around the park, and then asked Mary Lee her name. She said she usually went jogging before work but since it had been so dry, instead she was coming over before work with her hose to make sure the grass would survive. HOW'S THAT FOR DEDICATION? I just thought you should know that we sure do have some incredible people taking care of the City of Durham.

*Cheers,
Lanier*

GENERAL FUND

The General Fund is the City's primary operating fund, and accounts for the revenue and expenditures associated with operating traditional local governmental services such as police, fire, and parks and recreation.

These are the major sources of General Fund revenue:

- **Property Tax** – Tax levied annually on real and taxable personal property within the city.
- **Other Local Taxes** – Includes sales and hotel/motel tax.
- **State Shared** – Includes utility franchise, gasoline, beer and wine, and ABC taxes.
- **Licenses/Permits** – Includes cable TV franchise fees and professional and business licenses.
- **Charges for Services** – Includes fees for services such as inspections, development, parks, yard waste, etc.
- **Transfers from Other Funds** – Includes reimbursements for General Fund services provided to other funds.

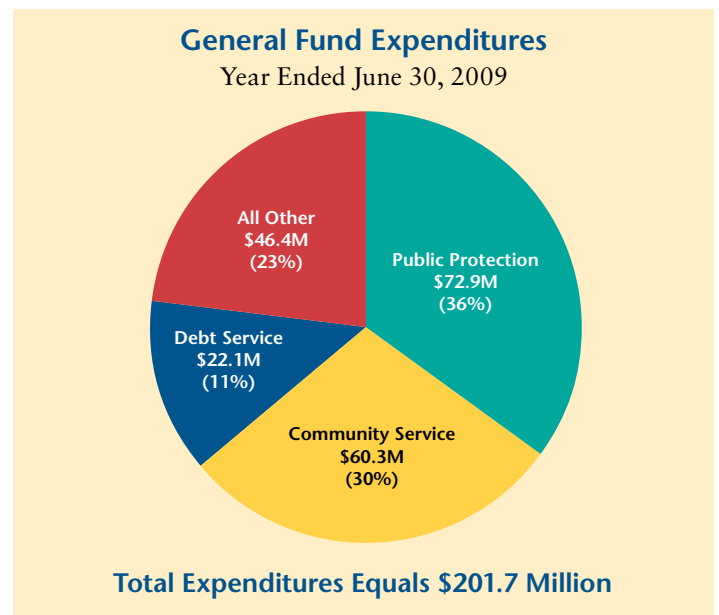
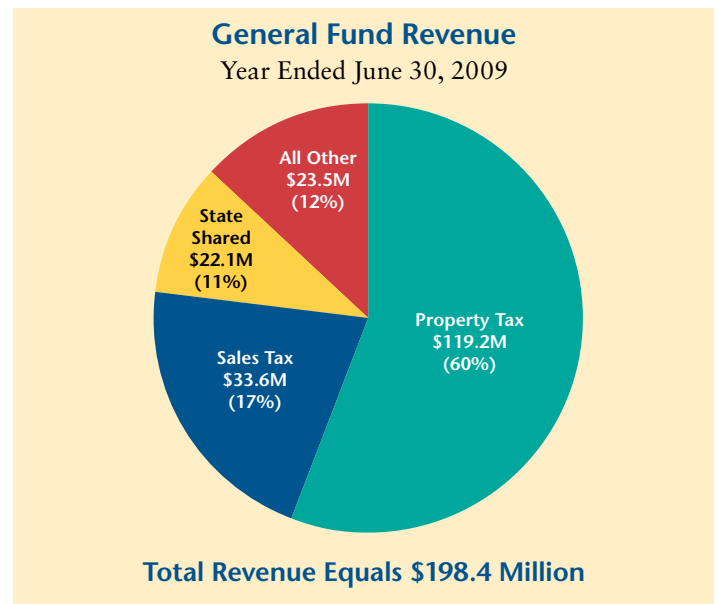
These are the major components of General Fund expenditures:

- **Public Protection** – Police, Fire, Emergency Communications (911), and Emergency Management.
- **Community Service** – Planning, Inspections, Community Development, Neighborhood Improvement Services, Solid Waste, Public Works, and Water Management.
- **Administrative Services** – Finance, General Services, Human Resources, Human Relations, Technology Solutions, and Fleet Management.
- **Governance** – Council, City Manager, Budget, Economic Development, Clerk, Attorney, Audit, and Equal Opportunity Equity Assurance.



The City of Durham received a Golden Leaf Award for Community Appearance for the design of the Durham Station Transportation Center. The awards acknowledge and encourage design and maintenance that contribute to the visual beauty, sustainability, and usability of the Durham community.

This year, property tax revenue collected (\$119.2 million) was approximately 10 percent more than property tax collected in the prior fiscal year (\$108.4 million). Property tax provided approximately 60 percent of General Fund revenue, up from 56 percent in the prior year. Other local taxes (\$53.2 million) were down 11.5 percent from the prior year (\$60.1 million). This was primarily due to a reduction in sales tax revenue collected, which was down \$7.0 million. Public protection accounted for approximately \$72.9 million (36 percent) of total expenditures in the General Fund, up from \$69.8 million (35 percent) in the prior year. The following charts show the breakdown by percentage of General Fund revenue and expenditures.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City of Durham's finances in a manner similar to a private sector business. The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating. The government-wide financial statements, the statement of net assets, and the statement of activities report information on all the non-fiduciary activities of the primary government and its blended component units. These statements distinguish between the governmental and business-type activities of the City. 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 government-wide statements have incorporated long-term and short-term information to provide a complete picture of the City's finances. They also account for all revenues and expenses connected with the fiscal year, regardless of when the cash was received or spent.

The Statement of Net Assets on page 15 includes governmental and business-type activities. The assets of the City exceeded its liabilities by \$899,840,495 on June 30, 2009. On June 30, 2008 the amount was \$868,294,437. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$715,779,708; restricted net assets of \$2,463,191; and unrestricted net assets of \$181,597,596. On June 30, 2008, these amounts were \$675,970,900, \$1,941,147 and \$190,382,390, respectively.



The City of Durham, Methane Power, Inc. and Duke Energy Carolinas, LLC, hosted a ribbon-cutting ceremony in November to recognize the completion and start-up of the City of Durham Landfill Gas-to-Energy Green Power Project.



The City is pushing forward with a \$745,000 planning effort to create a master plan for redevelopment of the Rolling Hills/Southside neighborhood. The redevelopment could include 350 or more units of housing and retail space and cost approximately \$80 million.

Fraud Hotline

The City of Durham's Audit Services Department has an "online hotline" to help ensure fiscal responsibility and accountability throughout the City organization. Any person may file an anonymous or confidential report to disclose alleged fraud, waste, or abuse of City property and resources. A Fraud/Waste/Abuse Information Report form is available online at <http://www.ci.durham.nc.us/departments/audit/fraud.cfm>. Your name and email address will not appear anywhere on the report. A report can also be made by calling the Audit Services Department at (919) 560-4213 during regular business hours, 8:30 a.m. to 5 p.m. Monday through Friday.

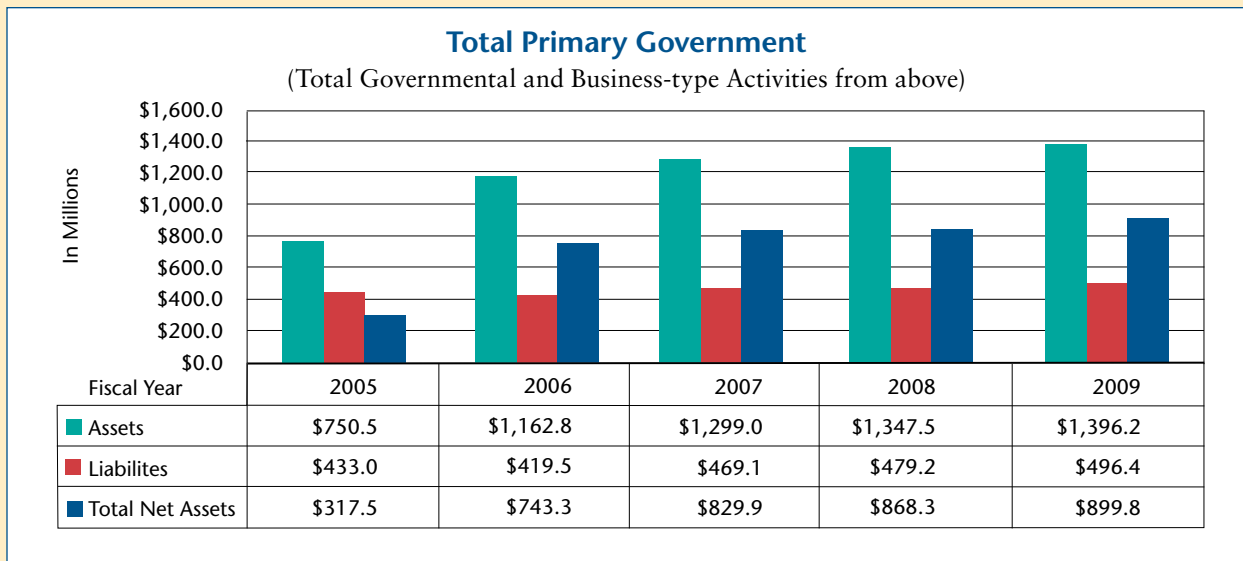
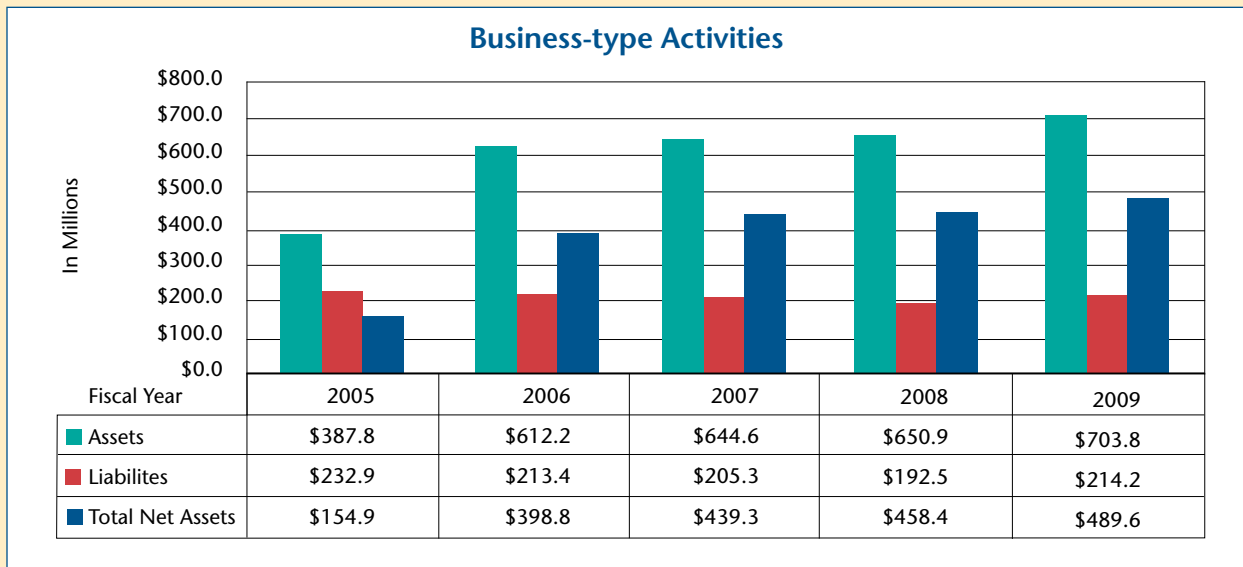
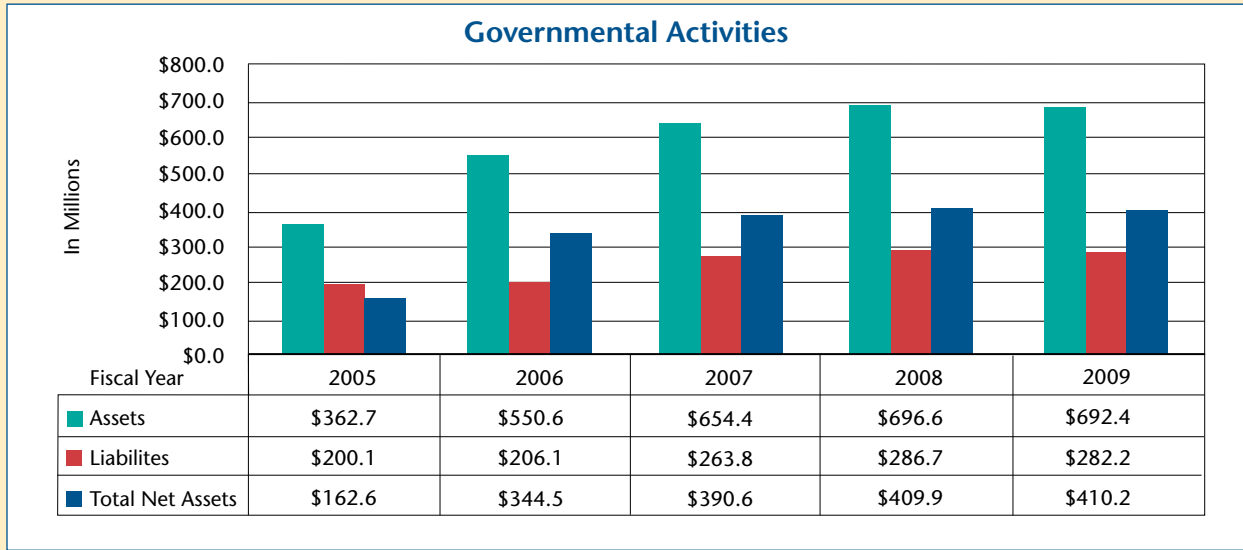
Durham Non-Emergency Number

Barking dogs, loud music, burglaries taking place days earlier, vandalism to public or private property – these are the types of calls that can be reported to Durham's non-emergency Emergency Communications Center phone number. The number, (919) 560-4600, was established to free up 911 lines for life threatening or in-progress emergencies.

Notice Under the Americans with Disabilities Act (ADA)

The City of Durham will not discriminate against individuals with disabilities. Anyone who requires an auxiliary aid or service for effective communications, or assistance to participate in a City program, service, or activity, should call (919) 560-4197, ext. 21254, TTY (919) 560-1200 or e-mail ADA@durhamnc.gov, as soon as possible but no later than 48 hours before the scheduled event.

STATEMENT OF NET ASSETS (Year ended June 30)



The notes to the financial statements are an integral part of this statement. See CAFR for notes.



DURHAM



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CITY OF MEDICINE

This City of Durham's Citizens' Financial Report is a publication of the City Finance Department, 101 City Hall Plaza, Durham, NC 27701.

For more information about the City Finance Department, visit www.durhamnc.gov/departments/finance/ or call 919-560-4455.

For more information about City of Durham services, visit the City's Web site at www.durhamnc.gov or call Durham One Call at 919-560-1200.



www.durhamnc.gov



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