

CITY OF WILMINGTON, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

PREPARED BY THE DEPARTMENT OF FINANCE



**CITY OF WILMINGTON, DELAWARE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	7
Organizational Chart	8
Listing of Principal Officials	9

FINANCIAL SECTION

Report of Independent Auditors.....	11
Management’s Discussion and Analysis	13
Basic Financial Statements	27
Government-Wide Financial Statements:	
Statement of Net Assets	28
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	31
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	34
Statement of Fund Net Assets – Proprietary Funds	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets –	
Proprietary Funds.....	36
Statement of Cash Flows – Proprietary Funds.....	37
Statement of Fiduciary Net Assets.....	38
Statement of Changes in Fiduciary Net Assets – Pension and Other Employee	
Benefit Trust Funds.....	39
Component Unit Financial Statements:	
Combining Statement of Net Assets.....	40
Combining Statement of Activities.....	41
Notes to Financial Statements.....	42

TABLE OF CONTENTS
(continued)

Page No.

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	87
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Commerce Fund.....	88
Notes to Required Supplementary Information	89
Pension Funding Status and Progress	91

Combining and Individual Fund Financial Statements and Schedules:

Non-major Governmental Funds	95
Combining Balance Sheet – Non-Major Governmental Funds – Special Revenue Funds	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds – Special Revenue Funds	97
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Non-Major Special Revenue Funds	98
Internal Service Funds	99
Combining Statement of Fund Net Assets – Internal Service Funds.....	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Internal Service Funds	101
Combining Statement of Cash Flows – Internal Service Funds	102
Fiduciary Funds	103
Combining Statement of Fiduciary Net Assets – Fiduciary Funds.....	104
Combining Statement of Changes in Fiduciary Net Assets Pension and Employee Benefit Trust Funds.....	105
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	106
Capital Assets Used in Operations of Governmental Funds – Comparative Schedule by Source.....	108

STATISTICAL SECTION

Governmental Expenditures – Table 1	111
Governmental Revenues by Source – Table 2.....	112
Property Tax Levies and Collections – Table 3.....	113
Assessed and Estimated Actual Value of Property – Table 4.....	113
Property Tax Rates, Direct and Overlapping Governments – Table 5	114
Principal Taxpayers – Table 6	114
Computation of Legal Debt Margin – Table 7.....	115
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita – Table 8	115
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Table 9	116

TABLE OF CONTENTS
(continued)

	<u>Page No.</u>
Computation of Direct and Overlapping Debt - Table 10	116
Revenue Bond Coverage - Table 11	117
Demographic Statistics – Table 12	118
Property Value, Construction, and Bank Deposits – Table 13	118
Major Area Employers – Table 14.....	119



City of Wilmington
Delaware



December 1, 2004

The Honorable James M. Baker, Members of City Council, and Citizens of the City of Wilmington, Delaware:

The City Charter requires that all general-purpose local governments publish a complete set of financial statements audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Wilmington for the fiscal year ended June 30, 2004.

The report consists of management's representations concerning the finances of the City of Wilmington. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Wilmington 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 City of Wilmington's financial statements in conformity with accounting principles generally accepted in the United States. Because the cost of internal controls should not outweigh their benefits, the City of Wilmington'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 misstatements. 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 City of Wilmington's financial statements have been audited by McBride Shopa & Company, P.A., a firm of licensed, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Wilmington for the fiscal year ended June 30, 2004, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Wilmington's financial statements, for the fiscal year ended June 30, 2004, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Wilmington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to

government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Wilmington's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A that can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Wilmington, located in the northern part of the State of Delaware, is the largest municipality in the State. Pursuant to Title 22, Delaware Code, 1953, the City was granted the right to exercise all expressed and implied powers and authority of local self-government and home rule under a Charter governed by the Delaware Constitution.

The Charter provides for a mayor and council form of government. Legislative authority is vested in a 13-member council. All members are elected to four-year terms. The City's Chief Executive and Administrative Officer is the Mayor, elected by citizens to a four-year term. The Mayor may veto any legislation passed by Council. A veto may be overridden by a two-thirds vote of all members of Council. The City Council fixes compensation of all City employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations and borrowings, licensing and regulating of businesses and trades, and other municipal purposes.

The City of Wilmington provides a full range of services, such as police and fire protection, maintenance and repairs of infrastructure, recreational activities, and promotes cultural events. The water and sewer services are provided through the Water and Sewer Fund, which has been included as an integral part of the City of Wilmington's financial statements.

The annual budget serves as the foundation for the City of Wilmington's financial planning and control. All departments of the City of Wilmington are required to submit their budget requests to the Office of Management and Budget for inclusion into the comprehensive budget. Annual appropriated budgets are adopted for the General Fund, Commerce Fund, and certain Non-Major Special Revenue Funds. Ninety (90) days prior to the commencement of a new fiscal year, the Mayor must submit to City Council a proposed operating budget. City Council reviews the budget, conducts hearings, and proposes changes in expenditure levels. City Council cannot modify the Mayor's estimates of revenues, but may propose changes in the tax levy amount to balance total appropriations and estimated revenues.

Thirty (30) days prior to the commencement of a new fiscal year, the annual operating budget must be enacted through legislation. Appropriations are legislated at the functional level. By legislative action, the annual appropriated budget may be amended. Budgetary transfers within a function at the expense category (e.g., personal services or materials, supplies, equipment) may be made without legislative approval. Appropriation control is maintained through a budget-tracking process within the accounting system at the functional and object levels. Accordingly, no expenditure over appropriation was incurred at the legal functional level during the year except as indicated in Note 2-B.

The Fiscal Year 2005 operating budget represents a 4.7% increase over that of fiscal year 2004 budget, and it supports the continuing efforts to make improvements in the areas of public safety, code enforcement, and neighborhood stabilization, which are vital factors for the progress that has been made throughout Wilmington to continue without interruption.

The fiscal year 2005 budget reflects the following:

- A continuation of sound financial management practices that include tight controls on expenditures and the growth of government, important investments in the City infrastructure for upgrades and prevention of higher future expenditures and continuing discussions with State and County government officials on new sources of annual revenue for Wilmington that has so far, produced a total of \$3.5 million in new revenue.
- The General Fund operating budget totaled \$92,181,805, approximately \$4.2 million increase over fiscal year's 2004 budget. Several factors led to the increase in FY 2005 including the continuing rise in employee medical costs, debt service on existing capital bonds and salary increases.
- An increase in the authorized strength of the Wilmington Police Department by 11 officers for a total of 300 officers. The 11 new officers are the result of creative and innovative agreements involving the City and public and private entities that have agreed to fund these new positions for anywhere from three to five years. The officers are assigned to patrol the public and private funding entities but are also available for other duty to citizens in the immediate area of the funding sources, thus increasing police coverage.
- The new budget includes \$335,000 in Police overtime to allow for the continuation of the City's successful street corner drug interdiction program, \$310,000 for the disposition or demolition of vacant and abandoned properties and \$75,000 for utility costs associated with the Downtown and Neighborhood Camera Safety Programs.
- The City of Wilmington has implemented free wireless Internet 'hot zones' in three locations to allow for the flow and exchange of worldwide information among local residents or out-of-town businesspersons and other citizens and visitors. Individuals who use laptops can access the Internet on a free, unlimited basis. Expansion of the free Internet 'hot zone' program is anticipated in the future.

Factors Affecting Financial Condition

Jobs. The City's Economic Development Office, in conjunction with Wilmington City Council, the Wilmington Economic Development Corporation (WEDCO), and the State of Delaware's Development Office, has added nearly 3,000 jobs in the past few years. These jobs are either new, due to businesses relocating to Wilmington, transferred in as companies relocate to Wilmington, or have been retained through incentive packages or other financial assistance that have enabled businesses to remain open. Whether a company is large or small in terms of total employees or revenue generation, it is considered vital to the City's future and is a priority for City economic development efforts. Our creative and aggressive encouragement of business growth has yielded productive results, including the following:

Local Economy. AAA Mid-Atlantic, based in Philadelphia for the past 100 years, has relocated its headquarters to Wilmington bringing 750 new jobs to the local economy. Juniper Bank and ING DIRECT have also announced plans to expand their workforce in the City by several hundred within a few years. Wilmington also continues to be a cultural and entertainment center for the half a million people who comprise the Greater Wilmington area. The City's Clifford Brown Jazz Festival is one of the largest, free week-long outdoor concerts on the East Coast. The Blue Rocks Single-A professional baseball team, an affiliate of the World Champion Boston Red Sox, the Bank One Riverfront Arts Center, the Shipyard Outlet Shops, the Riverfront Market and the regionally-acclaimed AstraZeneca Riverfront Blues Festival are just a few of the other attractions that continue to bring more than a million people to the Wilmington Riverfront and Downtown District annually.

Long-Term Financial Planning. The City's long-term financial future is dependent on continued strong financial management, strong residential and business growth, increased homeownership to eclipse the rise in rental properties, and identification and adoption of additional, annual revenue sources above and beyond property and wage taxes and water and sewer fees. The City's homeownership efforts are being lead by the Wilmington Housing Partnership which is raising millions of dollars to continue with projects similar to Kirkwood Manor and Kirkwood Manor II where entire vacant , abandoned neighborhoods have been transformed into new homes and new home owners. Other projects designed to increase the City's revenue base and stabilize areas of the City include:

- Christina Landing, an \$80-million townhouse and condominium under construction on the banks of the Christina River adjacent to the City's already popular Riverfront District. When completed and complimented with a full-scale green space park, Christina Landing will be a completely new neighborhood on once abandoned and neglected property.
- Residences at Rodney Square, a 350-apartment downtown living complex created from the transformed former headquarters of the Delaware Trust Bank. The formerly vacant 22-story property began a renaissance of downtown living that has continued to the southern end of the Downtown District with the renovation of the historic Ships Tavern area that today houses scores of new City residents. The City continues developing the three-block strip between King Street to the east and Market Street to the west, and 5th Street to the north and 2nd Street to the south. New development includes the Renaissance Centre, a 140,000 square feet office tower with retail and residential components. Scheduled for completion in March of 2007, this project preserves some of the original architecture of the turn-of-the-century Market Street that has been incorporated into the design of the new structure. An artist rendering of the Renaissance Centre (below) is provided courtesy of the Wilmington architectural firm of Tevebaugh and Associates.



 THE RENAISSANCE CENTRE
WILMINGTON, DELAWARE

THE COMMONWEALTH
GROUP

TEVEBAUGH ASSOCIATES
Architecture • Planning • Interiors

- The City of Wilmington continues for form partnerships with the Wilmington Housing Authority (WHA) and Habitat for Humanity to convert long-abandoned or vacant properties into owner-occupied residences for new homeowners. The City worked with the WHA and the U.S. Department of Housing and Urban Development (HUD) on a unique purchase/renovation agreement to convert 20 vacant neighborhood properties to home ownership. The City also joined forces with Habitat for Humanity of New Castle County and ING DIRECT to transform a block of abandoned lots and vacant homes into a new residential neighborhood known as Lower Brandywine Village.

Pension and Other Post-Employment Benefits. The City of Wilmington covers the majority of all full-time employees by one of its five single-employer and one multi-employer defined benefit pension plans. Each year, an independent actuary, engaged by the plans, calculates the amount of the annual contribution that the City of Wilmington must make to the pension plans to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. As a matter of policy, the City of Wilmington fully funds the annual required contribution to the pension plan as determined by the actuary.

The City of Wilmington provides post-retirement healthcare benefits to all employees who retire from the City on or after January 1, 2000, and meet certain eligibility requirements. Under certain conditions, spouses of retirees and employees receiving a disability pension are also covered. Eligible retirees may participate in the dental program, but the retirees pay the full premium.

The Honorable Mayor and Members of City Council
December 1, 2004

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wilmington, Delaware, for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The City of Wilmington has received this prestigious award for fourteen consecutive years. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive audited financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Wilmington also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated for the fiscal year beginning July 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the government's budget documentation was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications medium.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. The award is valid for a period of one year.

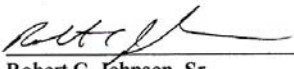
Acknowledgements

The preparation of this report would not have been accomplished without the efficient and dedicated services of the staff of the Department of Finance, City Treasurer, Audit, Law, other City departments, various elected and appointed officials, and the efforts of our independent auditors, McBride Shopa & Company, P.A. We would like to express our sincere appreciation to everyone who assisted and contributed to the preparation of this report. We wish to acknowledge the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Wilmington.

Respectfully submitted,



Ronald P. Pinkett
Director of Finance



Robert C. Johnson, Sr.
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wilmington,
Delaware

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



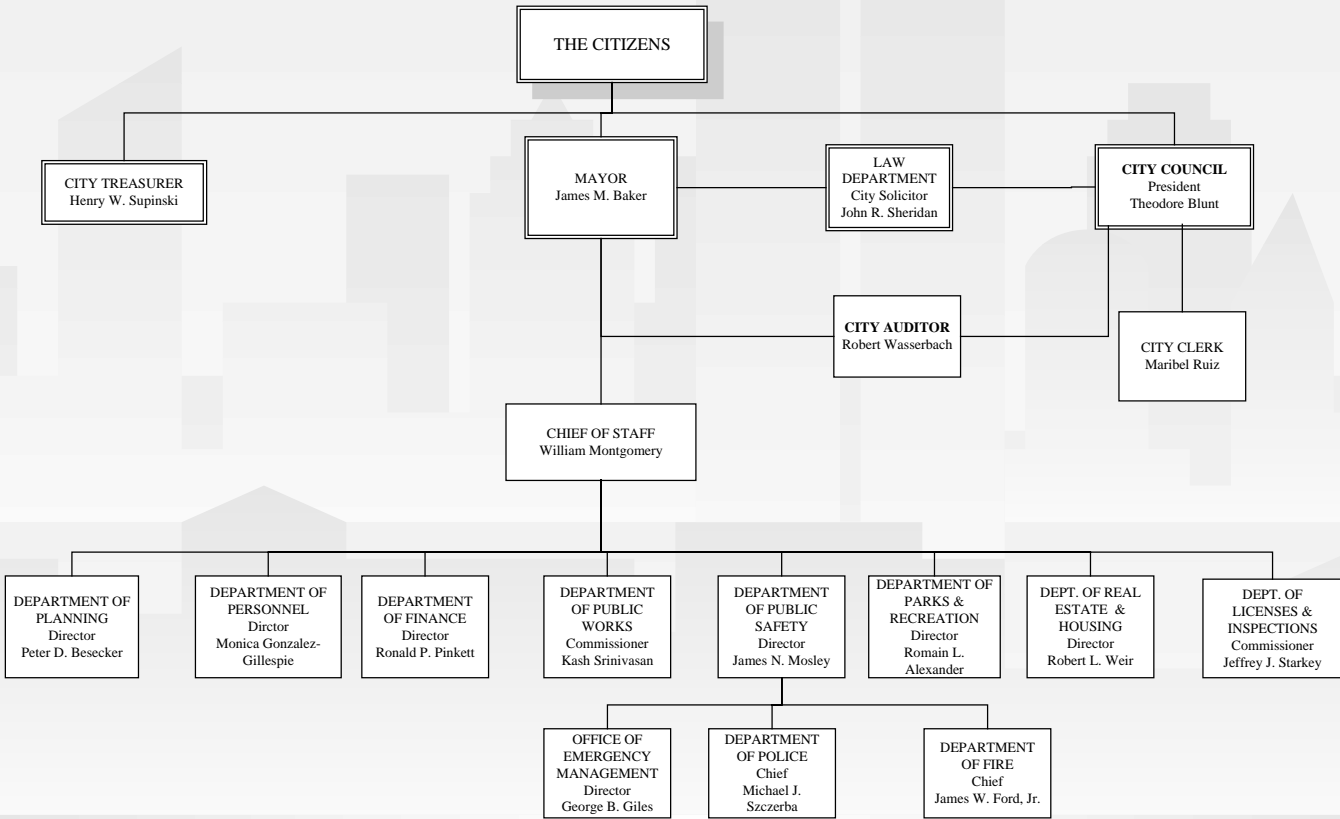
Nancy L. Zielke

President

Jeffrey R. Enos

Executive Director

CITY OF WILMINGTON ORGANIZATION CHART



City of Wilmington
Listing of Principal Officials
June 30, 2004
Executive

Mayor

James M. Baker

City Council

President
1st District
2nd District
3rd District
4th District
5th District
6th District
7th District
8th District
Council Person at Large
Council Person at Large
Council Person at Large
Council Person at Large

Theodore Blunt
Charles Potter, Jr.
Norman D. Griffiths
Stephanie T. Bolden
Norman M. Oliver
Demetrio Ortega, Jr.
Kevin F. Kelley, Sr.
Gerard W. Kelly
Gerald L. Brady, Sr.
Paul T. Bartkowski
Michael J. Hare
Theopalis K. Gregory
Charles M. Freel

Chief of Staff
City Solicitor
City Auditor
Clerk of Council
City Treasurer

William S. Montgomery
John R. Sheridan
Robert Wasserbach
Maribel Ruiz
Henry W. Supinski

Department Heads

Planning
Personnel
Finance
Public Works
Public Safety
Parks and Recreation
Real Estate and Housing
Licenses and Inspections
Police
Fire

Peter D. Besecker
Monica Gonzalez-Gillespie
Ronald P. Pinkett
Kash Srinivasan
James N. Mosley
Romain L. Alexander
Robert L. Weir
Jeffrey J. Starkey
Michael J. Szczerba
James W. Ford



Report of Independent Auditors

The Honorable Mayor, James M. Baker, Jr. and
Members of City Council
City of Wilmington, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wilmington, Delaware (the City), as of and for the fiscal year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wilmington's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the following discretely presented component units: the Brandywine Gateway Corporation, the Christina Gateway Corporation, the Wilmington Parking Authority, the Wilmington Downtown Business Improvement District and the Riverfront Wilmington Business Improvement District which represent 84.1% and 83.1%, respectively, of the component unit assets and revenues. We did not audit the financial statements of the Wilmington Park Trust Commission, a blended component unit reported as a non-major special revenue fund, which represents 1.16% and 0.04%, respectively, of the government-wide assets and revenues. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and the Wilmington Park Trust Commission, is based on the report of the other auditors.

Thomas John Shopa, CPA, CFP
Charles H. Elter, CPA, CFP
Robert S. Smith, CPA
Ronald E. Derr, CPA
George G. Fourmaris, CPA, CGFM

Victor S. Pelillo, CPA
Donald S. Emenheiser, CPA, CFP, MBA
Edward T. Gallagher, CPA, CIA
Dana L. Ketterer, CPA
Clyde G. Hartman, CPA, CVA, CFE
Cameron B. McDonald, CPA, CCFP
Jean D. Lloyd, CPA

Members of:
American Institute of CPAs
Private Companies Practice Section
Delaware Society of CPAs

Certified Public Accountants
A Professional Association

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wilmington, Delaware, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2004, on our consideration of the City of Wilmington, Delaware's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and pension funding status and progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilmington's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McBride, Shogan & Co

Wilmington, Delaware
November 30, 2004

CITY OF WILMINGTON, DELAWARE
Management's Discussion and Analysis

June 30, 2004

The Mayor and City Council of the City of Wilmington are pleased to present to readers of the financial statements of the City of Wilmington this narrative overview and analysis of the financial activities of the City of Wilmington for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal.

Financial Highlights

Government-wide

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$146,781,864 (net assets), an increase of \$14,637,756 as compared to the prior year's results.
- Component units reported net assets of \$50,712,874, a decrease of \$1,003,899 compared to the previous year.

Fund Level

- As of the close of the current fiscal year, the City of Wilmington's governmental funds reported combined fund balances of \$45,231,150, an increase of \$11,698,994 compared to the prior year.
- Park Trust Operations reported fund balance in the amount of \$5,396,359 at the close of the fiscal year.
- \$609,248 is designated for the Capital Projects Fund; \$13,484,998 is designated for Economic Development.
- The unreserved balance of the General Fund is \$25,740,545 or 30% of the total General Fund expenditures and transfers. Of the unreserved balance, \$9,434,759 is designated for Permanent Investment, and \$16,305,786 is designated for the Budget Reserve Account for Public Emergencies and fiscal year 2005 expenditures.

Long-Term Debt

- The City's total net bonded debt was \$164,200,646 at June 30, 2004. (See Note 8, p.62)

Overview of the Financial Statements

This discussion and analysis is an introduction to the City of Wilmington's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

This report includes government-wide financial statements as required by GASB Statement No. 34.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Wilmington's finances, in a manner similar to a private-sector business.

The Statement of Net Assets (pages 28-29) presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators as to whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 30) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- *Governmental Activities* – Most of the City's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include General Governmental Services, Commerce, Real Estate and Housing, Public Works, Parks and Recreation, and Public Safety.
- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services provided. The City provides water and wastewater treatment services.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the City is financially accountable. The City includes the following component units this report: Brandywine Gateway Corporation, Christina Gateway Corporation, Rock Manor Golf Corporation, Wilmington UDAG Corporation, Wilmington Economic Development Corporation, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District, and Wilmington Parking Authority. The Wilmington Park Trust Commission (The Trust) is a

blended component unit. The Trust was organized for the purpose of financing the maintenance and improvements of the parks in and around the City of Wilmington.

Fund Financial Statements. The fund financial statements begin on page 31 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, combining statements for non-major funds begin on page 95. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

- *Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided (page 32) to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Assets and between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities (page 34). These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets, available to satisfy current liabilities. Governmental funds of the City include the General Fund, Special Revenue Funds, and the Capital Project Fund.
- *Proprietary Funds* – When the City charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – water and sewer services. The Internal Service Funds report activities that provide supplies and services for the City's other programs and activities - data processing services, word processing services, mail service, mapping and graphics, duplication and reproduction, motor vehicle charges, health insurance claims, workers' compensation claims and risk management issues.
- *Fiduciary Funds* – The City acts as a fiduciary to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Wilmington's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 38-39 of this report. These funds are used where the City holds assets in trust or as an agent for others, including the pension trust funds and agency funds. Complete financial statements with accompanying notes of the Firefighter's Pension Plan and the Policeman's Pension Plan can be obtained from the City of Wilmington, Delaware.

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 can be found beginning on page 42 of this report.

Required Supplementary Information and Combining and Individual Fund Financial Statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison schedule has been provided for the General Fund and the Commerce Fund.

Other Information. Other information includes combining financial statements for non-major governmental funds. These funds are added together, by fund type, and presented in a single column in the basic financial statements, but they are not reported individually, as with major funds, on the governmental fund financial statements. Combining and individual fund statements begin on page 95.

Statistical Section. The City provides certain informational and statistical schedules that begin on page 110.

Financial Analysis of the Government as a Whole (Primary Government)

Net Assets. A summary of net assets is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other Assets	\$ 97,155,294	\$ 98,063,333	\$ 6,905,308	\$ 13,435,334	\$ 104,060,602	\$ 111,498,667
Capital Assets	119,074,327	117,464,188	152,018,812	142,223,583	271,093,139	259,687,771
Total Assets	216,229,621	215,527,521	158,924,120	155,658,917	375,153,741	371,186,438
Long Term Liabilities	137,505,387	117,685,892	70,959,380	70,528,076	208,464,767	188,213,968
Other Liabilities	13,608,992	44,532,713	6,298,118	6,295,649	19,907,110	50,828,362
Total Liabilities	151,114,379	162,218,605	77,257,498	76,823,725	228,371,877	239,042,330
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	30,309,702	29,844,049	81,489,353	71,695,507	111,799,055	101,539,556
Restricted	18,881,357	12,574,298	-	-	18,881,357	12,574,298
Unrestricted	15,924,183	10,890,569	177,269	7,139,685	16,101,452	18,030,254
Total Net Assets	\$ 65,115,242	\$ 53,308,916	\$ 81,666,622	\$ 78,835,192	\$ 146,781,864	\$ 132,144,108

The largest component of Total Net Assets, \$111,799,055, is reflected as Investment In Capital Assets (e.g., land, buildings, equipment, and others), less any debt outstanding that was needed to acquire or construct the assets. Restricted net assets in the amount of \$18,881,357 represent resources that are subject to a City of Wilmington charter provision or enabling legislation as to how they may be used.

Changes in Net Assets. The combined net assets of the City increased by \$14,637,756 from \$132,144,108 to \$146,781,864. The governmental activities net assets increased from \$53,308,916 to \$65,115,242, an increase of \$11,806,326, and the business-type activities net assets increased from \$78,835,192 to \$81,666,622, an increase of \$2,831,430. A significant amount of the increase is related to the change in the accounting estimate for claims expenses for Risk Management and Workers' Compensation costs due to a downward revision of the actuarially-determined liabilities.

City of Wilmington's Changes in Net Assets
Year Ended June 30, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
REVENUES						
Program Revenues:						
Charges for Services	\$ 12,952,060	\$ 16,020,325	\$ 37,917,607	\$ 38,799,279	\$ 50,869,667	\$ 54,819,604
Operating Grants & Contributions	11,751,700	9,062,321	1,901,533	-	13,653,233	9,062,321
Capital Grants & Contributions	2,300,217	1,986,087	-	-	2,300,217	1,986,087
General Revenues:						
Property Taxes	29,068,010	28,598,639	-	-	29,068,010	28,598,639
Wage taxes	41,030,254	37,369,184	-	-	41,030,254	37,369,184
Net Profit Taxes	3,240,693	3,256,223	-	-	3,240,693	3,256,223
Franchise Fees	-	-	-	-	-	-
Real Estate Transfer Taxes	6,033,039	3,262,024	-	-	6,033,039	3,262,024
Head Taxes	2,500,666	2,573,858	-	-	2,500,666	2,573,858
Other Taxes	2,367,322	-	-	-	2,367,322	-
Gains (Losses) on Sale of Capital Assets	2,115,997	3,315,798	(1,383)	-	2,114,614	3,315,798
Other	9,496,006	11,887,365	-	-	9,496,006	11,887,365
Investment Earnings	2,857,460	2,649,356	-	-	2,857,460	2,649,356
Total Revenues	<u>125,713,424</u>	<u>119,981,180</u>	<u>39,817,757</u>	<u>38,799,279</u>	<u>165,531,181</u>	<u>158,780,459</u>
EXPENSES						
General Government	27,860,683	34,206,686	-	-	27,860,683	34,206,686
Commerce	1,906,066	2,722,144	-	-	1,906,066	2,722,144
Real Estate and Housing	8,108,654	8,080,851	-	-	8,108,654	8,080,851
Public Works	14,338,205	16,807,245	-	-	14,338,205	16,807,245
Parks and Recreation	8,559,178	6,305,699	-	-	8,559,178	6,305,699
Public Safety	48,632,268	47,597,878	-	-	48,632,268	47,597,878
Interest on Long Term Debt	5,502,044	7,701,464	-	-	5,502,044	7,701,464
Water/Sewer	-	-	35,986,327	39,011,421	35,986,327	39,011,421
Total Expenses	<u>114,907,098</u>	<u>123,421,967</u>	<u>35,986,327</u>	<u>39,011,421</u>	<u>150,893,425</u>	<u>162,433,388</u>
Increase in Net Assets before Transfers	10,806,326	(3,440,787)	3,831,430	(212,142)	14,637,756	(3,652,929)
Transfers	1,000,000	2,000,000	(1,000,000)	(2,000,000)	-	-
Increase (Decrease) in Net Assets	11,806,326	(1,440,787)	2,831,430	(2,212,142)	14,637,756	(3,652,929)
Net Assets - Beginning	<u>53,308,916</u>	<u>54,749,703</u>	<u>78,835,192</u>	<u>81,047,334</u>	<u>132,144,108</u>	<u>135,797,037</u>
Net Assets - Ending	<u>\$ 65,115,242</u>	<u>\$ 53,308,916</u>	<u>\$ 81,666,622</u>	<u>\$ 78,835,192</u>	<u>\$ 146,781,864</u>	<u>\$ 132,144,108</u>

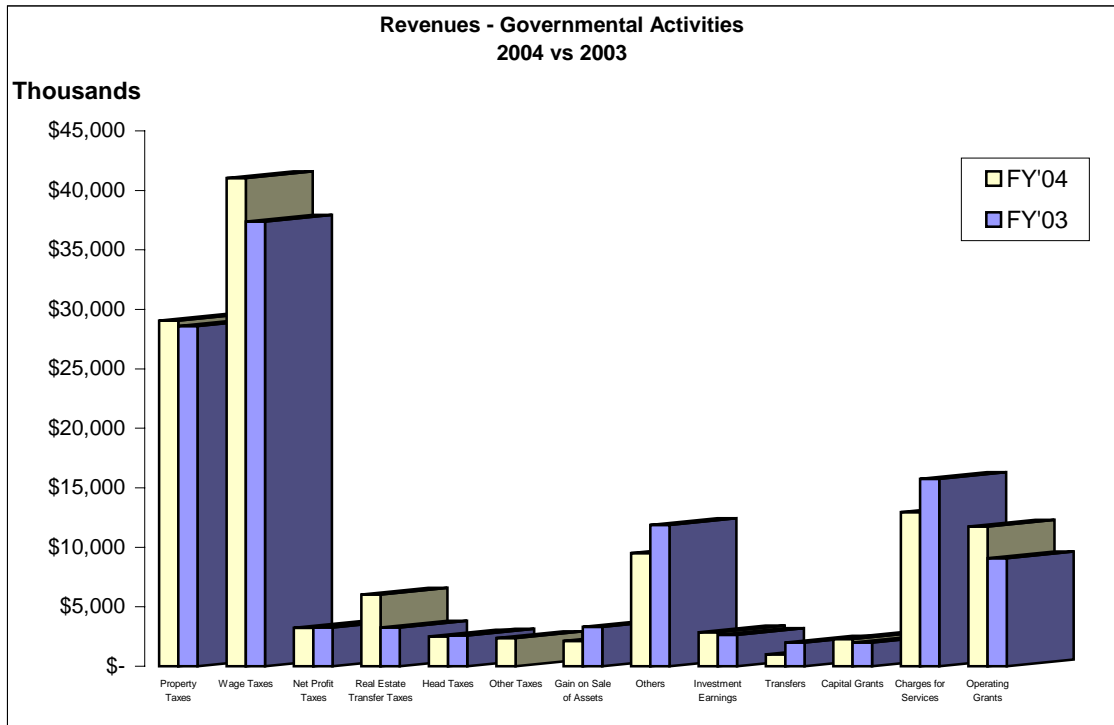
Governmental Activities

The following chart depicts a comparative view of the revenues of the governmental activities for fiscal year 2004 as compared to fiscal year 2003:

The key revenue elements are discussed later in the fund statement comparisons.

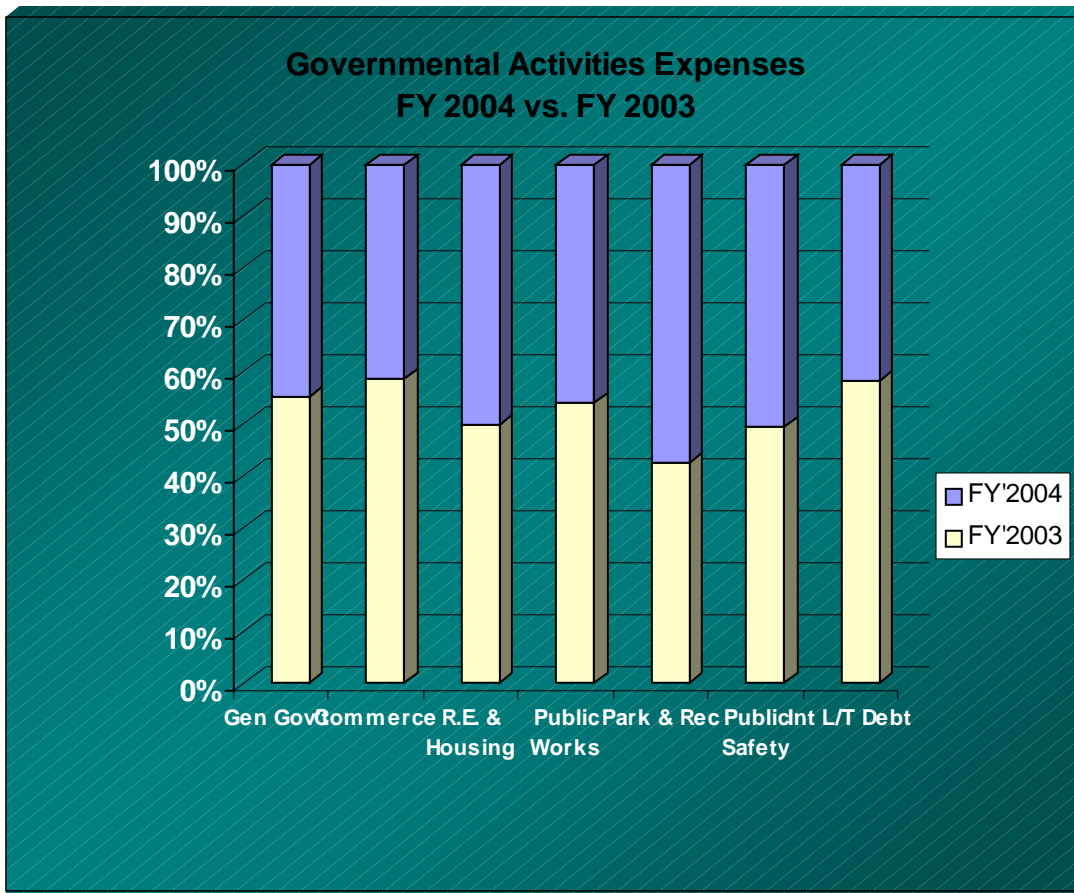
Governmental Activities Revenue Sources

	<u>2004</u>	<u>2003</u>
Property Taxes	\$ 29,068,010	\$ 28,598,639
Wage Taxes	41,030,254	37,369,184
Net Profit Taxes	3,240,693	3,256,223
Real Estate Transfer Taxes	6,033,039	3,262,024
Head Taxes	2,500,666	2,573,858
Other Taxes	2,367,322	-
Gain on Sale of Assets	2,115,997	3,315,798
Others	9,496,006	11,887,365
Investment Earnings	2,857,460	2,649,356
Transfers	1,000,000	2,000,000
Capital Grants	2,300,217	1,986,087
Charges for Services	12,952,060	16,020,325
Operating Grants	11,751,700	9,062,321
	<u>\$ 126,713,424</u>	<u>\$ 121,981,180</u>



The following chart depicts functional expenses of the governmental activities for the fiscal year 2004 as compared to fiscal year 2003. Explanation for the variances in expenses are explained in the financial analysis of the City’s Funds, Governmental Funds section below:

Governmental Activities Expenditures		
Expenditures Category	2004	2003
Gen Gov't	\$ 27,860,683	\$ 34,206,686
Commerce	1,906,066	2,722,144
R.E. & Housing	8,108,654	8,080,851
Public Works	14,338,205	16,807,245
Park & Recreation	8,559,178	6,305,699
Public Safety	48,632,268	47,597,878
Int L/T Debt	5,502,044	7,701,464
	\$ 114,907,098	\$ 123,421,967



Business-Type Activities

Net assets of the business-type activities increased by \$2,831,430 for the current fiscal year. Explanations of the variance are contained in the financial analysis of the City's Funds, Proprietary Funds section below.

Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported fund balances of \$45,231,150. Of the current ending fund balances, \$25,740,545 is reported as unreserved in the General Fund, \$5,396,359 is reserved for Park Operations, \$609,248 is related to Capital Projects, and \$13,484,998 is reserved for Economic Development.

Governmental Funds

General Fund – Comparison to Prior Year.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the unreserved fund balance was \$25,740,545, an increase of \$12,302,794 over the fiscal year 2003. The General Fund unreserved fund balance is not available for new spending because it has already been designated: \$16,305,786 for Budget Reserves for Public Emergencies, and \$9,434,759 for permanent investment reserves.

The revenues for fiscal year 2004 increased \$8,938,284 compared to the prior fiscal year. Primary contributing areas are mentioned below:

- Due to property being removed from tax-exempt status, property tax revenues increased by \$469,371 over 2003.
- Wage and Net Profit taxes increased by \$3,645,540 compared to 2003 due primarily to increased payments received from the Top 100 taxpayers such as MBNA, Bank One, and the State of Delaware. Increased audit efforts by the Earned Income Tax Division staff also impacted this result.
- Franchise taxes increased by \$591,186 compared to the prior year's results. The increase is primarily due to the new revenue source, natural gas tax, enacted through legislation by the State of Delaware during the 2003 fiscal year.
- New Revenue Sources: Taxes from other new revenue sources contributed \$2,367,322 to the City's total revenue for fiscal year 2004. These taxes – lodging and limited liability taxes, and corporate filing fees are new revenue sources for the City enacted through state legislation in fiscal year 2003.
- Transfer taxes increased by \$2,771,015. The increase is due primarily to the transfer of properties such as the Delaware Trust Building, 824 Market Street, 201 and 301 North Walnut Street, and several Riverfront locations.

- The decrease of \$611,195 in Fines and Forfeitures is primarily due to the fact that parking tickets issuance declined about 17% when compared to the prior year. The trend indicates that parking tickets issuance has declined significantly over the past four years.
- Due to the reduction in the rate of return on invested funds, the interest earned in 2004 decreased by \$270,369.

The current year's expenditures decreased by \$9,989,089 or 10.6%, compared to fiscal year 2003 spending levels. One of the major factors contributing to the decrease of fiscal year 2004 expenditures is the favorable outcome of large Risk Management claims. Almost every department of the City of Wilmington maintained its expenditures below the fiscal year 2003 levels. The primary contributing factors are mentioned below:

- General Governmental expenditures for 2004, which were 15.7% of the entire General Fund expenditures, experienced a decrease of \$1,071,214 compared to the 2003 results. Some of the factors contributing to the decrease were reduction in consultant and accounting fees, grants to agencies, temporary salaries, and debt service payments, lower workers' compensation costs and general liability claims.
- In 2004, the Real Estate and Housing Department expenditures decreased by \$454,865, compared to 2003 results. Lower principal payment and lower pension costs are primarily responsible for this decrease.
- Parks and Recreation Department expenditures decreased by \$1,144,220. This decrease was due to lower costs in temporary salaries, maintenance contract services, workers' compensation costs and general liability claims.
- Public Safety expenditures, which represented 59% of the City's General Fund expenditures, experienced a decrease of \$4,562,498:
 - The Police Department expenditures decreased by \$3,009,153, and the Fire Department expenditures decreased by \$1,640,187. In both categories, significantly lower insurance liability and workers' compensation costs were the major contributing factors.
- Pension and Retirement costs increased based on actuarially recommended annual contributions related to an increasing pension benefit obligation. The amount also includes \$334,000 in costs pertaining to the post-retirement medical plan initiated on January 1, 2001.

City of Wilmington, Delaware
General Fund
Comparison Schedule of Revenues, Expenditures
For the Fiscal Years

	<u>2004</u>	<u>2003</u>	<u>Actual to Actual Variances O (U)</u>
Revenues:			
Taxes:			
Property	\$ 29,068,010	\$ 28,598,639	\$ 469,371
Wages	41,030,254	37,369,184	3,661,070
Franchise	2,431,540	1,840,354	591,186
Real Estate Transfer Taxes	6,033,039	3,262,024	2,771,015
Net Profit	3,240,693	3,256,223	(15,530)
Head	2,500,666	2,573,858	(73,192)
Other Taxes	2,367,322	-	2,367,322
Licenses, Permits and Fees	2,479,805	2,811,199	(331,394)
Fines and Forfeitures	2,783,406	3,394,601	(611,195)
Charges for Services	5,125,897	4,745,897	380,000
Interest	813,364	1,083,733	(270,369)
Total Revenues	\$ 97,873,996	\$ 88,935,712	\$ 8,938,284
Expenditures:			
General Governmental Services:			
Mayor's Office	\$ 3,673,018	\$ 4,029,596	\$ (356,578)
City Council	1,874,826	1,962,173	(87,347)
Audit	515,807	530,538	(14,731)
Law	1,911,983	1,856,864	55,119
Finance	2,666,298	3,265,664	(599,366)
Personnel	1,235,971	1,209,740	26,231
Treasurer	330,978	324,637	6,341
Planning	1,104,681	1,205,564	(100,883)
Real Estate and Housing	1,027,154	1,482,019	(454,865)
Parks and Recreation:	6,863,342	8,007,562	(1,144,220)
Public Safety:			
Police	32,742,524	35,751,677	(3,009,153)
Fire	14,655,167	16,295,354	(1,640,187)
Municipal Court	5,473	-	5,473
Licenses and Inspection	2,479,031	2,397,661	81,370
Public Works	13,447,394	16,203,687	(2,756,293)
Total Expenditures	\$ 84,533,647	\$ 94,522,736	\$ (9,989,089)

General Fund – Comparison to Budget

Governmental activities resulted in the increase of the City's net assets by \$11,806,326.

- Property Tax revenues, representing 30% of General Fund Tax revenues, exceeded the budget by \$813,810 due to property being removed from tax-exempt status.
- Net Profit Taxes exceeded the budget by \$1,805,693. Continued profitability of the legal service industry is primarily responsible for the increase in this revenue source.
- Real Estate Transfer Taxes exceeded budget by \$3,433,039. There was an increase in property acquired and new businesses relocating within the City limits.

- Franchise Taxes exceed budget by \$631,540. Reflected in this increase is the impact of the natural gas tax, a new revenue source for the City of Wilmington in fiscal year 2004.
- New Revenue Source: Taxes from new revenue sources contributed \$2,367,322 to the City's total revenue for fiscal year 2004. These revenues – lodging and limited liability taxes and corporate filing fees are new sources for the City enacted through state legislation in fiscal year 2003.
- General Governmental expenditures for 2004 were less than budget by \$449,643. The Mayor's Office expenditures were less by \$190,788 and the Department of Finance expenditures were less by \$95,963. Reduced general liability and workers' compensation costs were the major contributing factors to the decrease in costs. Due primarily to the reduction of outsourced legal services, the Law Departments expenditures decreased by \$116,750.
- Parks and Recreation expenditures were less than budget in the amount of \$621,780 primarily due to lower costs in the categories of salaries, hospitalization, and general liability.
- The Public Works Department expenditures were less than budget by \$880,821. Lower expenditures in the areas of landfill fees and general liability costs were the principal factors pertaining to the decline.
- Public Safety expenditures were less than budget by \$1,542,945: the Police Department expenditures were less than budget by \$1,099,575, and the Fire Department expenditures were less than budget by \$356,524. The primary contributors to costs decline in both areas are lower general liability and workers' compensation costs.

Proprietary Funds

Water/Sewer Fund

The operation of the Business-type activities increased the City's net assets by \$2,831,430.

- Compared to 2003, the Water/Sewer System's revenues in fiscal year 2004 increased by \$1,019,861 or 2.6%. The increase is due primarily to increased funding for capital projects--\$1,063,143 over fiscal year 2003--by the State of Delaware. The funds are to be expended for the Combined Sewer Overflow Project.
- Sewer service charges to New Castle County increased 2.7% from \$14,612,124 to \$15,003,123. Other operating revenues (primarily direct user charges) increased by 2.6% from \$24,092,883 to \$24,721,745.
- Compared to fiscal year 2003 results, operating expenses decreased by \$2,435,995 or 6.9%. The decreased costs are primarily due to reduction in general liability costs.

General Fund Budgetary Highlights

The City adopted the fiscal year 2004 budget on May 20, 2003, and amended it to meet operational needs during the year. The City's practice is to (a) amend budgeted revenue only for grants or new revenue streams and (b) amend budgeted expenditures primarily to approve new spending authority.

The final budget contained \$85,984,033 of revenues and other financing sources (uses) and \$88,029,760 of expenditures. The actual results were revenues and other financing sources, (uses) of \$10,852,408 above budget and expenditures of \$3,496,113 were below budget. Explanations of these variances can be found in the General Fund-comparison to the budget section above.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2004, the City invested \$271,093,139, net of accumulated depreciation, in a broad range of capital assets (see the table below).

**City of Wilmington's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 19,722,975	\$ 20,069,161	\$ 3,656,612	3,656,612	\$ 23,379,587	\$ 23,725,773
Buildings	28,656,060	29,566,909	44,414,801	46,373,257	73,070,861	75,940,166
Improvements other than						
Buildings	52,642,703	49,840,117	79,390,215	69,420,359	132,032,918	119,260,476
Street and Utilities	5,404,427	5,551,746	13,262,474	13,606,596	18,666,901	19,158,342
Machinery and Equipment	7,034,506	7,251,854	11,235,345	9,059,228	18,269,851	16,311,082
Vehicles	4,994,480	4,336,715	59,365	106,531	5,053,845	4,443,246
Other	619,176	847,987	-	-	619,176	847,987
Totals	\$ 119,074,327	\$ 117,464,489	\$ 152,018,812	\$ 142,222,583	\$ 271,093,139	\$ 259,687,072

The City is not yet required to and has not yet completed the inventory required to meet the GASB Statement No. 34 requirements to capitalize highway, street, and bridge infrastructure; thus it is not reporting a value for those assets. The City intends to account for infrastructure by the GASB Statement No. 34 deadline of June 30, 2006.

Major capital asset events during the current fiscal year included the following:

- The City of Wilmington will embark on a four-year infrastructure maintenance program designed to ensure that the underground water piping system operates efficiently. The City will begin testing and mapping 10,000 underground water valves.
- The City has received funding from the State of Delaware in the amount of \$4.5 million to improve the Water and Sewer system. The funds are to be used to improve the Combined Sewer Overflow System.

Additional information regarding the City’s capital assets is contained in Note 6 to the financial statements.

	City of Wilmington's Outstanding Debt General Obligations Bonds					
	Governmental Activites		Business-type Activites		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 108,436,971	\$ 117,097,841	\$ 55,763,675	\$ 60,374,152	\$ 164,200,646	\$ 177,471,993

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$164,200,646. Of this amount, \$108,436,971 comprises debt backed by the full faith and credit of the government for Governmental activities, and \$55,763,675 is supported by Business-Type activities.

The City is empowered by state law to issue debt obligations within the limits of authority passed from time to time by the state legislature.

The City maintains an A2 rating from Moody’s Investors Service and A+ rating from Standard & Poor’s Corporation for general obligation debt.

Additional information on the City’s long-term debt can be found in Note 8 to the financial statements.

Economic Factors and 2004 Budgets and Rates

The City of Wilmington’s unemployment rate of 6.3% trended upwards while per capita income continues to grow. The City’s diversified manufacturing and service economy followed national inflation and activity trends, but it is not likely to be significantly impacted by any of industry’s problems. Urbanization in New Castle County has opened job opportunities to City residents, and this change has placed pressure on the City for land development as well as land annexation.

All of these economic factors were taken into account when adopting the General Fund budget for fiscal year 2004. The City’s budget addressed the economic development, public safety, and infrastructure needs. Tax and service charge rates primarily stayed unchanged in fiscal year 2004. The property tax rate was unchanged while reassessments increased taxable base.

Requests for Information

This financial report is designed to provide a general overview of the City of Wilmington’s finances to its citizens and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Ronald P. Pinkett, Director of Finance, City of Wilmington, Delaware 19801.

The component units issue their own audited financial statements. These statements may be obtained directly from the component units from sources listed in Note 1 to the financial statements.

Basic Financial Statements

City of Wilmington, Delaware

**Statement of Net Assets
June 30, 2004**

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
Assets:				
Cash and Cash Equivalents	\$ 39,942,967	\$ 250	\$ 39,943,217	\$ 5,832,779
Investments	-	-	-	2,626,209
Receivables (Net of Allowances for Uncollectibles):				
Property Taxes	928,438	-	928,438	-
Customer	-	5,343,917	5,343,917	439,249
Parking Citations	1,105,498	-	1,105,498	-
Business Licenses	121,806	-	121,806	-
Wage Taxes	1,953,710	-	1,953,710	-
Mortgages	1,148,804	-	1,148,804	33,950,449
Notes Receivable	24,823,793	-	24,823,793	-
Other	1,009,167	-	1,009,167	521,403
Employee Travel Advances	10,859	446	11,305	-
Internal Balances	(1,323,009)	1,323,009	-	-
Due from Other Governmental Agencies	2,973,454	-	2,973,454	-
Due from Fiduciary Funds	5,293,439	-	5,293,439	-
Prepaid Expenses/Costs	-	-	-	124,135
Accrued Interest Receivable	187,979	-	187,979	548,748
Deferred Charges	406,555	237,686	644,241	760,208
Other Assets	-	-	-	94,251
Restricted Assets:				
Cash and Investments	18,571,834	-	18,571,834	1,358,051
Capital Assets (Net of Accumulated Depreciation)				
Land	19,722,975	3,656,612	23,379,587	19,926,054
Buildings	28,656,060	44,414,801	73,070,861	24,964,575
Improvements Other Than Buildings	52,642,703	79,390,215	132,032,918	-
Streets and Water Utilities	5,404,427	13,262,474	18,666,901	-
Machinery and Equipment	7,034,506	11,235,345	18,269,851	2,984,316
Vehicles	4,994,480	59,365	5,053,845	-
Other	619,176	-	619,176	1,821,905
Total Assets	\$ 216,229,621	\$ 158,924,120	\$ 375,153,741	\$ 95,952,332

City of Wilmington, Delaware

Statement of Net Assets

June 30, 2004

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Liabilities:				
Accounts Payable and Other	\$ 6,472,230	\$ 5,301,253	\$ 11,773,483	\$ 1,824,361
Interest Payable	1,787,503	865,343	2,652,846	253,919
Refundable Deposits	260,159	-	260,159	2,500
Unearned Revenue	5,089,100	-	5,089,100	563,121
Long Term Liabilities				
Due Within One Year:				
Loan Payable	95,853	918,801	1,014,654	388,469
General Obligation Bonds Payable	9,442,261	4,487,764	13,930,025	-
Mortgage Payable	-	-	-	17,899
Obligations Under Capital Lease	1,347,357	527,906	1,875,263	9,603
Revenue Bonds Payable	-	-	-	1,596,742
Compensated Absences	4,271,238	429,921	4,701,159	-
Deferred Amounts on Refunding	(453,747)	(218,761)	(672,508)	-
Due in More Than One Year:				
Loan Payable	1,105,214	13,255,803	14,361,017	14,009,497
Bond Anticipation Note	4,500,000	-	4,500,000	-
General Obligation Bonds Payable	98,994,710	51,275,911	150,270,621	-
Compensated Absences	1,218,947	131,522	1,350,469	-
Revenue Bonds Payable	-	-	-	22,970,505
Mortgage Payable	-	-	-	1,596,921
Claims Liabilities	18,426,784	-	18,426,784	-
Obligations Under Capital Lease	1,430,499	1,667,721	3,098,220	27,589
Deferred Amounts on Refunding	(2,873,729)	(1,385,686)	(4,259,415)	-
Minority Interest	-	-	-	1,978,332
Total Liabilities	<u>151,114,379</u>	<u>77,257,498</u>	<u>228,371,877</u>	<u>45,239,458</u>
Net Assets				
Investment in Capital Assets, Net of Related Debt	30,309,702	81,489,353	111,799,055	17,767,902
Restricted for:				
Debt Service	-	-	-	3,131,793
Park Operations	5,396,359	-	5,396,359	-
Economic Development	13,484,998	-	13,484,998	12,160,000
Unrestricted	<u>15,924,183</u>	<u>177,269</u>	<u>16,101,452</u>	<u>17,653,179</u>
Total Net Assets	<u>\$ 65,115,242</u>	<u>\$ 81,666,622</u>	<u>\$ 146,781,864</u>	<u>\$ 50,712,874</u>

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

City of Wilmington, Delaware

Statement of Activities
For the Year Ended June 30, 2004

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Governmental Services	\$ 27,860,683	\$ 6,428,881	\$ 305,115	\$ 128,570	\$ (20,998,117)	\$ -	\$ (20,998,117)	\$ -
Commerce	1,906,066	-	-	-	(1,906,066)	-	(1,906,066)	-
Real Estate and Housing	8,108,654	-	8,258,533	-	149,879	-	149,879	-
Public Works	14,338,205	6,194	-	2,171,647	(12,160,364)	-	(12,160,364)	-
Parks and Recreation	8,559,178	-	1,091,457	-	(7,467,721)	-	(7,467,721)	-
Public Safety	48,632,268	6,516,985	2,096,595	-	(40,018,688)	-	(40,018,688)	-
Interest on Long-term Debt	5,502,044	-	-	-	(5,502,044)	-	(5,502,044)	-
Total Governmental Activities	114,907,098	12,952,060	11,751,700	2,300,217	(87,903,121)	-	(87,903,121)	-
Business-Type Activities:								
Water/Sewer	35,986,327	37,917,607	1,901,533	-	-	3,832,813	3,832,813	-
Total Primary Governments	150,893,425	50,869,667	13,653,233	2,300,217	(87,903,121)	3,832,813	(84,070,308)	-
Component Units:								
Brandywine Gateway Corporation	667,641	610,144	-	-	-	-	-	(57,497)
Christina Gateway Corporation	56,772	55,342	-	-	-	-	-	(1,430)
Rock Manor Golf Corporation	1,134,509	1,053,138	-	-	-	-	-	(81,371)
Wilmington UDAG Corporation	976,654	513,950	-	-	-	-	-	(462,704)
Wilmington Economic Development Corporation	518,580	249,427	-	-	-	-	-	(269,153)
Wilmington Parking Authority	6,244,832	6,384,720	-	-	-	-	-	139,888
Downtown Visions	1,689,212	1,705,506	-	-	-	-	-	16,294
Riverfront Business Improvement District	125,733	195,243	-	-	-	-	-	69,510
Total Component Units	\$ 11,413,933	\$ 10,767,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (646,463)
General Revenues:								
Property Taxes					29,068,010	-	29,068,010	-
Wage Taxes					41,030,254	-	41,030,254	-
Net Profit Taxes					3,240,693	-	3,240,693	-
Real Estate Transfer Taxes					6,033,039	-	6,033,039	-
Head Taxes					2,500,666	-	2,500,666	-
Other Taxes					2,367,322	-	2,367,322	-
Gain (Loss) on Sale of Assets					2,115,997	(1,383)	2,114,614	(843,360)
Others					9,496,006	-	9,496,006	58,450
Interest Earned on Investments					2,857,460	-	2,857,460	527,273
Transfers					1,000,000	(1,000,000)	-	-
Total General Revenues and Transfers					99,709,447	(1,001,383)	98,708,064	(257,637)
Changes in Net Assets					11,806,326	2,831,430	14,637,756	(904,100)
Net Assets - Beginning					53,308,916	78,835,192	132,144,108	51,616,974
Net Assets - Ending					\$ 65,115,242	\$ 81,666,622	\$ 146,781,864	\$ 50,712,874

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

City of Wilmington, Delaware

**Balance Sheet
Governmental Funds
June 30, 2004**

	<u>General</u>	<u>Capital Projects</u>	<u>Commerce Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and Cash Equivalents	\$ 38,728,463	\$ -	\$ 13,399,648	\$ 232,781	\$ 52,360,892
Investments	-	-	-	5,172,186	5,172,186
Receivables (net):					
Property Taxes	928,438	-	-	-	928,438
Parking Citations	1,105,498	-	-	-	1,105,498
Business Licenses	121,806	-	-	-	121,806
Wage Taxes	1,953,710	-	-	-	1,953,710
Mortgages	-	-	800,000	348,804	1,148,804
Notes Receivable	-	-	24,823,793	-	24,823,793
Other	776,514	229,600	-	3,053	1,009,167
Employee Travel Advances	4,922	-	-	5,685	10,607
Accrued Interest Receivable	187,979	-	-	-	187,979
Due from Other Funds	-	-	317,724	1,358,404	1,676,128
Due from Other Governments	-	1,471,913	-	2,703,158	4,175,071
Total Assets	<u>\$ 43,807,330</u>	<u>\$ 1,701,513</u>	<u>\$ 39,341,165</u>	<u>\$ 9,824,071</u>	<u>\$ 94,674,079</u>
Liabilities:					
Accounts Payable	\$ 1,008,795	\$ 541,714	\$ 26,107	\$ 1,148,874	\$ 2,725,490
Accrued Wages Payable	927,583	-	6,267	63,741	997,591
Refundable Deposits	260,159	-	-	-	260,159
Due to Other Funds	12,794,628	550,551	-	1,201,617	14,546,796
Unearned Revenue	3,075,620	-	24,823,793	2,013,480	29,912,893
Environmental Reserve (Note 5-A)	-	-	1,000,000	-	1,000,000
Total Liabilities	<u>18,066,785</u>	<u>1,092,265</u>	<u>25,856,167</u>	<u>4,427,712</u>	<u>49,442,929</u>
Fund Balances:					
Reserved for:					
Park Operations	-	-	-	5,396,359	5,396,359
Unreserved Designated For:					
Capital Projects	-	609,248	-	-	609,248
Economic Development	-	-	13,484,998	-	13,484,998
Permanent Investment Reserves	9,434,759	-	-	-	9,434,759
Budget Reserve Account for Public Emergencies	16,305,786	-	-	-	16,305,786
Total Fund Balances	<u>25,740,545</u>	<u>609,248</u>	<u>13,484,998</u>	<u>5,396,359</u>	<u>45,231,150</u>
Total Liabilities and Fund Balances	<u>\$ 43,807,330</u>	<u>\$ 1,701,513</u>	<u>\$ 39,341,165</u>	<u>\$ 9,824,071</u>	<u>\$ 94,674,079</u>

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

City of Wilmington
Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2004

The Total Net Assets reported for governmental activities in the Statement of Net Assets (Page 29) is different because:

Total Fund Balances for Government Funds (Page 31)	\$	45,231,150
Capital Assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in Note 6 are included in the Statement of Net Assets.		119,074,327
Other assets are not available to pay current-period expenditures, and therefore, are not recorded in the funds.		17,028,011
Unearned revenues reported in the fund are recognized in governmental activities.		24,823,793
Long-term liabilities applicable to the governmental activities, including bonds payable, are not due and payable in the current year, and accordingly, are not reported as fund liabilities.		
Compensated Absences	(5,490,185)	
Other Long-term Liabilities	(1,749,149)	
Claim Liabilities	(18,426,784)	
Interest Payable	(1,787,503)	
Bonds and Notes Payable	(113,588,418)	(141,042,039)
Total Net Assets of Governmental Activities (Page 29)	\$	<u>65,115,242</u>

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

City of Wilmington, Delaware

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

	General	Capital Projects	Commerce Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 29,068,010	\$ -	\$ -	\$ -	\$ 29,068,010
Wage	41,030,254	-	-	-	41,030,254
Franchise	2,431,540	-	-	-	2,431,540
Real Estate Transfer	6,033,039	-	-	-	6,033,039
Net Profit	3,240,693	-	-	-	3,240,693
Head	2,500,666	-	-	-	2,500,666
Other Taxes	2,367,322	-	-	-	2,367,322
Intergovernmental	-	712,906	3,553,607	12,492,052	16,758,565
Licenses and Permits	2,479,805	-	-	-	2,479,805
Fines and Forfeitures	2,783,406	-	-	-	2,783,406
Charges for Services	5,125,897	-	-	-	5,125,897
Interest	813,364	-	1,313,343	730,753	2,857,460
Program Income	-	-	-	485,335	485,335
Other	-	40,250	51,259	756,723	848,232
Total Revenues	97,873,996	753,156	4,918,209	14,464,863	118,010,224
Expenditures:					
Current:					
General Governmental Services	12,469,705	-	-	969,907	13,439,612
Commerce	-	-	1,810,417	-	1,810,417
Real Estate and Housing	293,045	-	-	7,642,582	7,935,627
Public Works	10,098,560	-	-	1,471,851	11,570,411
Parks and Recreation	5,058,817	-	-	1,331,319	6,390,136
Public Safety	48,302,573	-	-	2,589,075	50,891,648
Debt Service:					
Principal Retirement	4,683,308	-	3,977,562	-	8,660,870
Interest and Fiscal Charges	3,627,639	-	1,874,915	-	5,502,554
Capital Outlays					
Capital Projects	-	7,664,015	-	-	7,664,015
Total Expenditures	84,533,647	7,664,015	7,662,894	14,004,734	113,865,290
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,340,349	(6,910,859)	(2,744,685)	460,129	4,144,934
Other Financing Sources (Uses)					
Proceeds from Bond Anticipation Note	-	-	-	-	-
Transfers In	1,000,000	-	2,000,000	51,615	3,051,615
Transfers Out	(2,051,615)	-	-	-	(2,051,615)
Bonds Issued	-	-	4,500,000	-	4,500,000
Proceeds from the Sale of Assets	14,060	-	2,040,000	-	2,054,060
Total Other Financing Sources (Uses)	(1,037,555)	-	8,540,000	51,615	7,554,060
Net Change in Fund Balances	12,302,794	(6,910,859)	5,795,315	511,744	11,698,994
Fund Balance - Beginning	13,437,751	7,520,107	7,689,683	4,884,615	33,532,156
Fund Balance - Ending	\$ 25,740,545	\$ 609,248	\$ 13,484,998	\$ 5,396,359	\$ 45,231,150

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

City of Wilmington, Delaware
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds (Page 33)	\$	11,698,994
<p>Capital outlays are reported as expenditures in governmental funds; however, in the governmental-wide statements, capital outlays are reported increases in capital assets (not expenses) and the cost of general capital assets is allocated over their estimated useful lives and reported as depreciation expense. All depreciation is reported as part of functional program expenses. The current amounts are:</p>		
Capital assets acquisition		(7,664,016)
Depreciation expense		(4,589,786)
<p>Repayment of general long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces general long-term liabilities in the statement of net assets. During the current fiscal year, these amounts consisted of:</p>		
Principal Payments		8,660,870
<p>Bond proceeds provide current financial resources to the governmental funds; however, issuing bonds increases general long-term liabilities in the statement of net assets.</p>		
Bond Anticipation Bonds		4,500,000
<p>Certain additional expenses are reported in the statement of activities because they are due and payable and are funded with future economic resources rather than current available financial resources:</p>		
Accrued interest		(1,787,503)
Other		<u>987,767</u>
Change in net assets of governmental activities (page 30)	\$	<u><u>11,806,326</u></u>

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

City of Wilmington, Delaware
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities	Governmental Activities
<u>Assets</u>	Water and Sewer	Internal Service Funds
Current Assets		
Cash and Cash Equivalents	\$ 250	\$ 979,723
Receivables (Net of Allowances for Uncollectible):		
Customer	5,343,917	-
Employee Travel Advances	446	252
Due from Other Funds	1,323,009	19,541,983
Total Current Assets	6,667,622	20,521,958
Noncurrent Assets		
Deferred Charges	237,686	11,322
Capital Assets		
Land	3,656,612	-
Building	115,524,228	73,204
Building Improvements	89,537,775	28,554
Water and Street Utilities	16,801,268	-
Machinery and Equipment	23,886,732	3,522,605
Vehicles	813,242	13,215,048
Less Accumulated Depreciation	(98,201,045)	(10,569,962)
Total Capital Assets	152,018,812	6,269,449
Total Noncurrent Assets	152,256,498	6,280,771
Total Assets	158,924,120	26,802,729
 Liabilities		
Current Liabilities:		
Accounts Payable	5,174,728	1,732,552
Accrued Wages and Payroll Withholdings	126,525	16,597
Due to Other Funds	-	2,700,885
Accrued Interest Payable	865,343	-
Compensated Absences	561,443	170,082
Loans Payable- State of Delaware	918,801	-
General Obligation Bonds-Current	4,487,764	34,964
Deferred Amounts on Refunding	(218,761)	-
Obligations under Capital Lease-Current	527,906	1,481,756
Total Current Liabilities	12,443,749	6,136,836
Noncurrent Liabilities:		
General Obligation Bonds Payable	51,275,911	943,009
Deferred Amounts on Refunding	(1,385,686)	-
Capital Leases Payable	1,667,721	1,296,100
Loans Payable-State of Delaware	13,255,803	-
Claims Liabilities	-	18,426,784
Total Noncurrent Liabilities	64,813,749	20,665,893
Total Liabilities	77,257,498	26,802,729
 Net Assets		
Invested in Capital Assets, Net of Related Debt	81,489,353	2,513,620
Unrestricted	177,269	(2,513,620)
Total Net Assets	\$ 81,666,622	\$ -

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

City of Wilmington, Delaware

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Funds</u>
Operating Revenues:		
Charges for Services	\$ 37,832,178	\$ 15,236,719
Rentals and Concessions	85,429	-
Employee	-	390,508
Other	-	11,440
	<hr/>	<hr/>
Total Operating Revenues	<u>37,917,607</u>	<u>15,638,667</u>
Operating Expenses:		
Personal Services	7,409,827	1,433,957
Materials, Supplies and Contractual Services	19,924,253	5,331,216
Pension and Retirement	274,496	63,400
Depreciation and Amortization	5,262,799	1,371,999
Claims Expense	-	6,540,888
Insurance Premiums	-	460,918
	<hr/>	<hr/>
Total Operating Expenses	<u>32,871,375</u>	<u>15,202,378</u>
Operating Income	<u>5,046,232</u>	<u>436,289</u>
Non-Operating Revenues (Expenses):		
Interest Expense	(3,114,952)	(178,030)
Loss on Sale of Assets	(1,383)	(258,259)
State Contributions	1,901,533	-
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses):	<u>(1,214,802)</u>	<u>(436,289)</u>
Income Before Transfers	3,831,430	-
Transfers Out	<u>(1,000,000)</u>	<u>-</u>
Change in Net Assets	<u>2,831,430</u>	<u>-</u>
Total Net Assets - Beginning	<u>78,835,192</u>	<u>-</u>
Total Net Assets - Ending	<u>\$ 81,666,622</u>	<u>\$ -</u>

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

City of Wilmington, Delaware
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from Customers and Users	\$ 39,365,672	\$ 15,236,719
Payments to Suppliers	(19,234,269)	(17,674,606)
Payments to Employees	(7,628,028)	(1,459,873)
Other Receipts	-	401,948
Net Cash Provided (Used) by Operating Activities	12,503,375	(3,495,812)
Cash Flows from Noncapital Financing Activities		
Transfers from (to) Other Funds	(1,000,000)	6,253,298
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,000,000)	6,253,298
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Capital Debt	3,344,579	-
Acquisition and Construction of Capital Assets	(14,867,055)	(2,275,076)
Principal Paid on Capital Debt	(5,572,330)	(26,447)
Interest Paid on Capital Debt	(3,072,046)	-
Proceeds from Capital Lease	2,194,925	1,099,959
Principal Paid on Capital Lease	(158,420)	(1,393,888)
Interest Paid on Capital Lease	(12,417)	(188,522)
State Contributions	1,901,533	
Proceeds from Sale of Assets	1,618	-
Receipts from Other Funds	4,736,238	-
Net Cash Used by Capital and Related Financing Activities	(11,503,375)	(2,783,974)
Change in Cash and Cash Equivalents	-	(26,488)
Cash and Cash Equivalents - July 1, 2003	250	1,006,211
Cash and Cash Equivalents - June 30, 2004	\$ 250	\$ 979,723
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating Income	\$ 5,046,232	\$ 436,289
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	5,262,799	1,371,998
Increase in Provision for Uncollectible Accounts	315,408	
Loss on Sale of Assets	(1,383)	(258,259)
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	1,448,065	-
Increase (Decrease) in Employee Travel Advances	(136)	250
Increase in Accounts Payable	518,254	581,129
Increase (Decrease) in Compensated Absences	(1,164)	1,313
Increase (Decrease) in Accrued Salaries	57,259	(11,372)
Decrease in Accrued Interest	(141,959)	-
Decrease in Claims Liability	-	(5,617,160)
Net Cash Provided (Used) by Operating Activities	\$ 12,503,375	\$ (3,495,812)

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

City of Wilmington
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Total Pension and Other Employee Benefit Trust Funds	Total Agency Funds
Assets		
Cash and Cash Equivalents	\$ 6,072,113	\$ -
Receivables:		
Accrued Interest Receivable	259,775	-
Total Receivables	259,775	-
Investments, at Fair Value:		
U.S. Treasury Obligations	43,706,757	-
Stocks	48,311,558	-
Corporate Obligations	37,011,198	-
Mutual Funds	4,592,666	-
Total Investments	133,622,179	-
Due from Other Funds	8,892	573,388
Due from Other Governments	-	178,593
Total Assets	139,962,959	751,981
Liabilities:		
Accounts Payable	56,440	38,758
Accrued Wages and Fringes	1,991	364
Liability for Stale-dated Pension Checks	170,935	-
Due to Other Funds	5,715,860	159,859
Compensated Absences	5,371	-
Funds Held in Escrow	148	553,000
Total Liabilities	5,950,745	751,981
Net Assets		
Held in Trust for		
Pension Benefits	\$ 134,012,214	\$ -

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

City of Wilmington, Delaware
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2004

	<u>Total Pension and Other Employee Benefit Trust Funds</u>
Additions:	
Contributions:	
City	\$ 5,034,765
State	6,245,597
Employees	<u>1,686,102</u>
Total Contributions	<u>12,966,464</u>
Investment Income	
Interest	4,801,686
Net Appreciation in Fair Value	<u>8,515,954</u>
Total Investment Earnings	<u>13,317,640</u>
Less Investment Expense	<u>(562,597)</u>
Net Investment Income	<u>12,755,043</u>
Total Additions	<u>25,721,507</u>
Deductions:	
Benefits Paid	16,634,756
Administrative Expenses	<u>507,600</u>
Total Deductions	<u>17,142,356</u>
Net Increase (Decrease) in Plan Net Assets	8,579,151
Net Assets - Beginning	<u>125,433,063</u>
Net Assets - Ending	<u><u>\$ 134,012,214</u></u>

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

City of Wilmington, Delaware

Combining Statement of Net Assets
Component Units
June 30, 20004

	Brandywine Gateway Corporation	Christina Gateway Corporation	Rock Manor Golf Corporation	Wilmington UDAG Corporation	Wilmington Economic Development Corporation	Wilmington Parking Authority	Downtown Visions	Riverfront Business Improvement District	Total Component Units
ASSETS									
Cash and Cash Equivalents	\$ 509,552	\$ 98,049	\$ 47,169	\$ 516,735	\$ 930,792	\$ 3,372,087	\$ 290,489	\$ 67,906	\$ 5,832,779
Investments	-	-	-	-	-	2,626,209	-	-	2,626,209
Receivables (Net):									
Mortgages and Notes	12,160,000	-	-	7,438,679	1,008,739	13,343,031	-	-	33,950,449
Customer	-	-	4,220	227,974	-	143,842	51,524	11,689	439,249
Other	350,000	-	-	-	171,403	-	-	-	521,403
Prepaid Expenses	-	-	36,060	-	4,830	72,242	11,003	-	124,135
Restricted Assets:									
Investments	-	-	-	-	-	1,358,051	-	-	1,358,051
Accrued Interest Receivable	101,334	-	-	35,479	-	411,935	-	-	548,748
Deferred Charges	-	-	-	-	-	760,208	-	-	760,208
Other Assets	-	-	-	-	94,251	-	-	-	94,251
Capital Assets (Net):									
Land	-	3,166,910	-	948,354	4,321	15,806,469	-	-	19,926,054
Building and Improvements	-	-	-	80,024	2,687,727	21,604,608	592,216	-	24,964,575
Machinery and Equipment	-	-	318,163	22,953	57,534	2,150,294	424,418	10,954	2,984,316
Construction in Progress	-	-	-	573,640	-	1,248,265	-	-	1,821,905
Total Assets	13,120,886	3,264,959	405,612	9,843,838	4,959,597	62,897,241	1,369,650	90,549	95,952,332
LIABILITIES									
Accounts Payable	372,200	45,000	98,160	92,309	14,787	1,028,502	48,476	14,453	1,713,887
Accrued Wages and Payroll Withholdings	-	-	-	-	-	39,916	70,558	-	110,474
Accrued Interest	-	-	-	-	-	253,919	-	-	253,919
Refundable Deposits	-	1,000	-	-	-	1,500	-	-	2,500
Unearned Revenue	-	-	93,992	-	-	189,333	279,796	-	563,121
Long-term Liabilities									
Due within One Year									
Loans Payable	-	-	65,000	283,900	-	-	39,569	-	388,469
Obligation under Capital Lease	-	-	8,061	-	1,542	-	-	-	9,603
Revenue Bonds Payable	-	-	-	-	-	1,596,742	-	-	1,596,742
Mortgage Payable	-	-	-	-	17,899	-	-	-	17,899
Due More than One Year									
Loans Payable	12,160,000	-	338,000	-	-	-	756,266	755,231	14,009,497
Obligation under Capital Lease	-	-	19,060	-	8,529	-	-	-	27,589
Revenue Bonds Payable	-	-	-	-	-	22,970,505	-	-	22,970,505
Minority Interest	-	-	-	-	-	1,978,332	-	-	1,978,332
Mortgage Payable	-	-	-	-	1,596,921	-	-	-	1,596,921
Total Liabilities	12,532,200	46,000	622,273	376,209	1,639,678	28,058,749	1,194,665	769,684	45,239,458
NET ASSETS									
Invested in Capital Assets Net of Related Debt	-	-	(111,958)	1,624,971	-	16,242,389	12,500	-	17,767,902
Restricted for:									
Debt Service	-	-	-	-	1,734,007	1,397,786	-	-	3,131,793
Under Contractual Agreement	-	-	-	-	-	12,160,000	-	-	12,160,000
Unrestricted	588,686	3,218,959	(104,703)	7,842,658	1,585,912	5,038,317	162,485	(679,135)	17,653,179
Total Net Assets	\$ 588,686	\$ 3,218,959	\$ (216,661)	\$ 9,467,629	\$ 3,319,919	\$ 34,838,492	\$ 174,985	\$ (679,135)	\$ 50,712,874

The notes to the financial statements are an integral part of the financial statements.

City of Wilmington, Delaware

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2004

	Net (Expense) Revenues and Changes in Net Assets									
	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Brandywine</u> Gateway Corporation	<u>Christina</u> Gateway Corporation	<u>Rock Manor</u> Golf Corporation	<u>Wilmington</u> UDAG Corporation	<u>Wilmington</u> Economic Development Corporation	<u>Wilmington</u> Parking Authority	<u>Downtown</u> Visions	<u>Riverfront</u> Business Development District
Component Units:										
Brandywine Gateway Corporation	\$ 667,641	\$ 610,144	\$ (57,497)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (57,497)
Christina Gateway Corporation	56,772	55,342	-	(1,430)	-	-	-	-	-	(1,430)
Rock Manor Golf Corporation	1,134,509	1,053,138	-	-	(81,371)	-	-	-	-	(81,371)
Wilmington UDAG Corporation	976,654	513,950	-	-	-	(462,704)	-	-	-	(462,704)
Wilmington Economic Development Corporation	518,580	249,427	-	-	-	-	(269,153)	-	-	(269,153)
Wilmington Parking Authority	6,244,832	6,384,720	-	-	-	-	-	139,888	-	139,888
Downtown Visions	1,689,212	1,705,506	-	-	-	-	-	-	16,294	16,294
Riverfront Business Improvement District	125,733	195,243	-	-	-	-	-	-	69,510	69,510
Total Component Units	\$ 11,413,933	\$ 10,767,470	(57,497)	(1,430)	(81,371)	(462,704)	(269,153)	139,888	16,294	(646,463)
General Revenues										
Loss on Sale of Assets			-	-	(3,083)	(776,956)	-	(63,321)	-	(843,360)
Others			-	-	-	-	-	58,450	-	58,450
Interest Earned on Investments			-	-	-	-	-	524,429	2,501	527,273
Total General Revenues			-	-	(3,083)	(776,956)	-	519,558	2,501	(257,637)
Changes in Net Assets			(57,497)	(1,430)	(84,454)	(1,239,660)	(269,153)	659,446	18,795	(904,100)
Net Assets - Beginning			646,183	3,220,389	(132,207)	10,707,289	3,589,072	34,179,046	156,190	51,616,974
Net Assets - Ending			\$ 588,686	\$ 3,218,959	\$ (216,661)	\$ 9,467,629	\$ 3,319,919	\$ 34,838,492	\$ 174,985	\$ 50,712,874

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

CITY OF WILMINGTON, DELAWARE

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Pursuant to Title 22, Delaware Code, 1953, the City of Wilmington, Delaware (the City), was granted the rights to exercise all expressed and implied powers and authority of local self-government and home rule under Charter governed by the Delaware Constitution. The City operates under a Mayor-Council form of government.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant policies of the City are described below.

A. Financial Reporting Entity

For financial reporting purposes, the City's primary government includes activities of all elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the City's legal entity. The City's reporting entity is also comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Financial accountability is defined in GASB Statement No. 14 – "The Financial Reporting Entity." The City is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board, and it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may also be financially accountable if an organization is fiscally dependent on the City regardless to whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Blended Component Unit

Wilmington Park Trust Commission (WPC) is a municipal trust. WPC was organized for the purpose of financing the maintenance and improvements of the parks in and around the City of Wilmington. WPC consists of three Commissioners: two appointed by the Mayor of the City of Wilmington, and the third is the Director of Parks and Recreation of the City. WPC is reflected as a blended component unit in the accompanying financial statements.

Discretely Presented Component Units

The component units' columns in the entity-wide financial statements include the financial data of the City's eight other component units. These units are reported in a separate column to emphasize that they are legally separate from the City's primary government operations.

Brandywine Gateway Corporation and Christina Gateway Corporation offer small business loans and other financial assistance within the City. The City appoints a majority of both governing bodies (most of whom are City officials), provides all executive, administrative, and support services, and maintains the books and records. The City has a significant influence over programs, projects, and activities of the Corporations.

Wilmington UDAG Corporation (“UDAG”) was organized to enhance urban development and educational, charitable, and philanthropic purposes within the boundaries of the City. The City appoints the corporation's entire governing board (most of whom are City officials), and provides all executive, administrative and support services, and maintains the books and records. The City has a significant influence over programs, projects, and activities of the Corporation.

Wilmington Economic Development Corporation (“WEDCO”) is a separate legal entity whose majority of officers and directors are appointed by the Mayor. WEDCO was developed to assist the City in establishing economic development. The City funds a portion of WEDCO's operating expenditures. The City has a significant influence over programs, projects, and activities of the Corporation.

Rock Manor Golf Corporation (“Rock Manor”) was organized for the purpose of assisting the City in the administration of the golf course operations of the Rock Manor Golf Course. The City appoints the Rock Manor's entire governing board. The City has a significant influence over programs, projects, and activities of the Corporation.

Wilmington Parking Authority (WPA) owns and operates multistory and surface parking facilities within the boundaries of Wilmington. The Board of Directors of the WPA is appointed by the Mayor and confirmed by the Wilmington City Council. The authority operates within the boundaries of the City. Substantially all the WPA's outstanding revenue bonds are guaranteed by the City. The WPA is the general partner in 800 Garage Associates, L.P. and owns 80% interest in the limited partnership.

Wilmington Downtown Business Improvement District (WDBID) Management Company (d/b/a Downtown Visions) was organized to supplement City safety and cleaning service in the downtown business district. The City appoints the corporation's entire board. The corporation's services are funded by charges assessed on taxable property in the district at a rate approved by the City.

Riverfront Wilmington Business Improvement District (RWBID) was organized to supplement City safety and cleaning service in the Wilmington Riverfront area. The City appoints the corporation's entire board. The corporation's services are funded by charges

assessed on taxable property in the district at a rate approved by the City. The corporation has a December 31 fiscal year end.

The financial information for the above component units is presented in the financial statements. Complete financial statements with accompanying notes pertaining to the individual component units can be obtained directly from their administrative offices:

Wilmington Park Trust Commission
22 South Heald Street
Wilmington, Delaware 19801

Brandywine Gateway Corporation
Christina Gateway Corporation, and
Wilmington UDAG Corporation
c/o City of Wilmington
Economic Development Department
800 French Street
Wilmington, Delaware 19801

Wilmington Economic Development Corporation
100 West 10th Street
Wilmington, Delaware 19801

Rock Manor Golf Corporation
19 Caruthers Lane
Wilmington, Delaware 19803

Wilmington Parking Authority
625 North Orange Street
Wilmington, Delaware 19801

Wilmington Downtown Business Improvement District
409 Orange Street
Wilmington, Delaware 19801

Riverfront Wilmington Business Improvement District
800 South Madison Street
Wilmington, Delaware 19805

Related Organizations

Officials of the City's primary government appoint a voting majority of the governing board of the Wilmington Housing Partnership Corporation and the Wilmington Housing Authority. Although the City appoints the majority of the governing board members, these members do not represent substantially the same governing body of the City. Further, the primary government's accountability for these entities does not extend beyond making the appointments. Accordingly, the financial activities of the Wilmington Housing Partnership Corporation and the Wilmington Housing Authority are not included in the City's financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City (the primary government) and its component units. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total governmental column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between government and business-type activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses relate to a given function or segment and amount of related program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Effective July 1, 2001, the City adopted the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as modified by GASB Statement No. 37. These statements affect the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The retroactive reporting of roads and certain other infrastructure as capital assets is not required this year under GASB reporting principles and has not been implemented. The City is required to implement reporting of these assets no later than the fiscal year ending June 30, 2006.

Management's Discussion and Analysis – Generally accepted accounting principles require that financial statements be accompanied by a narrative introduction and analytic overview of the

City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private sector organizations.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. The accrual basis of accounting is used by commercial enterprises to prepare their financial statements. Generally, under this accounting basis, revenues are recognized when earned and expenses are recorded when incurred for activities related to exchange and exchange-like activities. In addition, long-lived assets (such as buildings and equipment) are capitalized and depreciated over their estimated economic lives, and long-term debt is reported as an obligation of the entity.

Statement of Net Assets - The statement of net assets is designed to reflect the financial position of the primary government (governmental and business-type activities) and its component units. The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of the City are broken down into three categories - (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of each function is compared to the revenue generated directly by that function.

Accordingly, the City has recorded capital and certain long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

The primary impact of GASB Statement No. 34 on the City's accounting and financial reporting practices was to (1) classify certain activities as governmental that were previously reported as fiduciary, (2) report the residual balances of certain internal activities within the net assets of governmental activities, (3) report all long-term assets, including capital assets, and liabilities in the statement of net assets, and (4) report all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (non-exchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes, wage taxes, parking citations, and business licenses as available if they are collected within 60 days after year-end. Revenues for 2004 include property taxes levied principally on July 1, 2003, and collected prior to September 1, 2004. Other major revenue types considered measurable and "susceptible to" accrual include expenditure-reimbursement type grants and certain intergovernmental revenues. Governmental fund expenditures are recognized in the accounting period the liability is incurred, if measurable and payable from current available resources.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

The City reports the following major governmental funds:

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, municipal user taxes, employee taxes, and other intergovernmental revenues. This fund accounts for the general administrative services of the City not recorded elsewhere, including the activities of the various departments, parks and recreation expenditures, public safety, public works, licenses and inspections, real estate and housing, transportation, personnel activities, and debt service on general long-term obligations.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds or other Governmental Fund Types.

The Commerce Fund is used to account for the proceeds from the sale of the Port of Wilmington to the State of Delaware, debt service payments on the remaining Port debt, and certain economic development activities.

The City reports the following major enterprise fund:

Water and Sewer Fund reports City water and sewer utility operations that provide services financed primarily by user charges.

The City also reports the following fund types:

Internal Service Funds are used to account for goods or services provided by the City to other departments and funds, or to other governmental units, on a cost-reimbursement basis. The services accounted for in these funds include data processing, the motor vehicle pool, mail, mapping and graphics, duplication and reproduction, communications, word processing, self-insurance, workers' compensation, and health and welfare benefits.

Fiduciary Funds are used where the City holds assets in trust or as an agent for others and include pension and other employee benefit trust funds and agency funds.

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

With limited exceptions, the effects of internal activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for various functions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer fund and internal service funds are charges to customers for sales and services. The Water and Sewer fund recognizes as operating revenues the portion of connection fees related to the cost to connect customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

D. Assets, Liabilities and Fund Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City and its component units invest all temporary cash surpluses except for funds managed and invested by outside custodians. These temporary investments consist of certificates of deposit, U.S. Government securities, and time deposits. It is the City's and its component units' policies that all repurchase agreements be secured with U.S. Government securities. It is also their policies to consider demand deposits and highly liquid investments with maturities of three months or less when purchased and not under management of custodians or restricted as "cash and cash equivalents." Accordingly, cash and cash equivalents do not include "pooled investments" and "restricted investments," discussed below, and therefore, the two latter categories are excluded from beginning and ending balances for cash and cash equivalents in the statements of cash flows.

Pooled Investments

Pension investments pooled under management of outside custodians are external in nature and not considered highly liquid. These pooled investments consist of individual securities with identifiable street names, except for amounts invested in mutual funds as presented in Note 3.

Restricted Investments

In connection with various bond and trust agreements, investments were deposited into restricted accounts for the purpose of paying debt service or constructing capital additions.

Earnings from these three cash and investment categories discussed above are credited to their respective funds. An analysis of the cash and investments is presented in Note 3.

Investments - Carrying Value

Investments are stated at fair value.

Investments in the Fiduciary Funds are recorded at fair value as measured by quoted prices in an active market. The increase for the fiscal year in the aggregate fair value of investments is reflected in the Statement of Changes in Fiduciary Net Assets as "Net Appreciation in Fair Value."

Receivables

Receivables have been established and are carried for property taxes, business license fees, wage taxes, parking citations, and water and sewer charges.

Property Taxes are recorded as receivables at the time the tax is levied and billed on July 1 of each year and each quarter thereafter. The taxes become a lien when levied. Annual property taxes are due August 31. Penalty and interest on delinquent property taxes are recorded when imposed on September 15 at a nine percent (9%) penalty rate and an interest rate of one percent (1%) for the first three (3) months, one and one-half percent (1 ½%) for the second three (3) months, two and one-half percent (2 ½%) for the third three (3) months, and three percent (3%)

for each month thereafter on the unpaid balance. An allowance for uncollectible accounts is recorded based on historical collection trends and experience.

Water and Sewer Customer Charges are recorded when billed except that an estimated amount is recorded for services rendered but not yet billed as of the close of the fiscal year. Generally, this estimate is based on actual billings made subsequent to year-end after giving effect to charges for the subsequent reporting period. Thereafter, interest and penalty on delinquent water and sewer charges are recorded when imposed - forty-five (45) days after the due date and each thirty days thereafter as long as the balance remains outstanding. Penalty and interest are charged at a nine percent (9%) penalty rate and an interest rate of one percent (1%) for the first three (3) months, one and one-half percent (1 ½%) for the second three (3) months, two and one-half percent (2 ½%) for the third three (3) months, and three percent (3%) for each month thereafter on the unpaid balance. An allowance for uncollectible accounts is recorded based on historical collection trends and experience.

Business License Fees are recorded when billed on January 1 of each year. Accounts become delinquent thirty (30) days after billing, at which time a one-time five percent (5%) penalty or a minimum of \$5 is imposed. Thereafter, interest and penalty are assessed at a rate of three percent (3% each) per month. An allowance for uncollectible accounts is recorded based on historical collection trends and experience.

Wage Taxes are recorded when paid, and receivables are recorded when employers' accounts are reconciled to payments on a calendar-year basis to submitted employee W-2 information due January 31. A \$300 late filing fine is imposed after February 1. A one-time penalty of five percent (5%) or a minimum of \$5 is imposed on receivables after February 1 with interest imposed at a rate of one and one-half percent (1 ½%) per month until paid. An allowance for uncollectible accounts is recorded based on historical collection trends, experience, and direct contact with employers.

Parking Citations are recorded at the time the citation is issued. Accounts become delinquent 21 days after issuance; penalties of \$20 are added after 21 days, 45 days, and 90 days. An allowance for uncollectible accounts is recorded based on historical collection trends and experience.

Due to/Due from Other Funds

During the course of normal operations, the City has numerous transactions between funds, including cash transactions, operating expenditures and transfers of resources to provide services, operating transfers, to construct assets and to service debt. These short-term transactions (or receivables/payables) are classified as "due from other funds" or "due to other funds" on the balance sheet. A detailed schedule is presented in Note 7.

Internal Balances are the residual balances outstanding between governmental activities and business-type activities as reported in the government-wide financial statements.

Bond Issuance/Deferred Financing Costs

Bond issuance costs associated with general obligation bonds have been deferred in the Government-wide and Proprietary Fund financial statements and are amortized over the terms of the bonds using the straight-line method. In addition, the City has, in accordance with the provisions of GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities," deferred accounting gains and/or losses resulting from refunding transactions and amortized such gains and/or losses using the straight-line method in the Government-wide and Proprietary Fund financial statements.

Capital Assets

Capital assets are reported in the Government-wide and Proprietary Fund financial statements. The City has defined capital assets as assets with a minimum cost of \$5,000 and an estimated useful life in excess of two years. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the estimated useful lives of the related assets. The City records six months' depreciation in the year the asset is acquired. The City and its component units generally use the following estimated useful lives unless an asset's life has been adjusted based on actual experience:

<u>Asset Class</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Machinery and Equipment	10
Vehicles	5

The funds expended for infrastructure for the year ended June 30, 2004, do not have a significant impact upon the financial statements.

Compensated Absences

City employees are granted vacation, sick leave and compensatory time in varying amounts based on length of service and bargaining unit. A limited number of vacation, sick days, and compensatory time may be carried forward from year to year, and upon termination, employees are paid accumulated vacation, sick days, and compensatory time at the appropriate rates. Other than for Governmental Funds, the unpaid vested vacation, sick pay, and compensatory time liabilities have been accrued. In the Governmental Funds, (General Fund and Special Revenue Funds) compensated absences are recorded as expenditures in the year paid, as it is the City's policy to liquidate unpaid vacation, sick leave, and compensatory time at June 30 from future resources (typically, of the General Fund) rather than from currently available, expendable resources.

Long-Term Obligations

Obligations including revenue and general obligation bonds, mortgages and notes payable, loans payable, compensated absences, capital leases, and claims liabilities are reported in the government-wide statement of net assets and the proprietary fund financial statements. The City does not maintain a debt service fund.

Self-Insurance

The City is exposed to various risks of losses relating to general, automotive, police professional, public officials, a portion of property and casualty claims, workers' compensation, and employee health and accident claims. It is the policy of the City not to purchase commercial insurance to cover these risks because of its prohibitive cost. Instead, the City covers these claim settlements and judgments through Internal Service Funds.

The City does maintain commercial insurance coverage for property, special event, and certain other insurable losses. There has been no change in coverage during the past year. There has been no loss above insurance limits during the last three years.

The claims liabilities included in the Risk Management, Workers' Compensation and Health and Welfare Funds are based on the results of actuarial studies and include amounts for claims previously incurred, including both reported and unreported claims. Claims liabilities are calculated considering the effects of inflation, multi-year loss development trends, and other economic and social factors. It is the City's practice to obtain actuarial studies annually. Costs are charged back to other funds by these three internal service funds using various allocation methods.

Unearned Revenues

Unearned Revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Fund Balances

Governmental fund "reserves" represent those portions of fund balances not appropriable for expenditures or amounts legally segregated for a specific future use. "Designated" fund balance represents tentative plans for future use of financial resources and "undesignated" fund balance indicates that portion of fund equity, which is available for appropriation in future periods.

2. Stewardship, Compliance, and Accountability**A. Legally Adopted Governmental Fund Budgets**

Governmental funds, for which budgets have been legally adopted for the year ended June 30, 2004, included the General, Commerce and certain non-major funds.

Budgetary comparison schedules for the General and Commerce Funds are presented as required supplementary information. Such comparison schedules for the non-major funds are presented in the combining and individual fund financial statements and schedules section of this report.

B. Expenditures Over Appropriations

During the year ended June 30, 2004, expenditures exceeded appropriations in two departments. In both instances, the main causes were personal service and data processing costs in excess of anticipated amounts.

Fund	Department or Budget Line Item	Expenditures Over Budget
General Fund	Personnel	\$44,424
General Fund	Treasurer	\$14,487

3. Cash Deposits and Investment Portfolio Disclosure

Primary Government

The City pools surplus cash and investments of all funds for investment purposes with the City Treasurer, except for funds held and invested by outside custodians. These investments consist of individual securities with identifiable street names.

The City's investment policies are governed by the State of Delaware's Constitution. The City is authorized to make direct investments in U.S. Government agency securities, collateralized certificates of deposit and repurchase agreements. In addition, the Wilmington Park Trust Fund Commission (blended component unit) has authority to invest in corporate equities and debt through a 1935 Act of the State Legislature.

The investment policy for the City's Pension Trust Funds is in accordance with the Objectives and Guidelines Statements adopted by the trustees of the retirement funds. Accordingly, the City's Pension Trust Funds may be invested in common stocks, preferred stocks, corporate bonds, treasury and agency bonds, and money market instruments. The individual securities in the portfolio are held by the custodian in street names. The investment managers hedge against risk by maintaining an acceptable level of diversification. The equity exposure in the portfolio is limited to 60% of the managed assets at cost. In order to purchase a company's stock, it must be listed on a national stock exchange and generally have five years of continuous operations. The fixed income portion of the portfolio emphasizes high-quality investments, and the managers maintain a weighted average rating of at least AA.

As of June 30, 2004, the City's cash deposits, including certificates of deposit, are classified as to credit risk by the three categories described below:

A. Deposits

- Category 1** ▶ Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2** ▶ Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3** ▶ Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

<u>Primary Government</u>	<u>Carrying Amount</u>	<u>Bank Balances</u>
Category 1	\$ 270,137	\$ 273,749
Category 2	49,640,986	49,640,986
Category 3	<u>3,431,492</u>	<u>7,915,340</u>
	53,342,615	<u>\$ 57,830,075</u>
Restricted Investments, classified with restricted cash on statement of net assets.	-	
Category 3	<u>5,172,186</u>	
Total per statement of net assets	<u>\$ 58,514,801</u>	
Pension and other employee benefit trust funds:		
Category 3	<u>\$ 6,072,113</u>	<u>\$ 6,072,113</u>

Component Units

As of June 30, 2004, the City's component units' cash deposits, including certificates of deposit, are classified as to credit risk by the same three categories described for the primary government:

	Carrying Amount	Bank
Category 1	\$ 716,747	\$ 834,262
Category 2	4,082,022	4,082,022
Category 3	1,034,010	1,030,685
Total	\$ 5,832,779	\$ 5,946,969

B. Investments

Investments made by the City are summarized below. The investments that are represented by specific, identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1** ▶ Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2** ▶ Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name.
- Category 3** ▶ Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name.

Investments in mutual funds have not been categorized because they do not represent specific identifiable investment securities that exist in physical or book entry form.

	Category			June 30, 2004 Carrying Amount
	1	2	3	(Fair Value)
<u>Pension Plans:</u>				
U.S. Treasury Obligations	\$ 43,706,757	\$ -	\$ -	\$ 43,706,757
Stocks	48,311,558	-	-	48,311,558
Corporate Obligations	37,011,198	-	-	37,011,198
	\$ 129,029,513	\$ -	\$ -	129,029,513
Mutual Funds				4,592,666
Total Pension Plan Investments				\$ 133,622,179
<u>Primary Government - Wilmington Park Trust Commission:</u>				
Stocks	\$ -	\$ -	\$ 4,734,002	\$ 4,734,002
U.S. Treasury Obligations	-	-	438,184	438,184
	\$ -	\$ -	\$ 5,172,186	\$ 5,172,186

Component Units

Investments made by the City's component units are summarized below. The investments that are represented by specific, identifiable investment securities are classified as to credit risk in the same three categories described for the primary government:

	<u>Category</u>			June 30, 2004
	<u>1</u>	<u>2</u>	<u>3</u>	Carrying Amount
				(Fair Value)
Wilmington Parking Authority:				
U.S. Treasury Obligations	\$ -	\$ 1,358,051	\$ -	\$ 1,358,051

4. Receivables**Primary Government**

Receivables as of year-end for the Government's major funds and other funds (including applicable allowances for uncollectible accounts) are as follows:

	<u>Governmental Activities</u>				<u>Total Governmental</u>	<u>Business-Type Activities</u>	<u>Totals Receivables</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Commerce Fund</u>	<u>Other Funds</u>		<u>Water and Sewer</u>	
Receivables:							
Property Taxes	\$ 3,306,251	\$ -	\$ -	\$ -	\$ 3,306,251	\$ -	\$ 3,306,251
Parking Citations	21,862,687	-	-	-	21,862,687	-	21,862,687
Business Licenses	432,985	-	-	-	432,985	-	432,985
Utility Billings	-	-	-	-	-	12,520,255	12,520,255
Wage Taxes	2,569,193	-	-	-	2,569,193	-	2,569,193
Signs and Licenses	2,596,147	-	-	-	2,596,147	-	2,596,147
Other	630,359	229,600	-	3,053	863,012	100,000	963,012
Diamond State Port	-	-	24,823,793	-	24,823,793	-	24,823,793
Mortgage	-	-	800,000	846,982	1,646,982	-	1,646,982
Gross Receivables	31,397,622	229,600	25,623,793	850,035	58,101,050	12,620,255	70,721,305
Less: Allowance for Uncollectibles	(26,511,656)	-	-	(498,178)	(27,009,834)	(7,276,338)	(34,286,172)
Net Total Receivables	\$ 4,885,966	\$ 229,600	\$ 25,623,793	\$ 351,857	\$ 31,091,216	\$ 5,343,917	\$ 36,435,133

Component Units

Receivables as of year-end for the Component Units are as follows:

	<u>Brandywine Gateway Corporation</u>	<u>Wilmington UDAG Corporation</u>	<u>Wilmington Parking Authority</u>	<u>Wilmington Economic Development Corporation</u>	<u>Other Component Units</u>	<u>Total</u>
Receivables:						
Accounts	\$ 350,000	\$ 227,974	\$ 184,351	\$ 171,403	\$ 67,433	\$ 1,001,161
Mortgages and Loans	12,160,000	7,438,679	13,343,031	1,027,623	-	33,969,333
Less: Allowance for Uncollectibles	-	-	(40,509)	(18,884)	-	(59,393)
Net Total Receivables	\$ 12,510,000	\$ 7,666,653	\$ 13,486,873	\$ 1,180,142	\$ 67,433	\$ 34,911,101

5. Notes Receivable**A. Deferred Notes – General Fund**

On September 1, 1995, the City entered into an agreement with the Diamond State Port Corporation (DSPC), selling the assets of the Port of Wilmington. In exchange for the assets sold (net book value of \$71.9 million), DSPC agreed to make payments to the City under deferred payment notes totaling \$115.5 million over 30 years, discounted at 7% interest rate. The Agreement contains certain indemnification provisions under which the City may be liable to reimburse the DSPC for certain costs incurred. As a result, the City has recorded an environmental liability reserve account in the amount of \$1,000,000. The gain was being amortized on an installment sale basis over a payback period through 2006. In 2000, there was prepayment in the amount of \$6,000,000 that resulted in unearned revenue of \$2,040,000 which was recognized in fiscal years 2002 through 2004 as revenue. The deferred gain has been fully recognized as of June 30, 2004. The Note Receivable in the amount of \$24,823,793 is included in the government-wide statement of net assets and governmental funds balance sheet.

B. Component Units

Brandywine Gateway Corporation lent the principal sum of \$12,160,000 in construction funds to a developer in the form of a mortgage note, which was made permanent in April 1984. The note was assigned to and assumed by DCL Leasing Partners Limited Partnership, Ltd.-VI (DCL) in December 1986. DCL is required to pay interest only on a monthly basis through June 2008, computed at an annual rate of 5%. From July through December 2008, six equal monthly installments of principal and interest of \$253,333 will be due. A balloon payment for the unpaid principal will be due and payable on January 2, 2009. The note is secured by a second mortgage between DCL and Hercules Incorporated.

Wilmington Parking Authority's amount due under contractual agreement of \$12,532,200 represents a receivable, including current accrued interest, resulting from a 1980 loan agreement with certain parties to provide for the construction of a new office building and parking facility within the limits of the City. As a result, the U.S. Department of Housing and Urban Development (HUD) agreed to provide the City with an Urban Development Action Grant (UDAG). In accordance with the terms of the agreement, a quasi-governmental development corporation was formed to act as a conduit for the UDAG grant and lent \$12,160,000 of such funds to an independent company that constructed and operates the facility. The term of the loan is 25 years, with required interest payable annually, as defined by the agreement, on the unamortized loan balance and the entire principal due at maturity. By agreement, the Wilmington Parking Authority is the recipient of the annual interest payments and will receive the principal upon repayment of the loan.

On December 30, 1993, the Authority accepted a \$1,938,000 mortgage note receivable from the City of Wilmington in conjunction with the sale of a parcel of land to the City. The note expires June 30, 2014, and is payable in equal monthly installments of \$12,260, including interest at 4.5% annually. The outstanding balance, as of June 30, 2004, is \$1,201,067.

Wilmington UDAG Corporation has made several loans to developers and individuals under UDAG loan agreements by using funds received from UDAG loan paybacks and investment earnings. Typically, the loans carry favorable terms to the borrowers as an incentive for increased private investment for economic revitalization in the City or as a means for low-income individuals to obtain financing in housing projects. Common terms offered included below-market or zero interest, extended interest-only payback periods, and scheduled conditional debt forgiveness. The following table summarizes the entity's notes and loans receivable balances at June 30, 2004:

Notes and Loans Balances

Commercial Entities

Eugene A. DelleDonne and Son, L.P.	\$ 5,300,000
Leon H. Weiner and Associates	1,054,952
800 Delaware Avenue (DelleDonne)	450,000
Harold Garfinkel	322,513
DDR, LLC (Fox Valley)	161,214
Kuumba Academy	150,000
	<u>\$ 7,438,679</u>

6. Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities					
Capital Assets not being Depreciated:					
Land	\$ 20,069,161	\$ -	\$ -	\$ 346,186	\$ 19,722,975
Total Capital Assets not being Depreciated	<u>20,069,161</u>	<u>-</u>	<u>-</u>	<u>346,186</u>	<u>19,722,975</u>
Capital Assets being Depreciated:					
Buildings	44,091,470	-	8,732	38,530	44,061,672
Improvements Other Than Buildings	56,308,175	4,351,083	(8,732)	391,478	60,259,048
Streets and Utilities	7,365,926	-	-	-	7,365,926
Machinery and Equipment	25,284,450	1,037,857	-	317,955	26,004,352
Vehicles	14,098,106	2,275,076	-	1,195,978	15,177,204
Other Assets	1,313,868	-	-	248,127	1,065,741
Total Capital Assets being Depreciated	148,461,995	7,664,016	-	2,192,068	153,933,943
Less Accumulated Depreciation For:					
Buildings	(14,524,861)	(880,124)	(9,679)	(9,054)	(15,405,610)
Improvements Other Than Buildings	(6,468,058)	(1,191,805)	41,870	(1,646)	(7,616,347)
Streets and Utilities	(1,814,180)	(147,319)	-	-	(1,961,499)
Machinery and Equipment	(18,032,596)	(1,094,430)	(32,191)	(189,371)	(18,969,846)
Vehicles	(9,761,391)	(1,236,448)	-	(815,115)	(10,182,724)
Other Assets	(465,881)	(39,660)	-	(58,976)	(446,565)
Total Accumulated Depreciation	<u>(51,066,967)</u>	<u>(4,589,786)</u>	<u>-</u>	<u>(1,074,162)</u>	<u>(54,582,591)</u>
Total Capital Assets being Depreciated, Net	<u>97,395,028</u>	<u>3,074,230</u>	<u>-</u>	<u>1,117,906</u>	<u>99,351,352</u>
Governmental Activities Capital Assets, Net	<u>\$ 117,464,189</u>	<u>\$ 3,074,230</u>	<u>\$ -</u>	<u>\$ 1,464,092</u>	<u>\$ 119,074,327</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,656,612	\$ -	\$ -	\$ 3,656,612
Total Capital Assets Not Being Depreciated	<u>3,656,612</u>	<u>-</u>	<u>-</u>	<u>3,656,612</u>
Capital Assets Being Depreciated:				
Buildings	115,524,228	-	-	115,524,228
Improvements Other Than Buildings	77,878,075	11,659,972	272	89,537,775
Streets and Utilities	16,801,268	-	-	16,801,268
Machinery and Equipment	20,679,650	3,207,082	-	23,886,732
Vehicles	938,862	-	125,620	813,242
Total Capital Assets Being Depreciated	<u>231,822,083</u>	<u>14,867,054</u>	<u>125,892</u>	<u>246,563,245</u>
Less Accumulated Depreciation For:				
Buildings	(69,150,971)	(1,958,456)	-	(71,109,427)
Improvements Other Than Buildings	(8,457,716)	(1,689,883)	(39)	(10,147,560)
Streets and Utilities	(3,194,672)	(344,122)	-	(3,538,794)
Machinery and Equipment	(11,620,422)	(1,030,965)	-	(12,651,387)
Vehicles	(832,331)	(46,782)	(125,236)	(753,877)
Total Accumulated Depreciation	<u>(93,256,112)</u>	<u>(5,070,208)</u>	<u>(125,275)</u>	<u>98,201,045</u>
Total Capital Assets Being Depreciated, Net	<u>138,565,971</u>	<u>9,796,846</u>	<u>617</u>	<u>148,362,200</u>
Business-Type Activities Capital Assets, Net	<u>\$ 142,222,583</u>	<u>\$ 9,796,846</u>	<u>\$ 617</u>	<u>\$ 152,018,812</u>

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

Governmental Activities

General Government	\$ 1,637,332
Commerce	95,649
Real Estate and Housing	324,202
Public Works	1,010,431
Parks and Recreation	528,561
Public Safety	993,611
Total Depreciation Expense - Governmental Activities	<u>\$ 4,589,786</u>
Total Depreciation Expense - Business-Type Activities	
Water/Sewer	<u>\$ 5,070,208</u>

B. Component Units

Capital asset activity for the City's component units for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 19,926,054	\$ -	\$ -	\$ 19,926,054
Construction-In-Progress	<u>1,614,950</u>	<u>3,110,197</u>	<u>2,903,242</u>	<u>1,821,905</u>
Total Capital Assets Not Being Depreciated	<u>21,541,004</u>	<u>3,110,197</u>	<u>2,903,242</u>	<u>21,747,959</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	46,474,998	86,220	456,881	46,104,337
Machinery and Equipment	<u>2,515,566</u>	<u>2,157,668</u>	<u>819,803</u>	<u>3,853,431</u>
Total Capital Assets Being Depreciated	48,990,564	2,243,888	1,276,684	49,957,768
Less Accumulated Depreciation For:				
Buildings	(19,677,621)	(1,462,141)	-	(21,139,762)
Machinery and Equipment	<u>(1,524,371)</u>	<u>(202,548)</u>	<u>(857,804)</u>	<u>(869,115)</u>
Total Accumulated Depreciation	<u>(21,201,992)</u>	<u>(1,664,689)</u>	<u>(857,804)</u>	<u>(22,008,877)</u>
Total Capital Assets Being Depreciated, Net	<u>27,788,572</u>	<u>579,199</u>	<u>418,880</u>	<u>27,948,891</u>
Component Units Activities Capital Assets, Net	<u>\$ 49,329,576</u>	<u>\$ 3,689,396</u>	<u>\$ 3,322,122</u>	<u>\$ 49,696,850</u>

7. Interfund Balances and Transfers

Interfund balances arise primarily from the General Fund's role as receiver, investor, and disbursing agent of cash. The General Fund balances payable to the Water and Sewer Fund amounting to \$1,323,009 will supply funding of capital projects under draw down type bond financing. The Capital Project Fund payable to the General Fund amounting to \$550,551 represents costs paid by the General Fund to be reimbursed from State Grants. The Fiduciary Fund payable amounting to \$5,293,439 primarily represents a liability to the General Fund for prior years' pension charges paid and not reimbursed. Additionally, this net amount reflects interfund balances from General Fund cash receiving, paying and investing activities.

The interfund transfer of \$1,000,000 to the General Fund comes from the Water and Sewer Fund to subsidize current operations as mandated by City Council. Interfund transfers of \$2,051,615 from the General Fund consist of \$2,000,000 transfer to the Commerce Fund for economic development purposes and a \$51,615 transfer to the Wilmington Arts Commission (a Special Revenue Fund).

The composition of inter-fund balances as of June 30, 2004, is as follows.

<u>Interfund Transactions</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 12,794,628
Special Revenue Funds:		
Park Recreation Assistance	-	456,418
Community Development Block Grant	-	57,648
Section 8 Housing Assistance	388,259	-
Jobs Training Partnership Act	-	105,259
Park Trust	-	64,938
Delaware Criminal Justice Planning	-	144,730
Municipal Street Aid	440,391	-
Home Partnership Program	87,715	-
Urban Enterprise Community Grants	-	67,968
Housing Opportunities for People with Aids	-	158,439
Community Policing	29,337	-
Wilmington Arts Commission	6,543	-
National Endowment for the Arts	-	29,011
Special Projects	406,159	-
Commerce	317,724	-
US Department of Commerce	-	117,206
Total Special Revenue Funds	1,676,128	1,201,617
Capital Projects Funds	-	550,551
Enterprise Funds:		
Water and Sewer	1,323,009	-
Internal Service Funds:		
Data Processing	-	491,688
Word Processing	34,866	-
Mail Service	-	14,576
Duplication and Reproduction	42,374	-
Mapping and Graphics	3,198	-
Motor Vehicle	-	1,920,608
Communications	-	274,013
Risk Management	5,847,153	-
Workers' Compensation	11,876,770	-
Health and Welfare	1,737,622	-
Total Internal Service Funds	19,541,983	2,700,885
Fiduciary Funds:		
Fire Pension	-	3,103,519
Police Pension	-	324,123
Plan I Nonuniformed Pension	-	836,195
Plan II Nonuniformed Pension	-	501,737
Plan III Nonuniformed Pension	-	950,286
Escrow Loans and Grants	573,388	-
Pension Healthcare	8,892	-
Section 108 Program	-	-
Emergency Shelter Grant	-	159,859
Total Fiduciary Funds	582,280	5,875,719
Grand Total	<u>\$ 23,123,400</u>	<u>\$ 23,123,400</u>

8. Long-term Debt – Primary Government**A. Changes in Long-Term Liabilities**

The following is a summary of debt transactions of the City (primary government) for the year ended June 30, 2004:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable	\$ 117,097,841	\$ -	\$ (8,660,870)	\$ 108,436,971	\$ 9,442,261
Less: Deferred Amounts on Refunding	(3,781,223)	-	453,747	\$ (3,327,476)	(453,746)
Capital Leases	3,071,784	1,099,960	(1,393,888)	2,777,856	1,347,357
Loan-WPA	1,297,490	-	(96,423)	1,201,067	95,853
Compensated Absences	5,542,789	4,583,821	(4,636,425)	5,490,185	4,271,238
Bond Anticipation Notes	-	4,500,000	-	4,500,000	-
Claims Liabilities (Note 11)	24,043,944	6,540,888	(12,158,048)	18,426,784	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 147,272,625</u>	<u>\$ 16,724,669</u>	<u>\$ (26,491,907)</u>	<u>\$ 137,505,387</u>	<u>\$ 14,702,963</u>
<u>Business-Type Activities:</u>					
Water Sewer Fund Bonds Payable	\$ 60,374,152	\$ -	\$ (4,610,477)	\$ 55,763,675	\$ 4,487,764
Less: Deferred Amounts on Refunding	(1,823,208)	-	218,761	(1,604,447)	(218,761)
Capital Leases	159,122	2,194,925	(158,420)	2,195,627	527,906
Loan-State of Delaware	11,818,010	3,344,579	(987,985)	14,174,604	918,801
Compensated Absences	562,607	439,105	(440,269)	561,443	429,921
Business-Type Activities					
Long-Term Liabilities	<u>\$ 71,090,683</u>	<u>\$ 5,978,609</u>	<u>\$ (5,978,390)</u>	<u>\$ 71,090,902</u>	<u>\$ 6,145,631</u>

B. General Obligation Bonds

General Fund revenues are used to satisfy general obligation bonds payable recorded in the government-wide statement of net assets. General obligation bonds recorded in the Proprietary Funds are payable from revenues and restricted investments of the specific fund in which they are recorded. General obligation bonds are secured by the full faith and credit of the City. Bonds issued by the Wilmington Parking Authority (component unit) are guaranteed by the City in the event resources of the Authority are insufficient to cover debt service on the bonds.

The following is a summary of general obligation bonds outstanding as of June 30, 2004:

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2004
2001/2023	\$ 34,780,000	Series of 2002	4.0% - 5.375%	\$ 33,550,000
2001/2012	22,165,000	Series of 2001	3.25% - 5.0%	12,065,000
2000/2005	2,000,000	Series of 2000	70% of Prime Rate	2,000,000
1998/2018	45,500,000	Series of 1998	3.6% - 5.25%	40,540,000
1996/2016	46,685,000	Series of 1996A	4.9% - 6.0%	15,865,000
1996/2016	5,500,000	Series of 1996B	4.15% - 6.20%	4,225,000
1993/2022	68,305,000	Series of 1993B	3.9% - 5.1%	<u>55,370,000</u>
				163,615,000
Plus: Bond Premiums				<u>585,646</u>
Total General Obligation Bonds Payable				<u>\$ 164,200,646</u>
2006	\$ 4,500,000	Series of 2004A	1.27%	\$ <u>4,500,000</u>
Total Bond Anticipation Note				<u>\$ 4,500,000</u>

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 9,442,261	\$ 5,153,444	\$ 4,487,764	\$ 2,605,275
2006	11,738,489	4,646,150	4,671,531	2,398,984
2007	10,166,217	4,161,671	4,878,783	2,187,403
2008	10,660,280	3,680,394	5,114,720	1,956,551
2009	10,633,475	3,231,851	5,041,525	1,739,247
2010-2014	28,511,286	10,112,511	14,523,714	5,781,470
2015-2019	18,953,411	4,661,162	10,631,589	2,868,528
2020-2023	<u>7,948,089</u>	<u>1,020,491</u>	<u>6,211,866</u>	<u>704,217</u>
Total Bonds	108,053,508	36,667,674	55,561,492	20,241,675
Bond Premiums	<u>383,463</u>	<u>-</u>	<u>202,183</u>	<u>-</u>
	<u>\$ 108,436,971</u>	<u>\$ 36,667,674</u>	<u>\$ 55,763,675</u>	<u>\$ 20,241,675</u>

Primary Government

On January 30, 2004, the City issued \$4,500,000 of General Obligation Bonds, Series A of 2004. The net proceeds of the bonds were used to acquire certain land and/or long-term easements with respect to land in connection with the Christina Landing Development. The bonds mature on February 1, 2006. Interest is payable quarterly, at the LIBOR rate plus eighteen basis points (not to exceed 6%). The interest rate as of June 30, 2004, was 1.27%.

On August 23, 2003, the City entered into a General Obligation Financing agreement with Delaware Drinking Water Fund (DDWF) acting by and through the Delaware Department of Health and Social Services, Division of Public Health for an amount not to exceed \$11,000,000. The net loan proceeds will be primarily used for the costs associated with the City's Cool Spring Reservoir project. The loan bears an interest rate of 2.96%. Payments are due every six months, with a final payment due May 1, 2025. The total amount of the loan outstanding as of June 30, 2004, is \$566,342, which is recorded in the Water and Sewer Fund.

On May 15, 2002, the City issued \$34,780,000 of General Obligation Bonds, Series of 2002. The net proceeds of the bonds were used to finance capital projects in the General (\$18,775,000), Water/Sewer (\$15,000,000), and Internal Service (\$1,005,000) Funds. The bonds mature in varying amounts between May 15, 2002, and June 1, 2023, and bear annual interest rates between 4.0% and 5.375%.

On October 15, 2001, the City issued \$22,165,000 of General Obligation Bonds, Series of 2001. The proceeds of the bonds were applied to refund certain outstanding bonds. A portion of the proceeds of the Bonds was used to affect the refunding of the City's General Obligation Bonds, Series 1992A, in the amount of \$9,640,000, and Series 1992B Bonds in the amount of \$6,600,000.

The advance refunding resulted in a fiscal year 2002 accounting loss of \$6,725,077. The accounting loss resulting from the refunding transaction is being deferred and amortized. Amortization for 2004 was \$218,766 in the Water and Sewer Fund and \$453,747 for governmental activities.

On July 20, 2000, the City issued \$2,000,000 of General Obligation Bonds to acquire property for future development. The bonds mature in varying amounts through September 2005 and bear annual interest rates of 70% of the prime rate.

On August 27, 1998, the City issued \$45,500,000 of General Obligation Bonds, Series of 1998. The net proceeds of the bonds were used to finance capital projects in the General (\$31,234,543) and Water/Sewer (\$14,265,457) Funds. The bonds mature in varying amounts between February 1, 1999, and February 1, 2018, and bear annual interest rates between 3.60% and 5.25%.

On June 1, 1996, the City issued \$46,685,000 of General Obligation Bonds, Series of 1996A. The net proceeds of the bonds were used to finance capital projects in the General (\$8,391,000), Water/Sewer (\$9,625,000), and the Commerce Funds (\$1,231,000); and the remaining net

proceeds were used to fully refund the City's General Obligation Bonds, Series of 1986 and 1988. The refunding portion of net proceeds of the bonds was irrevocably deposited with an escrow agent. The funds deposited with the escrow agent, not required for immediate payment of principal and interest on the refunded issues, are invested. All investment earnings are applied to pay principal and interest on the refunded bond issues. \$39,470,000 of series bonds mature between October 1, 1997, and October 1, 2011, and bear annual interest rates between 5.0% and 6.0%. \$7,215,000 of term bonds bearing an annual interest rate of 5.5% are due on October 1, 2012, and October 1, 2016. The City's advance refunding obtained an economic gain of \$1,809,208 and decreased debt service payments by \$1,670,628 through 2016.

On June 1, 1996, the City issued \$5,500,000 of General Obligation Bonds, Series of 1996B. The net proceeds of the bonds were issued to fully pay off the Line of Credit Note, Series 1994. The Line of Credit Note proceeds were used to finance capital improvements at the Port of Wilmington before its September 1, 1995 sale. \$3,140,000 of series bonds mature between October 1, 1997, and October 1, 2010, and bear annual interest rates between 4.15% and 6.05%. \$2,360,000 of term bonds bearing an annual interest rate of 6.20% mature between October 1, 2011, and on October 1, 2016.

On December 1, 1993, the City issued \$68,305,000 of General Obligation Bonds, Series of 1993B. The net proceeds of the bonds were used to partially refund the City's General Obligation Bonds, Series of 1988, 1990, 1992A, 1992B, and 1992C in the aggregate principal amount of \$59,785,000. The defeased debt has been repaid.

On October 8, 1993, the City entered into a General Obligation Financing Agreement with the Delaware Water Pollution Control Revolving Fund (DWPC) acting by and through the Delaware Department of Natural Resources and Environmental Control (DNREC) for an amount not to exceed \$20,000,000. The net loan proceeds were used to finance the cost of expansion of the City's wastewater treatment facilities. The loan bears an interest rate of 3.25%. Amortization started on April 1, 1997, with a final payment due on October 1, 2016. The total amount of the loan outstanding as of June 30, 2004, is \$13,608,262, which is recorded in the Water and Sewer Fund.

On December 30, 1993, the City purchased six parcels of land located at 11th and French and 12th and King Streets in Wilmington, Delaware, from the Wilmington Parking Authority for \$1,938,000 by way of a loan held by the Wilmington Parking Authority (WPA). The land had a book value of \$4,583,276, and the Authority appropriately recorded a loss on the sale in the amount of \$2,645,276. The loan, which began accruing interest on January 1, 1994, at 4.5%, with monthly installments of \$12,260 beginning on July 1, 1994, and extending over 20 years, is reflected as a General Long-Term Obligation.

Component Units

The following is a summary of long-term debt of the Component units.

Component Unit	Date of Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding at June 30, 2004
Wilmington Parking Authority	1992/2015	\$ 35,920,000	Parking Revenue Bonds	5.7% - 6.25%	\$ 1,050,000
Wilmington Parking Authority	1992/2015	21,075,000	Parking Revenue Bonds	2.5% - 5.25%	19,775,000
Wilmington Parking Authority	2003/2013	3,250,000	Promissory Note	5.48%	3,220,298
Rock Manor Golf Corporation	2002/2008	460,000	Notes Payable to Bank	4.75% - 6%	403,000
WEDCO	1992/Upon Sale	800,000	Mortgage Payable	0%	800,000
WEDCO	1992/Upon Sale	750,000	Mortgage Payable	0%	750,000
WEDCO	Various	116,184	Various	0%	64,820
Brandywine Gateway	Various	12,160,000	Mortgage Payable	0%	12,160,000
Downtown Visions	2000/2009	637,500	Community Investment Wilmington Saving Fund	7.78%	575,223
Downtown Visions	2003/2008	156,000	Secured Loan Wilmington Saving Fund	4.0%	147,020
Downtown Visions	2003/2007	50,990	Secured Loan Wilmington Saving Fund	4.25%	41,689
Downtown Visions	2004/2008	32,000	Secured Loan	1.90%	31,903
Riverfront Development Business District	1998/Open	800,000	Riverfront Development Corporation	4.25%	755,231
Sub-total					39,774,184
Bond Premium/Bond Discount					475,381
Total Long-term Debt					\$ 40,249,565

In addition, WEDCO has a secondary loan from Wilmington UDAG Corporation in the amount of \$22,645. The loan is payable when the entity ceases to exist. It is collateralized by a first lien on all loans receivable funded from this loan.

On December 31, 1991, a part owner of a parking garage also owned by the Wilmington Parking Authority entered into a \$2,500,000 mortgage loan with Wilmington Trust Company. This loan, guaranteed by the Authority, bears interest at the bank's prime rate plus .25%, and matures December 2004.

In addition, the Brandywine Gateway Corporation is obligated to pay the Wilmington Parking Authority \$12,160,000 with the proceeds from a note receivable of the same amount.

Annual debt service requirements to maturity for component units are as follows:

Component Unit's Debt Service Schedule								
Year Ending June 30	Wilmington Economic Development Corporation		Rock Manor Golf Course Corporation		Wilmington Parking Authority		Brandywine Gateway Corporation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 17,899	\$ 1,792	\$ 65,000	\$ 16,673	\$ 1,550,174	\$ 1,021,485	\$ -	\$ -
2006	4,040	1,648	65,000	13,748	1,595,776	966,573	-	-
2007	4,189	1,499	65,000	10,823	1,656,439	906,347	-	-
2008	4,343	1,345	65,000	7,898	1,657,421	843,827	-	-
2009	4,503	1,185	65,000	4,973	1,718,739	780,785	-	-
2010-2014	24,732	3,311	78,000	2,341	11,781,749	2,690,391	12,160,000	-
2015-2019	5,114	100	-	-	4,085,000	217,719	-	-
2020-2023	1,550,000	-	-	-	-	-	-	-
Total	\$ 1,614,820	\$ 10,880	\$ 403,000	\$ 56,456	\$ 24,045,298	\$ 7,427,127	\$ 12,160,000	\$ -

Year Ending June 30	Downtown Visions		Riverfront Business Improvement District		Total Component Unit's Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 39,569	\$ 51,954	\$ -	\$ -	\$ 1,672,642	\$ 1,091,904
2006	41,625	49,751	-	-	1,706,441	1,031,720
2007	43,977	47,398	-	-	1,769,605	966,067
2008	177,834	43,400	-	-	1,904,598	896,470
2009	25,684	37,270	-	-	1,813,926	824,213
2010-2014	467,146	198,903	-	-	24,511,627	2,894,946
2015-2019	-	-	-	-	4,090,114	217,819
2020-2023	-	-	755,231	-	2,305,231	-
Total	\$ 795,835	\$ 428,676	\$ 755,231	\$ -	\$ 39,774,184	\$ 7,923,139

C. Prior-Year Defeasance of Debt

In prior years, the City (primary government) and the Wilmington Parking Authority (component unit) defeased certain general obligation and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City and Authority's financial statements. The defeased debt will be redeemed over the next ten years.

At June 30, 2004, \$3,000,000 of Wilmington Parking Authority bonds are outstanding and considered defeased.

D. Conduit Debt Obligations

From time to time, the City has issued revenue bonds for the express purpose of providing capital financing to third parties that are not part of the City or its component units. Although the debt bears the City's name, the City has no obligation for this debt beyond the resources of the third party or the related project as provided for in the bonds. Because the City has no liability for this debt, it is not recorded in the City's financial statements. As of June 30, 2004, ten issues with debt of \$59,044,572 remain outstanding.

E. Compensated Absences

The compensated absences liability, attributable to governmental activities will be liquidated by the City's governmental and internal service funds. In the past, approximately 92% has been paid by the General Fund and the remainder by other governmental and internal service funds.

9. Leases**A. Leases - Lessee****1. Capital Lease - Primary Government**

The City has a Master Equipment Lease/Purchase Agreement with Wilmington Trust Company. The agreement allows the City to purchase equipment at an adjustable market rate of interest. The agreement calls for a series of acceptance certificates/schedules of payments constituting a single transaction. As of June 30, 2004, the City had drawn down a total of \$13,344,638. Each draw has a separate lease schedule. The leases currently expire between 2005 and 2009 and the total quarterly payment at June 30, 2004, was \$511,092. The City records purchases and related liabilities as follows: computer equipment through its Data Processing Fund (internal service), motor vehicles through its Motor Vehicle Fund (internal service), and water meters through the Water/Sewer Fund. Furthermore, this Agreement is classified as a capital lease in accordance with Financial Accounting Standards Board Statement No. 13, "Accounting for Leases." As such, the present value of all future minimum lease payments has been recorded as a capital lease obligation on the statement of net assets.

A schedule of future minimum lease payments and related present value of the net minimum lease payments as of June 30, 2004, follows:

<u>Year Ending June 30</u>	<u>Water/ Sewer</u>	<u>Motor Vehicle</u>
2005	\$ 527,906	\$ 1,347,357
2006	479,655	687,352
2007	475,281	476,715
2008	471,343	236,203
2009	398,263	200,208
Total Minimum Lease Payments	2,352,448	2,947,835
Less: Amount Representing Interest	156,821	169,979
Present Value of Lease payments	<u>\$ 2,195,627</u>	<u>\$ 2,777,856</u>

2. Operating Leases- Component Unit

In May 1995, the Wilmington Parking Authority (component unit) sold one of its parking garages for \$4,800,400 and simultaneously leased the facility back for a period of eight years at \$20,000 per month or \$240,000 per year. The property and equipment had a book value of \$1,790,000. The Authority recorded a gain of \$1,580,362 and has recorded unearned revenue equal to the net present value of the minimum lease payments or \$1,430,038 in accordance with sale-leaseback accounting rules. The unearned revenue is being amortized using the straight-line basis over the life of the lease. Minimum future rental payments on non-cancelable operating leases as of June 30, 2004, are as follows:

<u>Year Ending June 30</u>	<u>Wilmington Parking Authority</u>
2005	\$ 276,000
2006	253,000
	<u>\$ 529,000</u>

Wilmington UDAG Corporation was a lessee of property at 621 North Market Street Mall. The property was leased for the purpose of subleasing it to Delaware State University (DSU). The lease at \$11,558 per month was extended through August 2003. Wilmington UDAG Corporation is no longer a party to the lease.

B. Operating Leases – Lessor

Component Unit

The Wilmington Parking Authority leases space to commercial tenants at its Brandywine Gateway and Corporate Plaza facilities. All such leases are classified as operating leases. Rental income from these leases during fiscal 2004 was \$141,891. The following is a schedule of minimum future rental income on non-cancelable operating leases as of June 30, 2004:

<u>Year Ending June 30</u>	<u>Wilmington Parking Authority</u>
2005	\$ 110,019
2006	12,300
2007	6,000
2008	6,000
2009	6,000
2010 and thereafter	436,000
Total Minimum Future Rental Income	<u>\$ 576,319</u>

10. Fund Balance

Fund balance amounts have been designated in the General Fund for specific purposes. Designations have been established as follows:

- The entire balance amount (\$5,396,359) of Wilmington Park Trust Commission is Restricted for Parks Operations in accordance with the bequest of grantors.
- Budget Reserve Amount for Public Emergencies (\$16,305,786): The budget reserve was legislated to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by economic changes and/or unfunded legislative mandates.
- Permanent Investment (\$9,434,759): This account was established within the City Code for the purpose of providing a longer-term reserve for the City to address certified emergencies.
- Economic Development (\$13,484,998): These funds, representing the entire fund balance of the Commerce Fund, are set aside by the City Council for economic development.
- Capital Projects (\$609,248): These funds, representing the entire fund balance of the Capital Projects Fund, are set aside by the City Council for economic development.

11. Self Insurance Funds**A. Risk Management**

The City is self-insured for actuarially determined exposure of general liability, automotive liability, police professional liability, and public officials' liability. An actuarial valuation is performed on an annual basis. Resources are allocated to the Risk Management Fund (an Internal Service Fund) from the operating funds to provide for expected future payments on claims previously incurred, including both reported and unreported claims. These amounts were not discounted and were adjusted by a risk margin calculated to provide a statistical confidence level of 80%.

For the year ended June 30, 2004, the Unpaid Claims liability decreased due to a reduction in the Incurred Claims amount. This reduction was due to a revision in the actuarially determined estimate, caused primarily by the impact of the settlement of certain large claims in the City's favor. An analysis of claims liabilities recorded in the Risk Management Fund is presented below:

	Year Ended June 30, 2004	Year Ended June 30, 2003
Unpaid Claims, Beginning of Fiscal Year	\$ 10,265,753	\$ 6,697,708
Incurred Claims	(3,562,840)	4,233,573
Claim Payments	(840,535)	(665,528)
Unpaid Claims, End of Fiscal Year	<u>\$ 5,862,378</u>	<u>\$ 10,265,753</u>

B. Workers' Compensation

The City is also self-insured for workers' compensation. The City's compensation payments are calculated based upon the Workers' Compensation Law of the State of Delaware. Resources are allocated to the Workers' Compensation Fund (an Internal Service Fund) from operating funds to provide for expected future payments on claims previously incurred, including both reported and unreported claims. These amounts were not discounted and were adjusted by a risk margin calculated to provide a statistical confidence level of 80%. An analysis of claims liabilities recorded in the Workers' Compensation Fund is presented below:

	Year Ended June 30, 2004	Year Ended June 30, 2003
Unpaid Claims, Beginning of Fiscal Year	\$ 12,592,162	\$ 11,480,791
Incurred Claims	1,184,888	3,526,584
Claim Payments	<u>(2,129,557)</u>	<u>(2,415,213)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 11,647,493</u>	<u>\$ 12,592,162</u>

C. Health Insurance

The City is also self-insured under an employee health and welfare plan administered by Blue Cross/Blue Shield of Delaware. Resources are allocated to the Health and Welfare Fund (an Internal Service Fund) from the operating funds to provide for expected future payments on claims previously incurred including both reported and unreported claims. Blue Cross/Blue Shield of Delaware estimated the City's claims exposure to be \$916,913 at June 30, 2004, which was recorded in the Health and Welfare Fund. An analysis of claims liabilities recorded in the Health and Welfare Fund is presented below:

	Year Ended June 30, 2004	Year Ended June 30, 2003
Unpaid Claims, Beginning of Fiscal Year	\$ 1,186,029	\$ 965,554
Incurred Claims	8,918,840	9,069,410
Claim Payments	<u>(9,187,956)</u>	<u>(8,848,935)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 916,913</u>	<u>\$ 1,186,029</u>

12. Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

In the Governmental Funds, unearned revenues totaled \$29,912,893. In the General Fund, \$3,075,620 consists of \$781,950 for parking citations, \$372,973 for property taxes, \$1,711,456 for wage taxes, \$71,651 for business licenses, and \$137,590 for sign permits recorded in the General Fund, all of which have been deemed to be measurable but not available.

In the Commerce Fund, unearned revenues represent the deferred note receivable of \$24,823,793 on the sale of the Port of Wilmington to the Diamond State Port Corporation (Note 5-A).

In the Special Revenue Funds, \$2,013,480 of unearned revenues consist of grant amounts that have been received in the current reporting period but will be earned in a subsequent period.

13. Commitments and Contingencies

A. Delaware Solid Waste Authority

The Delaware Solid Waste Authority (DSWA) is a public corporation of the State of Delaware. DSWA's primary functions include the planning and administration of a comprehensive statewide program for the management, collection, transportation, storage and disposal of solid waste and sewage sludge. The Governor appoints DSWA's Board.

The City had a contract with DSWA for acceptance and disposal of sewage sludge that is collected at the City's regional wastewater treatment plant, which ended 2003. Although the City had no direct obligation for DSWA's debts or operating expenses, it was contractually required to pay DSWA a monthly charge to defray its debt service. The City and DSWA had agreed that the City would continue to provide payments to defray the DSWA's debt service in exchange for the ability to dispose of processed sludge at DSWA's landfill at no charge. These payments totaled \$305,280 for debt service related to certain improvements. The City's requirement to contribute towards the basic debt service ended in June 2003. The requirement to contribute towards the debt service on the improvements will continue until February 1, 2005.

B. Funding Commitments

The City receives Federal and State funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on the filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustment resulting from subsequent examinations is recognized in the year in which the results of such examinations become known. City officials do not expect any significant adjustment as a result of these examinations.

C. Litigation

The City has been identified as a potentially responsible party along with two other parties for environmental liabilities related to the contamination of Fox Point Park. Legal counsel has informed management that total cleanup costs for all responsible parties, is roughly estimated to be \$7.9 million. The three potentially responsible parties are jointly and severally liable for the cleanup costs. Therefore, the City's share could be as much as \$2.65 million. However, it is also possible that the State of Delaware, which is conducting the cleanup, may not require a full payment, and the amount for which the City may ultimately be responsible is not yet determinable. Management does not believe that the City's ultimate liability will have a material effect on the City's financial position.

The City is involved in numerous additional lawsuits arising in the ordinary course of business, including claims for property damage, personal injury and discriminatory personnel practices, and suits contesting the legality of certain rates and charges. Based on the advice of the City Solicitor, City management is of the opinion that the outcome of this pending litigation will not have a material adverse effect on the City's financial position at June 30, 2004.

14. Pension Plans**A. Primary Government****Description of the Plans**

The City of Wilmington covers substantially all full-time employees by one of its five single-employer plans and the Delaware Municipal Police/Firefighter Pension Plan, a cost-sharing, multi-employer defined benefit pension plan discussed below. The City's current-year covered payroll and membership consisted of the following:

	Firefighters	Police	Nonuniformed Plan I	Nonuniformed Plan II	Nonuniformed Plan III
Number of Retirees & Beneficiaries Receiving Benefits	315	412	335	176	129
Number of Terminated Employees Entitled to Benefits	-	-	-	-	-
Number of Fully Vested, Partially Vested, & Non-Vested Active Employees	109	179	62	226	497
Current Year Annual Covered Payroll	\$5,930,087	\$9,115,761	\$2,448,504	\$9,202,060	\$19,908,621

The City's current-year total payroll for all employees was \$55,282,175.

With the exception of the component units, the City Council is responsible for setting benefits and contributions and amending plan provisions. The various plans are authorized according to provisions of Chapter 39 of the City Code.

Cash and Investments

The Board of Trustees of the Pension Funds receives contributions from the City and State and is responsible for the funding policy. The City Treasurer is the custodian of the Funds' investment assets, effects disbursements from the Funds, and executes other transactions therein. The City Treasurer and outside custodians, both under the direction of the Board of Trustees, manage the Funds' investments. The Trustees have authorized certain cash and investments of the Funds to be pooled for investing by outside custodians. The Funds' portion is reported on the balance sheet as "pooled investments." Funds under outside management at June 30, 2004, represented 99% of all available funds. The investment policy of the funds is in accordance with the Objectives and Guidelines Statement and is adopted by the Trustees (Note 3).

As of June 30, 2004, the following individual plans have investments at fair value in excess of 5% of the individual plan's net assets.

<u>Name of Institution</u>	<u>Investment Type</u>	<u>Firefighters</u>	<u>Plan III Nonuniformed</u>
Wilmington Saving Fund Society	Certificates of Deposit	\$ -	\$ 1,765,000
Commerce Bank	Certificates of Deposit	\$ 3,320,000	\$ -

Membership, Benefit and Contribution Provisions

A description of the individual plans including eligibility provisions, types of benefits, and contribution requirements is presented below in general terms on the following pages. The City Board of Pensions and Retirements, various boards of trustees, and the City Treasurer administer the single employer plans. Financial statements for the City Firefighters' and Police Pension Plans are available from the City Treasurer's Office, Louis L. Redding Building, 800 French Street, Wilmington, Delaware 19801. The State Board of Pension Trustees and the State Office of Pensions administer the multi-employer plan. Detailed information and financial statements and further information for the Delaware County and Municipal Police/Firefighters Pension Plan are available in the State of Delaware Code and from the State Board of Pension Trustees and Office of Pensions, Delaware Public Employees Retirement System, McArdle Building, 860 Silver Lake Blvd., Suite 1, Dover, Delaware, 19904-2402.

Separate pension funds financial statements have not been issued for the Non-Uniformed Pension plans and the Post-Retirement Benefit Fund; accordingly, they are presented below as required by GASB Statement No. 34.

City of Wilmington, Delaware
Statement of Pension Trust Funds Net Assets
June 30, 2004

	Plan I	Plan II	Plan III	Post
	Non-uniformed	Non-uniformed	Non-uniformed	Retirement
	Pension	Pension	Pension	Benefit
	Pension	Pension	Pension	Fund
Assets				
Cash and Cash Equivalents	\$ -	\$ 40,071	\$ 1,767,642	\$ 3,380
Receivables:				
Accrued Interest Receivable	19,119	28,004	33,459	-
Total Receivables	19,119	28,004	33,459	-
Investments, at Fair Value:				
U.S. Treasury Obligations	3,157,464	4,624,655	5,525,562	806,436
Stocks	3,555,731	5,207,986	6,222,529	-
Corporate Obligations	2,688,644	3,937,987	4,705,127	480,706
Mutual Funds	310,541	454,842	543,447	373,355
Total Investments	9,712,380	14,225,470	16,996,665	1,660,497
Due from Other Funds	-	-	-	8,892
Total Assets	9,731,499	14,293,545	18,797,766	1,672,769
Liabilities:				
Accounts Payable	11,313	4,989	1,761	21,647
Accrued Wages and Fringes	436	388	981	-
Liability for Stale-dated Pension Checks	37,207	8,215	5,284	-
Due to Other Funds	836,195	501,737	950,286	-
Compensated Absences	537	1,077	2,683	-
Total Liabilities	885,688	516,406	960,995	21,647
Net Assets				
Held in Trust for				
Pension Benefits	\$ 8,845,811	\$ 13,777,139	\$ 17,836,771	\$ 1,651,122

City of Wilmington, Delaware
Statement of Changes In Pension Trust Funds Net Assets
For the Year Ended June 30, 2004

	Plan I	Plan II	Plan III	Post
	Non-uniformed	Non-uniformed	Non-uniformed	Retirement
	Pension	Pension	Pension	Benefit
	<u> </u>	<u> </u>	<u> </u>	<u> Fund</u>
Additions:				
Contributions:				
City	\$ 216,774	\$ 11,138	\$ 893,621	\$ -
State	39,600	-	-	-
Employees	<u>-</u>	<u>-</u>	<u>349,646</u>	<u>461,505</u>
Total Contributions	<u>256,374</u>	<u>11,138</u>	<u>1,243,267</u>	<u>461,505</u>
Investment Income				
Interest	328,993	484,329	606,692	7,500
Net Depreciation in Fair Value	<u>605,216</u>	<u>893,413</u>	<u>1,186,460</u>	<u>-</u>
Total Investment Earnings	<u>934,209</u>	<u>1,377,742</u>	<u>1,793,152</u>	<u>7,500</u>
Less Investment Expense	<u>(41,407)</u>	<u>(60,648)</u>	<u>(72,463)</u>	<u>-</u>
Net Investment Income	<u>892,802</u>	<u>1,317,094</u>	<u>1,720,689</u>	<u>7,500</u>
Total Additions	<u>1,149,176</u>	<u>1,328,232</u>	<u>2,963,956</u>	<u>469,005</u>
Deductions:				
Benefits Paid	1,354,704	827,903	898,706	445,631
Administrative Expenses	<u>56,202</u>	<u>73,153</u>	<u>176,788</u>	<u>15,875</u>
Total Deductions	<u>1,410,906</u>	<u>901,056</u>	<u>1,075,494</u>	<u>461,506</u>
Net Increase (Decrease) in Plan Net Assets	<u>(261,730)</u>	<u>427,176</u>	<u>1,888,462</u>	<u>7,499</u>
Net Assets - Beginning	<u>9,107,541</u>	<u>13,349,963</u>	<u>15,948,309</u>	<u>1,643,623</u>
Net Assets - Ending	<u>\$ 8,845,811</u>	<u>\$ 13,777,139</u>	<u>\$ 17,836,771</u>	<u>\$ 1,651,122</u>

Firefighters Pension Plan (Closed)

Plan Description and Eligibility: The Firefighters Pension Plan is a single-employer defined benefit plan that covers all firefighters employed by the City of Wilmington hired before August 1, 1991. The plan is split into two benefit groups: pre-1984 and 1984. The 1984 group includes firefighters hired after June 30, 1984 and pre-July 1, 1984, firefighters who opted to participate in the new plan. The pre-1984 group includes those hired prior to July 1, 1984 and not opting for the new plan.

Service Benefits: For pre-1984 group, 50% of final salary plus 2% of final earnings for each year of credited service beyond 20 years; for 1984 group, 50% of final earnings plus 2.5% of final earnings for each year of credited service beyond 20 years with a total benefit limit of 62.5% of final earnings.

Vesting: 50% with 5 years of credited service, 10% more for each additional full year, with 100% at 10 years.

Retirement: Normal - 20 years of credited service. Early - for the 1984 group only, 15 years of credited service; benefit equal to 2.5% of final salary for each year of credited service reduced by 0.4% for each month benefits commence before normal retirement date.

Disability Benefits: Duty-related total disability - 75% of salary. Ordinary with 7 years of credited service, for the pre-1984 group 50% of salary and for the 1984 group a benefit equal to 2.5% of salary for each year of credited service times the vesting percentage.

Survivor Benefit: On death of a retiree, 50% of the pension the participant was receiving. For the pre-1984 group, this is a minimum of \$1,344 monthly; if retiree has no surviving spouse, the benefit is payable to the sole surviving dependent parent.

Contributions: Employee - 6% of compensation.
Employer - actuarially determined.

Death Benefit: Duty - for the pre-1984 group, surviving spouse receives a lump sum equal to 100% of the final full-year salary and a pension of 50% of final annual salary until death or remarriage. Each child under the age of 18 shall receive \$30 a month starting one year after the employee's death; there is a \$90 family maximum and benefits discontinue at age 18. If the employee is not survived by a spouse, a pension equal to 50% is paid to the sole surviving dependent parent. For the 1984 group, benefits are the same except the amounts change to a lump sum of 50%, \$50 a month per child with a maximum of \$150 per family.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/2002	\$ 5,055,204	100.0%	\$ -
6/30/2003	4,686,914	100.0%	-
6/30/2004	4,923,603	100.0%	-

Police Pension Plan (Closed)

Plan Description and Eligibility: The Police Pension Plan is a single-employer defined benefit plan that covers all police officers employed by the City of Wilmington hired before August 1, 1991. The plan is split into two benefit groups: pre-1984 and 1984. The 1984 group includes police officers hired after June 30, 1984, and who previously opted to participate in the new plan. The pre-1984 group includes those hired prior to July 1, 1984, and not opting for the new plan.

Service Benefits: For the pre-1984 group, 50% of final salary plus 2% of final earnings for each year of credited service beyond 20 years; for the 1984 group, 50% of final earnings plus 2.5% of final earnings for each year of credited service beyond 20 years with a total benefit limit of 62.5% of final earnings.

Vesting: 50% with 5 years of credited service, 10% more for each additional full year, with 100% at 10 years.

Retirement: Normal - 20 years of credited service. Early - for the 1984 group only, 15 years of credited service, benefit equal to 2.5% of final salary for each year of credited service reduced by 0.4% for each month benefits commence before normal retirement date.

Disability Benefits: Duty-related total disability - 75% of salary. Ordinary with 7 years of credited service, for the pre-1984 group, 50% of salary and for the 1984 group a benefit equal to 2.5% of salary for each year of credited service times the vesting percentage.

Survivor Benefit: On death of a retiree, 50% of the pension the participant was receiving. For the pre-1984 group, this is a minimum of \$1,344 monthly; if retiree has no surviving spouse, the benefit is payable to the sole surviving dependent parent.

Contributions: Employee - 6% of compensation.
Employer - actuarially determined.

Death Benefit: Duty - for the pre-1984 group, surviving spouse receives a lump sum equal to 100% of the final full-year salary and a pension of 50% of final annual salary until death or remarriage. Each child under the age of 18 shall receive \$30 a month starting one year after the employee's death; there is a \$90 per month family maximum, and benefits discontinue at age 18. If the employee is not survived by a spouse, a pension equal to 50% is paid to the sole surviving

dependent parent. For the 1984 group, benefits are the same except the amounts change to a lump sum of 50%, \$50 a month per child with a maximum of \$150 per month per family.

The following summarized activities for the plan for the past three years:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/2002	\$ 5,975,440	100.0%	\$ -
6/30/2003	4,387,021	100.0%	-
6/30/2004	5,195,626	100.0%	-

Nonuniformed Employees Plan I (Closed)

Plan Description and Eligibility: The Nonuniformed Employees Plan I is a single-employer defined benefit plan that covers all Nonuniformed City employees hired before July 1, 1979, who have not opted to convert to a later plan.

Service Benefits: 2½% of final average earnings (five consecutive years out of the last ten that produce the highest average) times years of service; benefit is not less than \$1,000 or more than \$4,500 annually.

Vesting / Retirement: 20 years of credited service; age 60 and 15 years of credited service; or age 65.

Disability Benefits: Eligible with 15 years of credited service, benefit same as retirement reduced by workers' compensation and the excess of earnings over the last rate of pay, if the participant is gainfully employed.

Survivor Benefit: Eligible if actively employed with 20 years of credited service or age 60 and 15 years of credited service; benefit to surviving spouse equal to 50% of retirement as if retirement commenced the day before death; payments continue until death or remarriage.

Contributions: Employee - none.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

Contributions: none.

The following summarized activities for the plan for the past three years:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/2002	\$ 115,360	100.0%	\$ -
6/30/2003	238,066	100.0%	-
6/30/2004	256,374	100.0%	-

Nonuniformed Employees Plan II (Closed)

Plan Description and Eligibility: The Nonuniformed Employees Plan II is a single-employer defined benefit plan that covers all nonuniformed City employees hired after June 30, 1979, and before January 1, 1991, employees hired before June 30, 1979, but not eligible for Plan I, employees who have opted to convert from Plan I, and not employees who have opted to convert to a later plan.

Service Benefits: 1.75% of final average earnings (five consecutive years out of the last ten that produce the highest average) times credited years of service (maximum 25 years) with a maximum benefit of \$11,000; a credited year of service for every year with 1,500 hours of service.

Vesting: 50% with 5 years of credited service, 10% more for each additional full year, with 100% at 10 years.

Retirement: Normal - Age 65 and 5 years of credited service. Early - retirement at age 60 with 5 years of credited service; benefits reduced by .4% for each month benefits commence before age 65.

Disability Benefits: Eligible with 15 years of credited service, benefit same as early retirement (without reduction for early commencement) reduced by workers' compensation and the excess of earnings over the last rate of pay, if the participant is gainfully employed.

Survivor Benefit: Eligible if actively employed, attained age 60 and 5 years of credited service; benefit to surviving spouse equals to 50% of retirement as if retirement commenced the day before death (without reduction for early commencement); payments continue until death or remarriage. If employee is unmarried, a designated beneficiary receives a total equal to 120 monthly payments.

Contributions: Employee - none.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

The following summarized activities for the plan for the past three years:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(NPO)</u>
6/30/2002	\$ -	100.0%	\$ -
6/30/2003	-	100.0%	-
6/30/2004	-	100.0%	-

Nonuniformed Employees Plan III

Plan Description and Eligibility: The Nonuniformed Employees Plan III is a single-employer defined benefit plan that covers all Nonuniformed City employees hired after December 31, 1990, and employees who have opted to convert from Plan I or Plan II.

Service Benefits: 1.75% of final average earnings (five consecutive years out of the last ten that produce the highest average) times credited years of service (maximum 30 years); a credited year of service for every year with 1,500 hours of service after hire, buyback or December 31, 1990.

Vesting: 50% with 5 years of credited service, 10% more for each additional full year, with 100% at 10 years. Contributions and interest are refunded for less than 5 years of credited service.

Retirement: Normal - Age 65 and 5 years of credited service: age 55 or after, which when added to years of service, equal 90. Early - retirement at age 55 with 5 years of credited service; benefits reduced by .4% for each month benefits commence before age 65.

Disability Benefits: Eligible with 15 years of credited service, benefit same as early retirement (without reduction for early commencement) reduced by workers' compensation and the excess of earnings over the last rate of pay, if the participant is gainfully employed.

Survivor Benefit: Eligible if actively employed, attained age 55 and 5 years of credited service; benefit to surviving spouse equal to 50% of retirement, if retirement commenced the day before death (without reduction for early commencement); payments continue until death or remarriage. If employee is unmarried, a designated beneficiary receives a total equal to 120 monthly payments.

Contributions: Employee - 2% of compensation.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

The following summarized activities for the plan for the past three years:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/2002	\$ 374,201	100.0%	\$ -
6/30/2003	825,342	100.0%	-
6/30/2004	893,621	100.0%	-

Delaware Municipal Police/Firefighter Pension Plan

The City contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Delaware Public Employees' Retirement System. The plan, which is the Delaware Municipal Police/Firefighter Pension Plan, covers City police and firefighter employees hired on or after February 1, 1993. Benefit provisions of the plan are established under the provisions of the State law and may be amended by an act of the State legislature. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The contribution policy is set by State law and requires contributions by active members and by participating employers. Plan members are required to contribute 5% of their base compensation. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payrolls during the period for which the amount is determined. The City's contributions to the plan for 2004, 2003, and 2002 were \$1,093,249, \$1,028,760, and \$1,031,824, respectively. Those amounts are equal to the required contribution for each year.

Funding Policy and Annual Pension Cost

The following are the annual pension cost, actuarial methods, and assumptions of the City's single employer pension plans.

	<u>Firefighters</u>	<u>Police</u>	<u>Plan I Nonuniformed</u>	<u>Plan II Nonuniformed</u>	<u>Plan III Nonuniformed</u>
Annual Required Contribution and Pension Cost (7/1/01-6/30/02) (1)	\$ 3,963,939	\$ 5,091,069	\$ 216,293	\$ -	\$ 1,034,386
Actuarial Valuation Date	July 1, 2002	July 1, 2002	July 1, 2002	July 1, 2002	July 1, 2002
Actuarial Cost Method	Aggregate Entry Age	Aggregate Entry Age	Aggregate Entry Age	Aggregate Entry Age	Aggregate Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period (2)	17 years	17 years	17 years	17 years	17 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Actuarial Assumptions					
Investment Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected Salary Increases	5.00%	5.00%	5.00%	5.00%	5.00%
Includes Inflation rate of	3.50%	3.50%	3.50%	3.50%	3.50%
Cost-of-Living Adjustments	Ad Hoc	Ad Hoc	None	None	None

(1) The actuarial valuation is done every other year. The last valuation completed was the July 1, 2002 valuation for the fiscal year ended June 30, 2003. The contribution for the year after the valuation is equal to an increase of 5% of the contribution for the year the valuation was completed. Contributions are based on percentage of pay, and actual amounts may vary based on actual payroll.

(2) The amortization period remaining does not include \$470,000 paid into the Firefighters Pension Plan nor the \$470,000 paid into the Police Pension Plan for the Cost-of-Living Adjustment for each plan.

B. Component Units

The Wilmington Parking Authority has a noncontributory single-employer defined benefit pension plan covering substantially all of its employees. The annual required contribution was \$87,431 for the year ended June 30, 2004. This contribution was computed using the aggregate cost method, assuming an 8% annual return on investments and 5% projected salary increases.

The City is neither trustee nor manager of the Wilmington Parking Authority's plan and has no legal responsibility to make contributions to the pension plan, and no City employee participates in the Authority's pension plan. Because the Authority's pension plan is not significant in comparison to the financial statements of the City, full pension disclosures for the Authority are not presented, but are presented in the Authority's financial statements.

15. Post-Retirement Benefit Fund

The City under City code Section 39-5, provides post-retirement health care benefits (the Retired City Employees Medical Program) to all active full-time employees eligible for a city pension, or retired uniformed service employees receiving a pension pursuant to the State “County and Municipal Pension” program as of January 1, 2000, and who meet certain eligibility requirements. Under certain conditions, spouses of retirees and employees receiving a disability pension are also covered. The Program pays not less than 80% of the blended rate up to a maximum of \$5,000 for eligible retirees who are less than 65 years of age. The Program pays not less than 80% of the blended rate up to \$2,000 for retirees who are 65 years or older. The blended rate is the average cost of medical coverage to the City for all active participants in the medical coverage program. Eligible retirees may participate in the dental program, but the retiree pays the full premium.

As of June 30, 2004, the plan has 1,220 eligible participants. The plan is on a pay as you go basis. Benefit expenses recognized during 2004 were \$445,631 and participant contributions were \$461,505.

The City has elected not to apply GASB No. 27 – Accounting for Pensions by State and Local Governmental Employers to post employment healthcare benefits.

16. Restatement - Component Unit

The financial statements of the Wilmington Parking Authority for the fiscal year 2003 have been restated to reflect the understatement of pension payable by \$99,799. The restatement did not affect the change in net assets for the fiscal year 2003, since the expense pertained to prior years.

17. Subsequent Events

On September 22, 2004, the City issued \$12,945,000 of General Obligation Bonds, Series B of 2004. The net proceeds of the bonds were applied to refund a portion of principal outstanding of the City’s Series of 1993 B Bonds (\$11,655,000) and also to pay the costs related to interest and bond issuance costs. The bonds mature in varying amounts between July 1, 2005 and July 1, 2022 and bear annual interest rates between 2.00% and 4.20%.

Required Supplementary Information



Major Governmental Fund

General Fund

The General Fund is the general operating fund of the City of Wilmington. It is used to account for all financial resources except those required to be recorded in another fund.

The following budget and actual schedule presents General Fund activity at its lowest level of legal budgetary control – the department.

City of Wilmington, Delaware

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

General Fund

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 28,254,200	\$ 28,254,200	\$ 29,068,010	\$ 813,810
Wages	38,633,300	38,633,300	41,030,254	2,396,954
Franchise	1,800,000	1,800,000	2,431,540	631,540
Real Estate Transfer Taxes	2,600,000	2,600,000	6,033,039	3,433,039
Net Profit	1,435,000	1,435,000	3,240,693	1,805,693
Head	2,382,000	2,382,000	2,500,666	118,666
Other taxes	-	-	2,367,322	2,367,322
Licenses, Permits and Fees	2,235,000	2,235,000	2,479,805	244,805
Fines and Forfeitures	3,100,000	3,100,000	2,783,406	(316,594)
Charges for Services	3,799,533	3,799,533	5,125,897	1,326,364
Interest	<u>1,100,000</u>	<u>1,100,000</u>	<u>813,364</u>	<u>(286,636)</u>
Total revenues	<u>85,339,033</u>	<u>85,339,033</u>	<u>97,873,996</u>	<u>12,534,963</u>
Expenditures:				
General Governmental Services:				
Mayor's Office	3,863,806	3,863,806	3,673,018	190,788
City Council	1,899,239	1,899,239	1,874,826	24,413
Audit	517,478	517,478	515,807	1,671
Law	2,028,733	2,028,733	1,911,983	116,750
Finance	2,762,261	2,762,261	2,666,298	95,963
Personnel	1,191,547	1,191,547	1,235,971	(44,424)
Treasurer	316,491	316,491	330,978	(14,487)
Planning	1,183,650	1,183,650	1,104,681	78,969
Real Estate and Housing	1,028,078	1,028,078	1,027,154	924
Parks and Recreation	7,485,122	7,485,122	6,863,342	621,780
Public Safety:				
Police	33,842,099	33,842,099	32,742,524	1,099,575
Fire	15,011,691	15,011,691	14,655,167	356,524
Municipal Court	-	-	5,473	(5,473)
Licenses and Inspection	2,571,350	2,571,350	2,479,031	92,319
Public Works	<u>14,328,215</u>	<u>14,328,215</u>	<u>13,447,394</u>	<u>880,821</u>
Total Expenditures	<u>88,029,760</u>	<u>88,029,760</u>	<u>84,533,647</u>	<u>3,496,113</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,690,727)</u>	<u>(2,690,727)</u>	<u>13,340,349</u>	<u>16,031,076</u>
Other Financing Sources (Uses)				
Transfer In	2,700,000	2,700,000	1,000,000	(1,700,000)
Transfer Out	(55,000)	(2,055,000)	(2,051,615)	3,385
Gain on Sale of Capital Assets	-	-	14,060	14,060
Total Other Financing Sources (Uses)	<u>2,645,000</u>	<u>645,000</u>	<u>(1,037,555)</u>	<u>(1,682,555)</u>
Net Change in Fund Balances	<u>(45,727)</u>	<u>(2,045,727)</u>	<u>12,302,794</u>	<u>14,348,521</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>13,437,751</u>	<u>13,437,751</u>
Fund Balance - Ending	<u>\$ (45,727)</u>	<u>\$ (2,045,727)</u>	<u>\$ 25,740,545</u>	<u>\$ 27,786,272</u>

City of Wilmington, Delaware

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Commerce Fund

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,736,000	\$ 1,736,000	\$ 3,553,607	\$ 1,817,607
Interest	-	-	1,313,343	1,313,343
Other	-	-	51,259	51,259
Total Revenues	<u>1,736,000</u>	<u>1,736,000</u>	<u>4,918,209</u>	<u>3,182,209</u>
Expenditures:				
Personal Services	572,216	572,216	534,113	38,103
Materials, Supplies and Equipment	436,421	436,421	1,276,304	(839,883)
Debt Service	2,318,581	2,318,581	5,852,477	(3,533,896)
Total Expenditures	<u>3,327,218</u>	<u>3,327,218</u>	<u>7,662,894</u>	<u>(4,335,676)</u>
Excess of Expenditures Over Revenues	<u>(1,591,218)</u>	<u>(1,591,218)</u>	<u>(2,744,685)</u>	<u>(1,153,467)</u>
Other Financing Sources				
Proceeds from Bonds	-	-	4,500,000	4,500,000
Transfer In	-	2,000,000	2,000,000	-
Gain on Sale of Capital Assets	2,040,000	2,040,000	2,040,000	-
Total Other Financing Sources	<u>2,040,000</u>	<u>4,040,000</u>	<u>8,540,000</u>	<u>4,500,000</u>
Net Change in Fund Balances	448,782	2,448,782	5,795,315	3,346,533
Fund Balance - Beginning	-	-	7,689,683	7,689,683
Fund Balance - Ending	<u>\$ 448,782</u>	<u>\$ 2,448,782</u>	<u>\$ 13,484,998</u>	<u>\$ 11,036,216</u>

City of Wilmington, Delaware
Notes to Required Supplementary Information
June 30, 2004

Budgetary Accounting Control

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the General Fund, Commerce Fund and certain Non-major Funds. Unexpended appropriations in the operating budget of the General Fund lapse at year-end. Annual budgets are adopted on the basis that revenue estimates and/or accumulated unreserved fund balance are sufficient to fully fund appropriations. Budgets presented in these financial schedules include all amendments adopted during the year.

Budgets for the other Special Revenue Funds, which are non-major funds, are appropriated based on grant agreements with various State, Federal, and private agencies. Based on the duration of these agreements, budget appropriations often overlap the City's fiscal year and remain open until completion of the grant. Therefore, the Special Revenue Funds' actual results of operations also represent the Funds' final appropriations through June 30, 2004, with the unspent appropriations becoming the succeeding year's authorization. The Director of Finance has the authority to re-appropriate these unspent appropriations into the succeeding fiscal year. Consequently, the budgeted appropriations for Special Revenue Funds represent the City's final appropriations for the fiscal year supported by the corresponding grant revenues. Budgetary comparison schedules for non-major special revenue funds with legally adopted budgets are presented in the combining and individual fund financial statements and schedules section of this report.

Ninety (90) days prior to the commencement of a new fiscal year, the Mayor must submit to City Council a proposed operating budget. City Council reviews the budget, conducts hearings, and proposes changes in expenditure levels. City Council cannot modify the Mayor's estimates of revenues, but may propose changes in the tax levy in the amount necessary, in the Mayor's estimate, to balance total appropriations and estimated revenues. The annual budget may not be adopted until City Council has enacted required revenue measures.

Thirty (30) days prior to the commencement of a new fiscal year, the annual operating budget is enacted through legislation. Appropriations are legislated at the functional level. By legislative action, the annual appropriated budget may be amended. Budgetary transfers within a function at the expense category (e.g., personal services or travel, materials, supplies) may be made without legislative approval. Appropriation control is maintained through a budget-tracking process within the accounting system at both the functional and object levels.

City of Wilmington, Delaware
Notes to Required Supplementary Information
June 30, 2004 (continued)

The actual results of operations as compared to the City Council-adopted appropriations at the functional level are presented in the Schedule of Revenues, Expenditures and Changes in Fund Balances. Budget and Actual (GAAP Basis) is presented for the General Fund to provide a meaningful comparison of actual results with the budget.

Appropriations for the Capital Projects Fund that remain open and carry over to succeeding years until the related expenditures are made, modified or canceled are adopted on a multi-year basis. Appropriations for this fund are controlled on a project basis, and therefore, budgetary comparison schedules on an annual basis do not provide meaningful information and, accordingly, are not presented.

Pension Funding Status and Progress

In accordance with GASB Statement No. 27, the following required supplementary information is provided with regard to pension funding progress. The plans have a valuation performed every two years, and the schedule presents the last three completed valuations covering six years.

City of Wilmington Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
	(1)	(2)	(2-1)	(1 / 2)	(5)	((2-1) / 5)
Firefighters						
7/1/1992	\$ 17,506,845	\$ 54,196,800	\$ 36,689,955	32.3%	\$ 6,789,546	540.4%
7/1/1994	18,615,609	56,166,664	37,551,055	33.1%	5,443,302	689.9%
7/1/1996	20,917,057	56,853,588	35,936,531	36.8%	5,202,424	690.8%
7/1/1998	26,820,040	63,351,816	36,531,776	42.3%	5,797,980	630.1%
7/1/2000	41,778,193	67,735,582	25,957,389	61.7%	5,778,465	449.2%
7/1/2002	33,415,101	71,342,762	37,927,661	46.8%	5,930,087	639.6%
Police						
7/1/1992	\$ 23,013,484	\$ 64,937,736	\$ 41,924,252	35.4%	\$ 10,693,671	392.0%
7/1/1994	26,490,745	69,851,146	43,360,401	37.9%	9,380,668	462.2%
7/1/1996	33,486,694	73,222,018	39,735,324	45.7%	8,595,575	462.3%
7/1/1998	44,763,287	85,230,893	40,467,606	52.5%	8,779,819	460.9%
7/1/2000	68,132,142	96,129,065	27,996,923	70.9%	9,671,554	289.5%
7/1/2002	53,575,870	98,707,703	45,131,833	54.3%	9,115,761	495.1%
Plan I Non-Uniformed						
7/1/1992	\$ 10,516,302	\$ 13,810,979	\$ 3,294,677	76.1%	\$ 5,192,409	63.5%
7/1/1994	9,803,773	13,480,000	3,676,227	72.7%	4,432,650	82.9%
7/1/1996	10,364,346	12,629,630	2,265,284	82.1%	2,877,776	78.7%
7/1/1998	11,988,347	13,383,987	1,395,640	89.6%	2,545,860	54.8%
7/1/2000	18,480,784	12,803,551	(5,677,233)	144.3%	2,363,392	-240.2%
7/1/2002	10,414,621	11,471,041	1,056,420	90.8%	2,448,504	43.1%
Plan II Non-Uniformed						
7/1/1992	\$ 7,886,757	\$ 7,904,045	\$ 17,288	99.8%	\$ 14,954,145	0.1%
7/1/1994	8,344,437	8,400,000	55,563	99.3%	12,603,664	0.4%
7/1/1996	9,406,352	8,841,905	(564,447)	106.4%	9,205,548	-6.1%
7/1/1998	12,941,871	9,113,195	(3,828,676)	142.0%	8,453,160	-45.3%
7/1/2000	20,828,020	10,824,475	(10,003,545)	192.4%	8,915,130	-112.2%
7/1/2002	14,089,648	9,867,213	(4,222,435)	142.8%	9,202,060	-45.9%
Plan III Non-Uniformed						
7/1/1992	\$ 3,787,220	\$ 10,323,501	\$ 6,536,281	36.7%	\$ 18,140,204	36.0%
7/1/1994	5,826,318	12,400,985	6,574,667	47.0%	17,743,185	37.1%
7/1/1996	7,752,243	12,733,377	4,981,134	60.9%	13,116,910	38.0%
7/1/1998	11,066,073	15,076,439	4,010,366	73.4%	14,057,963	28.5%
7/1/2000	17,862,788	20,403,158	2,540,370	87.5%	17,055,921	14.9%
7/1/2002	15,271,986	24,171,908	8,899,922	63.2%	19,908,621	44.7%

City of Wilmington
Pension Funding Status and Progress (Continued)

Schedule of Contributions

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Firefighters			
6/30/1999	\$ 3,641,141	100.0%	\$ -
6/30/2000	3,348,302	100.0%	-
6/30/2001	4,167,655	100.0%	-
6/30/2002	5,055,204	100.0%	-
6/30/2003	4,686,914	100.0%	-
6/30/2004	4,923,603	100.0%	-
Police			
6/30/1999	\$ 4,242,981	100.0%	\$ -
6/30/2000	4,618,413	100.0%	-
6/30/2001	4,437,978	100.0%	-
6/30/2002	5,975,440	100.0%	-
6/30/2003	4,387,021	100.0%	-
6/30/2004	5,195,626	100.0%	-
Plan I Non-Uniformed			
6/30/1999	\$ 191,645	100.0%	\$ -
6/30/2000	174,827	100.0%	-
6/30/2001	69,200	100.0%	-
6/30/2002	115,360	100.0%	-
6/30/2003	238,066	100.0%	-
6/30/2004	256,374	100.0%	-
Plan II Non-Uniformed			
6/30/1999	\$ -	100.0%	\$ -
6/30/2000	-	100.0%	-
6/30/2001	-	100.0%	-
6/30/2002	-	100.0%	-
6/30/2003	-	100.0%	-
6/30/2004	-	100.0%	-
Plan III Non-Uniformed			
6/30/1999	\$ 488,061	100.0%	\$ -
6/30/2000	512,464	100.0%	-
6/30/2001	-	100.0%	-
6/30/2002	374,201	100.0%	-
6/30/2003	825,342	100.0%	-
6/30/2004	893,621	100.0%	-

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES



City of Wilmington, Delaware

Non-major Governmental Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

The Park Recreation Assistance Fund accounts for special park programs sponsored by the City of Wilmington. Monies designated for specific programs are contributed by the State of Delaware or private sources.

The Community Development Block Grant Fund accounts for the City's Community Development Block Grant from the United States Department of Housing and Urban Development. Monies are specifically designated to revitalize certain underdeveloped areas of the City, remove artificial barriers, and improve slum areas.

The Section 8 Housing Assistance Fund accounts for United States Department of Housing and Urban Development Grants designated to subsidize rents for low-income public housing agencies.

The Job Training Partnership Act Fund accounts for federal funds received through the State of Delaware Department of Labor to administer the City's Summer Youth Employment Program.

The Municipal Street Aid Fund accounts for an annual entitlement from the State of Delaware that is used for street lighting within the City.

The Home Partnership Program Fund accounts for United States Department of Housing and Urban Development Grants designated to carry out multi-year housing strategies through acquisition, rehabilitation, new construction of housing, and tenant-based rental assistance.

The Wilmington Park Trust Commission accounts for private funds received to finance the renovation and maintenance of parks, fountains, and other receptacles for water in the City of Wilmington.

The Community Policing Program Fund accounts for Community-Oriented Policing Services (COPS) Grants from the United States Department of Justice. The grants supplement police manpower by paying part of the cost of additional officers for enhanced community policing efforts.

The Delaware Criminal Justice Planning Fund accounts for grants from the State of Delaware and the federal government for specific local law enforcement-related programs such as training, consulting, counseling, drug enforcement, and equipment.

The Urban Enterprise Community Grant Fund accounts for a United States Department of Health and Human Services Grant received through the State of Delaware, dedicated to creating economic revitalization and human development in distressed urban and rural areas.

The U.S. Department of Commerce Fund accounts for funding through this area to develop minority business development and participation in the local economy through networking and training programs.

The Special Projects and Other Miscellaneous Special Revenue Funds account for various small grants received by the City. The monies are received from various government and private sources to be used for specific purposes.

City of Wilmington, Delaware
Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
June 30, 2004

<u>Assets</u>	<u>Park Recreation Assistance</u>	<u>Community Development Block Grant</u>	<u>Section 8 Housing Assistance</u>	<u>Jobs Training Partnership</u>	<u>Municipal Street Aid</u>	<u>Home Partnership Program</u>	<u>Wilmington Park Trust Commission</u>	<u>Community Policing Program</u>	<u>Delaware Criminal Justice Planning</u>	<u>HOPWA Grant</u>	<u>Urban Enterprise Community Grant</u>	<u>Wilmington Arts Commission</u>	<u>National Endowment For the Arts</u>	<u>Special Projects Funds</u>	<u>U.S. Department of Commerce</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,781
Investments	-	-	-	-	-	-	5,172,186	-	-	-	-	-	-	-	-	5,172,186
Receivables:																
Mortgages	-	348,804	-	-	-	-	-	-	-	-	-	-	-	-	-	348,804
Others	-	-	-	-	-	-	3,053	-	-	-	-	-	-	-	-	3,053
Employee Travel Advances	1,428	731	-	-	-	-	-	-	2,882	-	-	552	92	-	-	5,685
Due from Other Funds	-	-	388,259	-	440,391	87,715	-	29,337	-	-	-	6,543	-	406,159	-	1,358,404
Due from Other Governments	644,716	514,778	-	105,259	-	66,619	66,328	-	164,202	388,177	68,890	190	29,895	536,898	117,206	2,703,158
Total Assets	\$ 646,144	\$ 864,313	\$ 388,259	\$ 105,259	\$ 440,391	\$ 154,334	\$ 5,474,348	\$ 29,337	\$ 167,084	\$ 388,177	\$ 68,890	\$ 7,285	\$ 29,987	\$ 943,057	\$ 117,206	\$ 9,824,071
Liabilities and Fund Balances																
Liabilities:																
Accounts Payable	\$ 109,891	\$ 335,714	\$ 66,494	\$ -	\$ 135,548	\$ 46,940	\$ 11,661	\$ -	\$ 14,923	\$ 229,548	\$ -	\$ 7,285	\$ 92	\$ 190,778	\$ -	\$ 1,148,874
Accrued Wages and Payroll Withholdings	30,984	18,552	41	-	-	400	1,390	-	7,431	190	922	-	884	2,947	-	63,741
Due to Other Funds	456,418	57,648	-	105,259	-	-	64,938	-	144,730	158,439	67,968	-	29,011	-	117,206	1,201,617
Unearned Revenue	48,851	452,399	321,724	-	304,843	106,994	-	29,337	-	-	-	-	-	749,332	-	2,013,480
Total Liabilities	646,144	864,313	388,259	105,259	440,391	154,334	77,989	29,337	167,084	388,177	68,890	7,285	29,987	943,057	117,206	4,427,712
Fund Balances:																
Reserved	-	-	-	-	-	-	5,396,359	-	-	-	-	-	-	-	-	5,396,359
Total Fund Balances	-	-	-	-	-	-	5,396,359	-	-	-	-	-	-	-	-	5,396,359
Total Liabilities and Fund Balances	\$ 646,144	\$ 864,313	\$ 388,259	\$ 105,259	\$ 440,391	\$ 154,334	\$ 5,474,348	\$ 29,337	\$ 167,084	\$ 388,177	\$ 68,890	\$ 7,285	\$ 29,987	\$ 943,057	\$ 117,206	\$ 9,824,071

City of Wilmington, Delaware
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2004

	Park Recreation Assistance	Community Development Block Grant	Section 8 Housing Assistance	Jobs Training Partnership	Municipal Street Aid	Home Partnership Program	Wilmington Park Trust Commission	Community Policing Program	Delaware Criminal Justice Planning	HOPWA Grant	Urban Enterprise Community Grant	Wilmington Arts Commission	National Endowment for the Arts	Special Projects	U.S. Department of Commerce	Total Nonmajor Governmental Funds
Revenues:																
Intergovernmental	\$ 1,086,770	\$ 2,775,215	\$ 2,716,964	\$ 4,687	\$ 1,458,741	\$ 1,037,417	\$ -	\$ 13,361	\$ 913,010	\$ 916,527	\$ 128,570	\$ -	\$ 30,115	\$ 1,273,313	\$ 137,362	\$ 12,492,052
Program Income	-	485,335	-	-	-	-	-	-	-	-	-	-	-	-	-	485,335
Interest Income	-	-	-	-	-	-	729,007	-	-	-	-	-	-	1,746	-	730,753
Other/Private Contributions	80,543	-	-	-	-	86,624	4,615	-	-	-	-	-	-	584,941	-	756,723
Total Revenues	<u>1,167,313</u>	<u>3,260,550</u>	<u>2,716,964</u>	<u>4,687</u>	<u>1,458,741</u>	<u>1,124,041</u>	<u>733,622</u>	<u>13,361</u>	<u>913,010</u>	<u>916,527</u>	<u>128,570</u>	<u>-</u>	<u>30,115</u>	<u>1,860,000</u>	<u>137,362</u>	<u>14,464,863</u>
Expenditures:																
Current:																
General Governmental Services	-	132,660	-	-	-	1,740	102,117	-	-	5,771	128,570	51,615	30,115	379,957	137,362	969,907
Real Estate and Housing	-	2,715,662	2,716,964	-	-	1,122,301	-	-	-	910,756	-	-	-	176,899	-	7,642,582
Public Works	-	-	-	-	1,458,741	-	-	-	-	-	-	-	-	13,110	-	1,471,851
Parks and Recreation	1,167,313	35,000	-	4,687	-	-	119,761	-	-	-	-	-	-	4,558	-	1,331,319
Public Safety	-	377,228	-	-	-	-	-	13,361	913,010	-	-	-	-	1,285,476	-	2,589,075
Total Expenditures	<u>1,167,313</u>	<u>3,260,550</u>	<u>2,716,964</u>	<u>4,687</u>	<u>1,458,741</u>	<u>1,124,041</u>	<u>221,878</u>	<u>13,361</u>	<u>913,010</u>	<u>916,527</u>	<u>128,570</u>	<u>51,615</u>	<u>30,115</u>	<u>1,860,000</u>	<u>137,362</u>	<u>14,004,734</u>
Excess (Deficiency) of Expenditures over Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,129</u>
Other Financing Sources (Uses)																
Transfers in:																
General Fund	-	-	-	-	-	-	-	-	-	-	-	51,615	-	-	-	51,615
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,615</u>
Net change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,744</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,884,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,884,615</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,396,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,396,359</u>

City of Wilmington, Delaware

Schedule of Revenues, Expenditures
 Changes in Fund Balance-Budget and Actual
 Non- Major Funds - Special Revenue Funds
 For the Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Park Recreation Assistance			
Revenues	\$ 568,000	\$ 1,167,313	\$ 599,313
Expenditures	<u>568,000</u>	<u>1,167,313</u>	<u>599,313</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Community Development Block Grant			
Revenues	\$ 3,796,275	\$ 3,260,550	\$ (535,725)
Expenditures	<u>3,796,275</u>	<u>3,260,550</u>	<u>(535,725)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Section 8 Housing Assistance			
Revenues	\$ 1,778,568	\$ 2,716,964	\$ 938,396
Expenditures	<u>1,778,568</u>	<u>2,716,964</u>	<u>938,396</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Street Aid			
Revenues	\$ 1,518,207	\$ 1,458,741	\$ (59,466)
Expenditures	<u>1,518,207</u>	<u>1,458,741</u>	<u>(59,466)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Home Partnership Program			
Revenues	\$ 776,906	\$ 1,124,041	\$ 347,135
Expenditures	<u>776,906</u>	<u>1,124,041</u>	<u>347,135</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Home for People With Aids			
Revenues	\$ 1,133,907	\$ 916,527	\$ (217,380)
Expenditures	<u>1,133,907</u>	<u>916,527</u>	<u>(217,380)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Wilmington, Delaware
Internal Service Funds

The Internal Service Funds account for certain services provided to operating departments of the City. The primary services, accounted for in similarly named funds, include data processing, word processing, mail service, duplication and reproduction, mapping and graphics, motor vehicle, and communications. The costs of these funds are charged to the operating departments based on usage.

Additional internal service funds are as follows:

The Risk Management Fund accounts for the City's risk management efforts and includes an actuarially determined reserve for insurance liability under its self-insurance program and insurance premium costs for carrier coverage. Under the self-insurance program, the City assumes the risk for general liability, automobile liability, police professional liability, public officials' liability, and certain property losses.

The Workers' Compensation Fund accounts for the administration and funding of the City's employee injury claims subject to the Workers' Compensation Laws of the State of Delaware. The City is completely self-insured for its workers' compensation exposure and starting in 1995, the City has contracted an actuary to determine those losses. The City reflects the liability in the Workers' Compensation Fund.

The Health and Welfare Fund accounts for the administration and funding of the City's employee health, life, and dental coverages in addition to an employee assistance program.

City of Wilmington, Delaware
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2004

	Data Processing	Word Processing	Mail Service	Duplication and Reproduction	Mapping and Graphics	Motor Vehicle	Communications	Risk Management	Workers' Compensation	Health and Welfare	Total Internal Service Funds
ASSETS											
Current Assets:											
Cash and Cash Equivalents	\$ 978,473	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 300	\$ 400	\$ 400	\$ -	\$ 979,723
Travel Advances	-	-	-	-	-	-	252	-	-	-	252
Due from Other Funds	-	34,866	-	42,374	3,198	-	-	5,847,153	11,876,770	1,737,622	19,541,983
Total Current assets	978,473	34,866	-	42,374	3,198	150	552	5,847,553	11,877,170	1,737,622	20,521,958
Noncurrent Assets:											
Deferred Charges	11,322	-	-	-	-	-	-	-	-	-	11,322
Capital Assets:											
Land, Buildings and Improvements	47,520	11,600	-	-	-	-	42,638	-	-	-	101,758
Machinery and Equipment	1,229,580	59,072	38,733	-	18,554	680,898	1,308,166	169,889	12,565	5,148	3,522,605
Vehicles	-	-	-	-	-	13,177,448	-	37,600	-	-	13,215,048
Less Accumulated Depreciation	(680,134)	(59,371)	(10,976)	-	(5,049)	(8,750,792)	(885,097)	(162,651)	(12,565)	(3,327)	(10,569,962)
Total Capital Assets (net of Accumulated Depreciation)	596,966	11,301	27,757	-	13,505	5,107,554	465,707	44,838	-	1,821	6,269,449
Total Noncurrent Assets	608,288	11,301	27,757	-	13,505	5,107,554	465,707	44,838	-	1,821	6,280,771
Total Assets	1,586,761	46,167	27,757	42,374	16,703	5,107,704	466,259	5,892,391	11,877,170	1,739,443	26,802,729
LIABILITIES											
Current Liabilities:											
Accounts Payable	81,125	1,748	8,404	27,199	564	409,240	167,173	20,941	198,181	817,977	1,732,552
Accrued Wages and Payroll Withholdings	5,426	2,150	527	569	1,472	-	1,653	821	3,324	655	16,597
Due to Other Funds	491,688	-	14,576	-	-	1,920,608	274,013	-	-	-	2,700,885
Compensated Absences	30,549	42,269	4,250	14,606	14,667	-	23,420	8,251	28,172	3,898	170,082
General Obligation Bonds Payable	34,964	-	-	-	-	-	-	-	-	-	34,964
Obligation under Capital Lease	-	-	-	-	-	1,481,756	-	-	-	-	1,481,756
Total Current Liabilities	643,752	46,167	27,757	42,374	16,703	3,811,604	466,259	30,013	229,677	822,530	6,136,836
Noncurrent Liabilities:											
General Obligation Bonds Payable	943,009	-	-	-	-	-	-	-	-	-	943,009
Obligation under Capital Lease	-	-	-	-	-	1,296,100	-	-	-	-	1,296,100
Claims Liability	-	-	-	-	-	-	-	5,862,378	11,647,493	916,913	18,426,784
Total Noncurrent Liabilities	943,009	-	-	-	-	1,296,100	-	5,862,378	11,647,493	916,913	20,665,893
Total Liabilities	1,586,761	46,167	27,757	42,374	16,703	5,107,704	466,259	5,892,391	11,877,170	1,739,443	26,802,729
NET ASSETS											
Invested in Capital Assets, Net of Related Debt	(381,007)	11,301	27,757	-	13,505	2,329,698	465,707	44,838	-	1,821	2,513,620
Unrestricted	381,007	(11,301)	(27,757)	-	(13,505)	(2,329,698)	(465,707)	(44,838)	-	(1,821)	(2,513,620)
Total Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Wilmington, Delaware
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	Data Processing	Word Processing	Mail Service	Duplication and Reproduction	Mapping and Graphics	Motor Vehicle	Communications	Risk Management	Workers' Compensation	Health and Welfare	Total Internal Service Funds
Operating Revenues:											
Charges for Services	\$ 1,475,935	\$ 321,732	\$ 297,360	\$ 265,424	\$ 276,366	\$ 3,986,587	\$ 1,248,205	(3,109,164)	\$ 1,868,006	\$ 8,606,268	\$ 15,236,719
Employee Contributions	-	-	-	-	-	-	-	-	-	390,508	390,508
Other	-	-	-	-	-	-	-	-	11,440	-	11,440
Total Operating Revenues	<u>1,475,935</u>	<u>321,732</u>	<u>297,360</u>	<u>265,424</u>	<u>276,366</u>	<u>3,986,587</u>	<u>1,248,205</u>	<u>(3,109,164)</u>	<u>1,879,446</u>	<u>8,996,776</u>	<u>15,638,667</u>
Operating Expenses:											
Personal Services	372,002	222,779	64,168	57,501	149,025	-	157,838	90,054	249,489	71,101	1,433,957
Materials, Supplies, Equipment and Contractual Services	984,441	87,680	226,364	206,720	117,024	2,346,560	1,044,341	68,477	246,574	3,035	5,331,216
Pension and Retirement	15,855	10,693	2,308	1,203	8,435	-	6,900	4,229	10,364	3,413	63,400
Depreciation and Amortization	57,363	580	4,520	-	1,882	1,250,012	39,126	18,129	-	387	1,371,999
Claims Expense	-	-	-	-	-	-	-	(3,562,840)	1,184,888	8,918,840	6,540,888
Insurance Premiums	-	-	-	-	-	-	-	272,787	188,131	-	460,918
Total Operating Expenses	<u>1,429,661</u>	<u>321,732</u>	<u>297,360</u>	<u>265,424</u>	<u>276,366</u>	<u>3,596,572</u>	<u>1,248,205</u>	<u>(3,109,164)</u>	<u>1,879,446</u>	<u>8,996,776</u>	<u>15,202,378</u>
Operating Income	<u>46,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,289</u>
Nonoperating Revenues (Expenses):											
Interest Expense	(46,274)	-	-	-	-	(131,756)	-	-	-	-	(178,030)
Loss on Sale of Assets	-	-	-	-	-	(258,259)	-	-	-	-	(258,259)
Total Nonoperating Revenues (Expenses)	<u>(46,274)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(390,015)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436,289)</u>
Change in Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Wilmington, Delaware
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2004

	Data Processing	Word Processing	Mail Service	Duplication and Reproduction	Mapping and Graphics	Motor Vehicle	Communications	Risk Management	Workers' Compensation	Health and Welfare	Total Internal Service Funds
Cash Flows From Operating Activities:											
Receipts from Customers and Users	\$ 1,475,935	\$ 321,732	\$ 297,360	\$ 265,424	\$ 276,366	\$ 3,986,587	\$ 1,248,205	\$ (3,109,164)	\$ 1,868,006	\$ 8,606,268	\$ 15,236,719
Payments to Suppliers	(1,068,046)	(99,280)	(246,545)	(199,168)	(130,092)	(2,480,092)	(960,282)	(1,232,188)	(2,712,026)	(8,546,887)	(17,674,606)
Payments to Employees	(396,565)	(225,253)	(63,827)	(57,047)	(151,108)	-	(157,952)	(89,204)	(249,424)	(69,493)	(1,459,873)
Other Receipts (Payments)	-	-	-	-	-	-	-	-	11,440	390,508	401,948
Net Cash Provided by Operating Activities	11,324	(2,801)	(13,012)	9,209	(4,834)	1,506,495	129,971	(4,430,556)	(1,082,004)	380,396	(3,495,812)
Cash Flows from Noncapital Financing Activities											
Advances From (To) Other Funds	45,442	2,801	13,012	(9,209)	4,834	1,194,266	(129,971)	4,430,515	1,082,004	(380,396)	6,253,298
Net Cash Provided (Used) by Capital and Related Financing Activities	45,442	2,801	13,012	(9,209)	4,834	1,194,266	(129,971)	4,430,515	1,082,004	(380,396)	6,253,298
Cash Flows from Capital and Related Financing Activities:											
Principal Paid on Capital Debt	(26,447)	-	-	-	-	-	-	-	-	-	(26,447)
Purchase of Capital Assets	-	-	-	-	-	(2,275,076)	-	-	-	-	(2,275,076)
Proceeds from Capital Lease	-	-	-	-	-	1,099,959	-	-	-	-	1,099,959
Principal Paid on Capital Lease	-	-	-	-	-	(1,393,888)	-	-	-	-	(1,393,888)
Interest Paid on Capital Lease	(56,766)	-	-	-	-	(131,756)	-	-	-	-	(188,522)
Net Cash Provided (Used) by Capital and Related Financing Activities	(83,213)	-	-	-	-	(2,700,761)	-	-	-	-	(2,783,974)
Net Increase in Cash and Cash Equivalents	(26,447)	-	-	-	-	-	-	(41)	-	-	(26,488)
Cash and Cash Equivalents - July 1, 2003	1,004,920	-	-	-	-	150	300	441	400	-	1,006,211
Cash and Cash Equivalents - June 30, 2004	\$ 978,473	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 300	\$ 400	\$ 400	\$ -	\$ 979,723
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:											
Operating Income (Loss)	\$ 46,274	\$ -	\$ -	\$ -	\$ -	\$ 390,015	\$ -	\$ -	\$ -	\$ -	436,289
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:											
Depreciation and Amortization	57,363	579	4,520	-	1,882	1,250,012	39,126	18,129	-	387	1,371,998
Loss on sale of Assets	-	-	-	-	-	(258,259)	-	-	-	-	(258,259)
Changes in Assets and Liabilities:											
Employee Travel Advances	-	-	-	-	-	-	-	250	-	-	250
Accounts Payable	(83,605)	(908)	(17,873)	8,755	(4,634)	124,727	90,959	(46,410)	(137,399)	647,517	581,129
Compensated Absences	(6,537)	(342)	545	1,023	(635)	-	1,399	1,647	1,959	2,254	1,313
Accrued Salaries	(2,171)	(2,130)	(204)	(569)	(1,447)	-	(1,513)	(797)	(1,895)	(646)	(11,372)
Claims Liability	-	-	-	-	-	-	-	(4,403,375)	(944,669)	(269,116)	(5,617,160)
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	\$ 11,324	\$ (2,801)	\$ (13,012)	\$ 9,209	\$ (4,834)	\$ 1,506,495	\$ 129,971	\$ (4,430,556)	\$ (1,082,004)	\$ 380,396	\$ (3,495,812)

CITY OF WILMINGTON, DELAWARE

FIDUCIARY FUNDS

PENSION TRUST FUNDS

The following pension funds account for the City's pension plans in the following five pension funds:

Uniformed Plans

Fire Pension
Police Pension

Non-Uniformed Plans

Plan I
Plan II
Plan III

The Police and Fire Pension Funds represent the consolidated financial activity of the old and 1984 Police and Fire Pension Plans, respectively. Both funds include contributions from employees, the State of Delaware, and the City.

Non-Uniformed Plan I and Plan II represent the old and 1979 pension plans for non-uniformed employees and are noncontributory plans solely funded by the City. Both plans are closed.

In fiscal year 1991, the City offered its active non-uniformed employees an option to transfer to Plan III. This plan is contributory for employees based on options taken. The City also contributes to the plan.

POST RETIREMENT BENEFIT FUND

The Retiree Medical Program is a post-employment healthcare benefit program that provides post-retirement health care benefits to all employees who retire from the City on or after January 1, 2000, and meet certain eligibility requirements.

AGENCY FUNDS

The Rent Escrow Fund accounts for rents deposited by tenants as a result of disputed repairs not done by landlords to bring rental properties up to City code.

The Escrow Loans and Grants Fund accounts for loans and grants received by the City from the U.S. Department of Housing and Urban Development and the State of Delaware on behalf of homeowners in the City. The City acts as an agent for these funds.

The Section 108 Program accounts for loans received by the City from the U.S. Department of Housing and Urban Development on behalf of businesses in the City. The City acts as an agent for these funds.

The Emergency Shelter Grant Fund accounts for United States Department of Housing and Urban Development grants to subgrantee agencies involved in shelter activities. The City acts as a conduit for the funds to reach these agencies.

City of Wilmington
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Fire Pension	Police Pension	Plan I Non-uniformed Pension	Plan II Non-uniformed Pension	Plan III Non-uniformed Pension	Post Retirement Benefit Fund	Total Pension and Other Employee Benefit Trust Funds	Total Agency Funds
Assets								
Cash and Cash Equivalents	\$ 3,710,454	\$ 550,566	\$ -	\$ 40,071	\$ 1,767,642	\$ 3,380	\$ 6,072,113	\$ -
Receivables:								
Accrued Interest Receivable	69,620	109,573	19,119	28,004	33,459	-	259,775	-
Total Receivables	69,620	109,573	19,119	28,004	33,459	-	259,775	-
Investments, at Fair Value:								
U.S. Treasury Obligations	11,497,285	18,095,355	3,157,464	4,624,655	5,525,562	806,436	43,706,757	-
Stocks	12,947,497	20,377,815	3,555,731	5,207,986	6,222,529	-	48,311,558	-
Corporate Obligations	9,790,172	15,408,562	2,688,644	3,937,987	4,705,127	480,706	37,011,198	-
Mutual Funds	1,130,775	1,779,706	310,541	454,842	543,447	373,355	4,592,666	-
Total Investments	35,365,729	55,661,438	9,712,380	14,225,470	16,996,665	1,660,497	133,622,179	-
Due from Other Funds	-	-	-	-	-	8,892	8,892	573,388
Due from Other Governments	-	-	-	-	-	-	-	178,593
Total Assets	39,145,803	56,321,577	9,731,499	14,293,545	18,797,766	1,672,769	139,962,959	751,981
Liabilities:								
Accounts Payable	7,925	8,805	11,313	4,989	1,761	21,647	56,440	38,758
Accrued Wages and Fringes	186	-	436	388	981	-	1,991	364
Liability for Stale-dated Pension Checks	44,829	75,400	37,207	8,215	5,284	-	170,935	-
Due to Other Funds	3,103,519	324,123	836,195	501,737	950,286	-	5,715,860	159,859
Compensated Absences	537	537	537	1,077	2,683	-	5,371	-
Funds Held in Escrow	148	-	-	-	-	-	148	553,000
Total Liabilities	3,157,144	408,865	885,688	516,406	960,995	21,647	5,950,745	751,981
Net Assets								
Held in Trust for								
Pension Benefits	\$ 35,988,659	\$ 55,912,712	\$ 8,845,811	\$ 13,777,139	\$ 17,836,771	\$ 1,651,122	\$ 134,012,214	\$ -

City of Wilmington, Delaware
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2004

	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Plan I Non-uniformed Pension</u>	<u>Plan II Non-uniformed Pension</u>	<u>Plan III Non-uniformed Pension</u>	<u>Post Retirement Benefit Fund</u>	<u>Total Pension and Other Employee Benefit Trust Funds</u>
Additions:							
Contributions:							
City	\$ 657,558	\$ 3,255,674	\$ 216,774	\$ 11,138	\$ 893,621	\$ -	\$ 5,034,765
State	4,266,045	1,939,952	39,600	-	-	-	6,245,597
Employees	331,543	543,408	-	-	349,646	461,505	1,686,102
Total Contributions	<u>5,255,146</u>	<u>5,739,034</u>	<u>256,374</u>	<u>11,138</u>	<u>1,243,267</u>	<u>461,505</u>	<u>12,966,464</u>
Investment Income	4,923,603	5,195,626					
Interest	1,245,320	2,128,852	328,993	484,329	606,692	7,500	4,801,686
Net Depreciation in Fair Value	2,376,584	3,454,281	605,216	893,413	1,186,460	-	8,515,954
Total Investment Earnings	3,621,904	5,583,133	934,209	1,377,742	1,793,152	7,500	13,317,640
Less Investment Expense	(150,776)	(237,303)	(41,407)	(60,648)	(72,463)	-	(562,597)
Net Investment Income	<u>3,471,128</u>	<u>5,345,830</u>	<u>892,802</u>	<u>1,317,094</u>	<u>1,720,689</u>	<u>7,500</u>	<u>12,755,043</u>
Total Additions	<u>8,726,274</u>	<u>11,084,864</u>	<u>1,149,176</u>	<u>1,328,232</u>	<u>2,963,956</u>	<u>469,005</u>	<u>25,721,507</u>
Deductions:							
Benefits Paid	5,801,301	7,306,511	1,354,704	827,903	898,706	445,631	16,634,756
Administrative Expenses	106,287	79,295	56,202	73,153	176,788	15,875	507,600
Total Deductions	<u>5,907,588</u>	<u>7,385,806</u>	<u>1,410,906</u>	<u>901,056</u>	<u>1,075,494</u>	<u>461,506</u>	<u>17,142,356</u>
Net Increase (Decrease) in Plan Net Assets	2,818,686	3,699,058	(261,730)	427,176	1,888,462	7,499	8,579,151
Net Assets - Beginning	<u>33,169,973</u>	<u>52,213,654</u>	<u>9,107,541</u>	<u>13,349,963</u>	<u>15,948,309</u>	<u>1,643,623</u>	<u>125,433,063</u>
Net Assets - Ending	<u>\$ 35,988,659</u>	<u>\$ 55,912,712</u>	<u>\$ 8,845,811</u>	<u>\$ 13,777,139</u>	<u>\$ 17,836,771</u>	<u>\$ 1,651,122</u>	<u>\$ 134,012,214</u>

CITY OF WILMINGTON, DELAWARE

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the Year Ended June 30, 2004

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2004</u>
<u>RENT ESCROW FUND</u>				
Assets:				
Cash and Cash Equivalents	\$ 4,138	\$ -	\$ 4,138	\$ -
Total Assets	<u>\$ 4,138</u>	<u>\$ -</u>	<u>\$ 4,138</u>	<u>\$ -</u>
Liabilities:				
Funds Held in Escrow	\$ 4,138	\$ -	\$ 4,138	\$ -
Total Liabilities	<u>\$ 4,138</u>	<u>\$ -</u>	<u>\$ 4,138</u>	<u>\$ -</u>
<u>ESCROW LOANS AND GRANTS</u>				
Assets:				
Due from Other Funds	\$ 254,913	\$ 967,225	\$ 648,750	\$ 573,388
Total Assets	<u>\$ 254,913</u>	<u>\$ 967,225</u>	<u>\$ 648,750</u>	<u>\$ 573,388</u>
Liabilities:				
Accounts Payable	\$ 80,508	\$ 278,707	\$ 338,827	\$ 20,388
Funds Held in Escrow	<u>174,405</u>	<u>553,000</u>	<u>174,405</u>	<u>553,000</u>
Total Liabilities	<u>\$ 254,913</u>	<u>\$ 831,707</u>	<u>\$ 513,232</u>	<u>\$ 573,388</u>
<u>SECTION 108 PROGRAM</u>				
Assets:				
Cash and Cash Equivalents	\$ 37,439	\$ 340	\$ 37,779	\$ -
Due from Other Funds	<u>12,918</u>	<u>51,799</u>	<u>64,717</u>	<u>-</u>
Total Assets	<u>\$ 50,357</u>	<u>\$ 52,139</u>	<u>\$ 102,496</u>	<u>\$ -</u>
Liabilities:				
Notes Payable	\$ 50,357	\$ 51,799	\$ 102,156	\$ -
Total Liabilities	<u>\$ 50,357</u>	<u>\$ 51,799</u>	<u>\$ 102,156</u>	<u>\$ -</u>

City of Wilmington, Delaware
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2004

	<u>Balance at</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2004</u>
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EMERGENCY SHELTER GRANT

Assets:

Due from Other Governments	\$ 161,950	\$ 178,593	\$ 161,950	\$ 178,593
Total Assets	<u>\$ 161,950</u>	<u>\$ 178,593</u>	<u>\$ 161,950</u>	<u>\$ 178,593</u>

Liabilities:

Accounts Payable	\$ 23,016	\$ 101,417	\$ 106,063	\$ 18,370
Accrued Wages and Fringes	77	364	77	364
Due to Other Funds	<u>138,857</u>	<u>159,859</u>	<u>138,857</u>	<u>159,859</u>
Total Liabilities	<u>\$ 161,950</u>	<u>\$ 261,640</u>	<u>\$ 244,997</u>	<u>\$ 178,593</u>

SUMMARY OF AGENCY FUNDS

Assets:

Cash and Cash Equivalents	\$ 41,577	\$ 340	\$ 41,917	\$ -
Due from Other Funds	267,831	967,225	661,668	573,388
Due from Other Governments	<u>161,950</u>	<u>178,593</u>	<u>161,950</u>	<u>178,593</u>
Total Assets	<u>\$ 471,358</u>	<u>\$ 1,146,158</u>	<u>\$ 865,535</u>	<u>\$ 751,981</u>

Liabilities:

Accounts Payable	\$ 103,524	\$ 380,124	\$ 444,890	\$ 38,758
Accrued Wages and Fringes	77	364	77	364
Due to Other Funds	138,857	159,859	138,857	159,859
Notes Payable	50,357	-	50,357	-
Funds Held in Escrow	<u>178,543</u>	<u>553,000</u>	<u>178,543</u>	<u>553,000</u>
Total Liabilities	<u>\$ 471,358</u>	<u>\$ 1,093,347</u>	<u>\$ 812,724</u>	<u>\$ 751,981</u>

City of Wilmington, Delaware

Capital Assets Used in the Operations of Governmental Funds

CITY OF WILMINGTON, DELAWARE
Capital Assets Used in the Operations of Governmental Funds
Comparative Schedule by Source
June 30, 2004

	2004	2003
Governmental Funds Capital Assets:		
Land	\$ 19,722,975	\$ 20,069,161
Buildings	28,656,060	29,566,609
Building Improvements	52,642,703	49,840,117
Street and Utilities	5,404,427	5,551,746
Equipment	7,034,506	7,251,853
Vehicles	4,994,480	4,336,715
Other Assets	619,176	847,987
 Total Governmental Funds Capital Assets	 \$ 119,074,327	 \$ 117,464,188
 Investment in General Fixed Assets From:		
Capital Projects Funds	\$ 98,161,616	\$ 96,551,477
General Fund Revenues	2,060,525	2,060,525
Special Revenue Funds Revenues	18,852,186	18,852,186
 Total Governmental Funds Capital Assets	 \$ 119,074,327	 \$ 117,464,188

City of Wilmington

**Statistical Section
(Unaudited)**

The following tables present selected financial, economic, and demographic statistical data organized into multi-year formats.

Table 1

City of Wilmington
Governmental Expenditures by Function
(Unaudited)
Last Ten Fiscal Years

Fiscal Year	General Government	Commerce	Real Estate and Housing	Public Works	Parks and Recreation	Public Safety	Capital Outlays	Principal Payments	Interest Payments	Bonds Issuance Costs	Total
2004	\$ 13,439,612	\$ 1,810,417	\$ 7,935,627	\$ 11,570,411	\$ 6,390,136	\$ 50,891,648	\$ 7,664,015	\$ 8,660,870	\$ 5,502,554	\$ -	\$ 113,865,290
2003	14,495,849	2,575,276	7,956,163	14,583,648	7,032,067	54,110,914	6,655,980	9,156,620	5,820,204	-	122,386,722
2002	14,706,775	3,281,376	7,564,299	14,092,783	5,850,726	53,278,040	3,757,293	7,963,411	4,713,784	514,789	115,723,276
2001	15,328,398	3,690,304	6,741,099	12,229,271	7,251,154	44,820,879	7,432,548	4,730,061	3,732,657	-	105,956,371
2000	15,004,184	4,678,415	6,652,541	10,160,894	7,416,208	43,291,315	12,801,482	5,320,342	3,904,631	-	109,230,012
1999	17,152,463	3,506,521	6,181,177	10,975,927	7,440,123	39,238,255	16,066,748	5,336,199	3,336,915	-	109,234,328
1998	12,125,912	3,289,604	6,315,469	9,468,789	5,709,391	35,320,978	7,325,148	4,949,971	2,978,152	-	87,483,414
1997	9,559,788	3,850,283	6,950,287	11,186,616	5,234,260	33,733,314	4,518,833	2,992,622	2,957,843	-	80,983,846
1996	8,764,004	7,065,964	5,990,448	12,097,931	4,871,684	31,242,450	4,565,932	3,174,014	3,386,159	-	81,158,586
1995	8,222,575	21,877,644	6,031,769	8,204,214	4,604,134	29,996,572	1,637,646	3,081,610	3,477,326	-	87,133,490

Source: Financial Statements

Notes: In Fiscal Year 1995, Commerce Fund operated the Port of Wilmington.

City of Wilmington, Delaware
General Governmental Revenues By Source
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses & Permits	Fines and Forfeitures	Charges for Services	Inter-Governmental	Interest	Other Income	Total
2004	\$ 86,671,524	\$ 2,479,805	\$ 2,783,406	\$ 5,125,897	\$ 16,758,565	\$ 2,857,460	\$ 1,333,567	\$ 118,010,224
2003	76,900,282	2,811,199	3,394,601	4,745,897	20,412,105	2,649,356	660,709	111,574,149
2002	79,153,658	2,575,989	4,142,057	4,085,950	20,462,343	3,430,624	719,603	114,570,224
2001	69,649,762	2,710,586	1,992,739	1,368,606	14,249,138	5,357,956	3,224,441	98,553,228
2000	66,909,609	2,867,953	2,049,087	1,154,005	13,565,758	6,262,745	3,483,657	96,292,814
1999	69,054,251	2,578,393	2,284,145	1,225,215	16,366,478	7,052,440	3,176,473	101,737,395
1998	67,169,069	2,669,501	2,615,780	1,424,961	14,312,849	4,718,550	3,022,127	95,932,837
1997	56,145,346	2,652,559	2,250,640	961,003	14,042,898	4,910,247	3,157,776	84,120,469
1996	54,595,476	2,595,950	2,427,851	785,026	13,363,235	496,125	3,754,974	78,018,637
1995	48,349,649	2,448,929	2,595,977	528,728	10,468,959	617,545	4,596,600	69,606,387

General Governmental Tax Revenues By Source
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Property Taxes	Wages Taxes	Net Profit Taxes	Franchise Fees	Real Estate Transfer Taxes	Head Taxes	Other Taxes	Total
2004	\$ 29,068,010	\$ 41,030,254	\$ 3,240,693	\$ 2,431,540	\$ 6,033,039	\$ 2,500,666	\$ 2,367,322	\$ 86,671,524
2003	28,598,639	37,369,184	3,256,223	1,840,354	3,262,024	2,573,858	-	76,900,282
2002	26,088,116	41,225,538	3,014,110	2,066,036	4,235,821	2,524,037	-	79,153,658
2001	22,716,220	38,557,371	1,288,704	1,451,078	2,336,701	3,299,688	-	69,649,762
2000	22,744,851	34,649,986	2,608,936	1,576,913	2,694,184	2,634,739	-	66,909,609
1999	23,564,697	35,184,760	2,088,700	1,711,664	3,150,781	3,353,649	-	69,054,251
1998	22,531,695	36,689,417	1,933,587	1,384,479	2,408,491	2,221,400	-	67,169,069
1997	19,907,710	29,974,733	1,640,043	1,427,786	1,501,847	1,693,227	-	56,145,346
1996	20,381,493	28,917,322	1,574,598	1,408,073	1,501,847	812,143	-	54,595,476
1995	18,189,064	24,467,233	1,464,793	1,395,729	1,001,502	1,831,328	-	48,349,649

Source: Financial Statements

Notes: General Fund

In Fiscal Year 2002, certain revenues and fees were reclassified from miscellaneous to charges for services to conform to GASB new standards.

In Fiscal Year 2000, capital leases for General Fund purposes were classified as a source of funds in Miscellaneous.

Table 3

**City of Wilmington
Property Tax Levies and Collections
(Unaudited)**

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2004	\$ 28,036,411	\$ 23,480,668	83.8%	\$ 4,580,590	\$ 28,061,258	100.1%	\$ 1,778,473	6.3%
2003	28,737,675	27,107,949	94.3%	1,525,963	28,633,912	99.6%	1,462,480	5.1%
2002	28,247,996	24,596,758	87.1%	445,303	25,042,061	88.7%	727,368	2.6%
2001	22,571,945	22,099,303	97.9%	749,930	22,849,233	101.2%	526,021	2.3%
2000	22,744,851	21,377,849	94.0%	514,167	21,892,016	96.3%	530,623	2.3%
1999	23,564,697	22,599,984	95.9%	613,105	23,213,089	98.5%	633,692	2.7%
1998	22,531,695	21,585,785	95.8%	728,767	22,314,552	99.0%	545,173	2.4%
1997	19,907,710	18,942,915	95.2%	588,953	19,531,868	98.1%	332,970	1.7%
1996	20,381,493	18,598,973	91.3%	1,147,882	19,746,855	96.9%	347,148	1.7%
1995	18,146,954	17,317,598	95.4%	952,817	18,270,415	100.7%	496,499	2.7%

Table 4

**City of Wilmington
Assessed and Estimated Actual Value of Property
(Unaudited)**

Last Ten Fiscal Years

Fiscal Year	Real Property		Tax Exempt Property		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2004	\$ 3,509,891,010	\$ 3,509,891,010	\$ 577,093,603	\$ 577,093,603	\$ 4,086,984,613	\$ 4,086,984,613
2003	3,494,093,710	3,494,093,710	1,294,837,900	1,294,837,900	4,788,931,610	4,788,931,610
2002	2,877,759,877	2,877,759,877	296,014,160	296,014,160	3,173,774,037	3,173,774,037
2001	2,531,437,546	2,531,437,546	N/A	N/A	2,531,437,546	2,531,437,546
2000	2,110,113,191	2,110,113,191	N/A	N/A	2,110,113,191	2,110,113,191
1999	2,102,649,126	2,102,649,126	N/A	N/A	2,102,649,126	2,102,649,126
1998	2,085,292,700	2,085,292,700	N/A	N/A	2,085,292,700	2,085,292,700
1997	2,177,955,491	2,177,955,491	N/A	N/A	2,177,955,491	2,177,955,491
1996	1,968,023,897	1,968,023,897	N/A	N/A	1,968,023,897	1,968,023,897
1995	1,977,292,100	1,977,292,100	N/A	N/A	1,977,292,100	1,977,292,100

Table 5

**City of Wilmington
Property Tax Rates
Direct and Overlapping Governments
(per \$100 of Assessed Value)
(Unaudited)**

Last Ten Fiscal Years

Fiscal Year	City	School District	New Castle County	Totals	Percent Assessed to Appraised Value
2004	\$ 1.3067	\$ 1.0870	\$ 0.1580	\$ 2.5517	100.0 %
2003	1.3067	1.0870	0.1580	2.5517	100.0
2002	1.3067	1.0870	0.1580	2.5517	100.0
2001	1.0819	1.0253	0.1580	2.2652	100.0
2000	1.0819	1.0253	0.1580	2.2652	100.0
1999	1.0819	1.0253	0.1580	2.2652	100.0
1998	1.0819	1.0253	0.1580	2.2652	100.0
1997	1.0018	1.0253	0.1580	2.1851	100.0
1996	1.0018	0.9878	0.1580	2.1476	100.0
1995	0.9111	0.9408	0.1505	2.0024	100.0

Table 6

**CITY OF WILMINGTON
Principal Taxpayers
June 30, 2004
(Unaudited)**

Name	Property Type	2004 Taxable Assessment	Percent of Total Gross Levy
MBNA and Related Entities	Corporate Headquarters	\$ 91,247,900	2.6%
Conectiv	Office Building and Generating Facility	75,571,700	2.1%
Brandywine Operating Partnership	Office Building	63,707,500	1.8%
E.I. du Pont Nemours & Co.	Corporate Headquarters	61,411,800	1.7%
Hercules Incorporated	Corporate Headquarters	58,084,300	1.7%
1201 Market Street LLC	Office Building	51,775,000	1.5%
Verizon	Office Building	49,610,500	1.4%
Hub Properties Trust	Office Building	36,039,800	1.0%
Tatten Partners	Office Building	27,608,600	0.8%
Rodney Square Investors L P	Office Building	27,054,360	0.8%
100 West Tenth Street Corp.	Office Building	21,870,700	0.6%
TRC One Rodney Square	Office Building	15,113,600	0.5%
Elk Grove Suites	Office Building	<u>13,542,000</u>	<u>0.4%</u>
	Total	<u>\$ 592,637,760</u>	<u>16.9%</u>

Table 7

**City of Wilmington
Computation of Legal Debt Margin
June 30, 2004
(Unaudited)**

General Operating Budget for 2004	\$ 88,029,760
Legal Limitation 17.5% of Budget	\$ 15,405,208
Principal and Interest Expended in 2004	\$ 8,310,947
Percent of Operating Budget - Actual	9.4%

Note: The City is limited to the issuance of general obligation debt provided that payments of principal and interest in the fiscal year do not exceed 17.5% of the annual operating budget of that fiscal year. The limitation excludes amount issued for Water and Sewer and Port purposes.

TABLE 8

**City of Wilmington
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
Total General Governmental Expenditures
Last Ten years
(Unaudited)**

<u>Fiscal</u>	<u>Population</u>	<u>Assessed</u>	<u>Gross</u>	<u>Gross</u>	<u>Ratio of</u>	<u>Net</u>	
<u>Year</u>		<u>Value</u>	<u>Bonded Debt</u>	<u>Debt Payable</u>	<u>Net Bonded</u>	<u>Debt to</u>	<u>Bonded</u>
				<u>from Enterprise/ Internal Service</u>	<u>Debt</u>	<u>Assessed</u>	<u>Debt</u>
				<u>Revenues</u>		<u>Value</u>	<u>Per Capita</u>
2004	\$ 72,664	\$ 3,509,891,010	\$ 189,049,800	\$ 72,133,906	\$ 116,915,894	262.1%	\$ 1,609
2003	72,503	3,494,093,710	193,818,399	74,604,280	119,214,119	259.8%	1,644
2002	73,400	2,877,759,877	210,402,400	77,922,408	132,479,992	270.0%	1,805
2001	73,000	2,531,437,546	193,200,403	73,204,816	119,995,587	263.9%	1,644
2000	72,582	2,110,113,191	201,850,206	78,628,919	123,221,287	256.7%	1,698
1999	72,582	2,102,649,126	212,644,705	82,705,577	129,939,128	257.1%	1,790
1998	72,600	2,085,292,700	182,689,920	72,272,197	110,417,723	252.8%	1,521
1997	72,600	2,177,955,491	187,255,451	72,207,552	115,047,899	259.3%	1,585
1996	72,600	1,968,023,897	193,705,913	69,084,472	124,621,441	280.4%	1,717
1995	72,013	1,977,292,100	184,312,883	59,633,781	124,679,102	309.1%	1,731

Source: State of Delaware, Department of Labor

TABLE 9

City of Wilmington
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
Total General Governmental Expenditures
Last Ten years
(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service General Governmental Expenditures</u>
2004	\$ 8,661,380	\$ 5,502,044	\$ 14,163,424	\$ 113,861,906	12.4%
2003	9,156,620	5,820,204	14,976,824	122,386,721	12.2%
2002	7,963,411	4,713,784	12,677,195	115,723,726	11.0%
2001	4,730,061	3,732,657	8,462,718	105,956,371	8.0%
2000	5,320,342	3,904,631	9,224,973	109,227,012	8.4%
1999	5,336,199	3,336,915	8,673,114	109,234,328	7.9%
1998	5,499,971	2,978,152	8,478,123	87,483,414	9.7%
1997	2,992,622	2,957,843	5,950,465	80,983,846	7.3%
1996	3,174,014	3,386,159	6,560,173	74,092,622	8.9%
1995	3,081,610	3,447,326	6,528,936	68,341,361	9.6%

TABLE 10

City of Wilmington
Computation of Direct and Overlapping Debt
(Unaudited)

City of Wilmington Debt as of June 30, 2004	\$ 181,705,761
Add: New Castle County Debt (15.3% of \$191,260,000)	29,262,780
Add: Various School Districts' Debt (15.6% of \$154,538,414)	<u>24,107,993</u>
Total: Direct and Overlapping Debt	\$ 235,076,534
Less: Self-Supporting City Debt	(77,922,408)
Less: Self-supporting New Castle County Debt (15.3% of \$71,547,155)	<u>(10,946,715)</u>
Total: Self-Supporting Debt	<u>(88,869,123)</u>
Total estimated non-self-supporting debt of the City of Wilmington including non-self-supporting overlapping debt of New Castle County and the various school districts.	<u>\$ 146,207,411</u>

TABLE 11

City of Wilmington
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
Total General Governmental Expenditures
Last Ten years
(Unaudited)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2004	\$ 6,989,421	\$ 3,851,252	\$ 3,138,169	\$ 3,655,202	\$ 1,013,856	\$ 4,669,058	0.67
2003	7,412,472	3,556,677	3,855,795	2,990,906	1,391,944	4,382,850	0.88
2002	7,991,864	3,270,038	4,721,826	2,808,216	1,663,829	4,472,045	1.06
2001	8,023,724	2,942,577	5,081,147	2,677,058	1,889,253	4,566,311	1.11
2000	7,383,368	2,739,491	4,643,877	2,608,639	2,012,293	4,620,932	1.00
1999	7,013,390	2,645,000	4,368,390	2,405,191	2,145,339	4,550,530	0.96
1998	6,664,420	2,503,310	4,161,110	2,269,858	2,321,286	4,591,144	0.91
1997	6,475,910	2,470,104	4,005,806	2,089,349	2,485,067	4,574,416	0.88
1996	6,438,121	2,346,947	4,091,174	1,988,542	2,616,175	4,604,717	0.89
1995	7,356,638	2,073,257	5,283,381	1,931,409	2,636,631	4,568,040	1.16

Source: State of Delaware, Department of Labor

**City of Wilmington
Demographics Statistics
Last Ten years
(Unaudited)**

Fiscal Year	Population (1)	Total Households (2)	Total Median Age (2)	Median Household Effective Buying Income	Number of Persons Unemployed (2)	Unemployment Rate (1)
2004	72,664	28,700	33.7	\$ 31,499	2,185	6.3%
2003	72,503	28,617	36.9	36,064	1,814	4.5%
2002	73,400	29,900	36.3	36,084	2,482	6.8%
2001	73,000	30,300	35.5	37,489	1,756	4.9%
2000	72,582	29,700	35.3	35,037	1,978	5.7%
1999	72,582	29,300	35.1	32,092	1,768	5.2%
1998	72,600	27,900	34.2	31,002	1,725	5.2%
1997	72,600	29,300	34.1	29,720	2,241	6.3%
1996	72,600	29,200	34.1	40,304	1,809	5.4%
1995	72,013	29,000	34.1	31,711	1,710	4.7%

Source: (1) "A Survey of Buying Power" by Sales and marketing Management - September 30, 2004
(2) State of Delaware - Department of Labor

TABLE 13

**City of Wilmington
Property Value, Construction and bank Deposits
Last Ten years
(Unaudited)**

Fiscal Year	Assessed Property Value	New Construction Number of Permits	Value of Permits	Ratio of Debt Bank Deposits
2004	\$ 3,509,891,010	58	\$ 14,540,236	\$ 54,453,000
2003	3,494,093,710	55	66,686,100	57,816,985
2002	2,877,759,877	95	29,084	59,397,710
2001	2,531,437,546	49	12,914,795	86,171,159
2000	2,110,113,191	49	119,687,000	73,226,217
1999	2,102,649,126	75	41,364,454	63,836,538
1998	2,085,292,700	75	17,015,545	62,149,000
1997	2,177,955,491	42	55,550,559	42,720,000
1996	1,968,023,897	61	18,728,801	40,746,000
1995	1,977,292,100	66	16,169,763	36,320,000

TABLE 14

**City of Wilmington
Major Area Employers - Unaudited**

The estimated number of employees of the largest employers within commuting distance of the City include:

Name	Number of Location	Business	Employees
State of Delaware	Throughout Delaware	Government	14,573
MBNA America	Christiana/Wilmington	Banking	10,326
Du Pont Co.	Throughout Wilm. Area	Chemical	9,900
Christiana Care Health Services	Christiana/Wilmington	Health care	7,300
Total County/Municipal Government	Throughout Wilm. Area	Government	6,800
AstraZeneca Inc.	Fairfax	Pharmaceuticals	4,500
University of Delaware	Newark	Education	3,860
J.P. Morgan Bank	New Castle County	Financial Services	3,500
Wal-Mart Stores Inc.	Throughout Delaware	Retail	3,068
Bank One Card Services/Bank One Co	Wilmington	Banking	2,800
Christina School District	Wilmington	Education	2,789
U.S. Government	Throughout Delaware	Government	2,709
Nemours	Throughout Wilm. Area	Health Care	2,566
Wilmington Trusr Corp	Throughout Wilm. Area	Banking	2,289
Daimler Chrysler Corp	Newark	Auto	2,235
Citigroup Inc.	Throughout Wilm. Area	Financial Services	1,984
Red Clay School District	Wilmington	Education	1,862
Saturn Corp./General Motors Corp	New Castle County	Auto	1,845
PNC Financial Services Group	Throughout Delaware	Banking	1,705
Sears, Roebuck & Co.	Throughout Delaware	Retail	1,557
Delaware National Guard	Throughout Delaware	Military	1,500
Concectiv Inc.	Throughout Delaware	Utilities	1,482
Colonial School District	Wilmington	Education	1,400
Happy Harry's Inc.	Throughout Delaware	Pharmacy	1,397
Brandywine School Distric	Wilmington	Education	1,355
Delaware Park	Wilmington	Racetrack/Casino	1,330

Source: State of Delaware, Department of Labor