CITY OF WILMINGTON, DELAWARE

COMPREHENSIVE ANNUAL FINANCIAL

REPORT

For the Fiscal Year Ended June 30, 2003

PREPARED BY THE DEPARTMENT OF FINANCE

CITY OF WILMINGTON, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2003

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION
Letter of Transmittal 1
GFOA Certificate of Achievement for Excellence in Financial Reporting 6
Organizational Chart 7
Listing of Principal Officials 8

FINANCIAL SECTION
Report of Independent Auditors 9
Management's Discussion and Analysis 11
Basic Financial Statements 22

Government-wide Financial Statements:
Statement of Net Assets 23
Statement of Activities 25

Fund Financial Statements:
Balance Sheet – Governmental Funds 26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 29
Statement of Fund Net Assets – Proprietary Funds 30
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 31
Statement of Cash Flows – Proprietary Funds 32
Statement of Fiduciary Net Assets 33
Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds 34

Component Unit Financial Statements:
Combining Statement of Net Assets – Component Units 35
Combining Statement of Revenues, Expenditures, and Changes in Net Assets – Component Units 36

Notes to Financial Statements 37

CITY OF WILMINGTON, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2003

TABLE OF CONTENTS (Continued)

Page No.

Required Supplementary Information:
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund....82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Commerce Fund....83
Notes to Required Supplementary Information....84
Pension Funding Status and Progress....86

Combining and Individual Fund Financial Statements and Schedules:
Non-Major Governmental Funds....90
Combining Balance Sheet – Non-Major Governmental Funds – Special Revenue Funds....91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds – Special Revenue Funds....92
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Non-Major Special Revenue Funds....93
Internal Service Funds....94
Combining Statement of Fund Net Assets – Internal Service Funds....95
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Internal Service Funds....96
Combining Statement of Cash Flows – Internal Service Funds....97
Fiduciary Funds....98
Combining Statement of Fudiciary Net Assets – Fiduciary Funds....99
Combining of Changes in Fudiciary Net Assets Pension and Other Employee Benefit Trust Funds....100
Combining Statement of Changes in Assets and Liabilities – All Agency Funds....101
Capital Assets Used in Operations of Governmental Funds – Comparative Schedule by Source....103

STATISTICAL SECTION
Governmental Fund Expenditures by Function and Transfers Out – Table 1....106
Governmental Fund Revenues by Source – Table 2....107
Property Tax Levies and Collections – Table 3....108
Assessed and Estimated Value of Taxable Property – Table 4....108
Property Tax Rates, Direct and Overlapping Governments – Table 5....109
Principal Taxpayers – Table 6....110
Computation of Legal Debt Margin – Table 7....111
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita – Table 8....111
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Table 9....112
Computation of Direct and Overlapping Debt - Table 10....112
Revenue Bond Coverage - Table 11....113

CITY OF WILMINGTON, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2003

TABLE OF CONTENTS (Continued)

Page No.

Demographic Statistics – Table 12 114
Property Value, Construction, and Bank Deposits – Table 13 114
Major Area Employers – Table 14.....115

SEAL OF THE CITY OF WILMINGTON
DELAWARE

March 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, 2003.

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, 2003, 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, 2003, are fairly presented in conformity with 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 report not only on the fair presentation of the financial statements, but also the audited 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, including police and fire protection; maintenance and repairs of infrastructure; recreational activities and 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 request to the Office of Management and Budget for inclusion into the comprehensive budget. The budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the General 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, 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. 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 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 expenditures over appropriations were incurred at the legal functional level during the year except as indicated in Note 2-B.

Factors Affecting Financial Condition

Local Economy. The City of Wilmington continues to work in bringing jobs by offering businesses economic development incentives. These programs continue to serve as incentives for attracting major employers (such as MBNA, Wilmington Trust, ING Direct, and Juniper Bank among others) to move to or expand operations in the City. These incentives have assisted the City of Wilmington in becoming known as the "Wall Street of the Credit Card Industry" and the City has become the cultural and entertainment center for the half million people who comprise Greater Wilmington. The Blue Rocks Single-A baseball team, the Bank One Riverfront Arts Center, the Shipyard Shops, and the Riverfront Market continues to bring more than a million people to the Wilmington Riverfront annually. Additional activities that the City has to offer are the new Downtown Orange Street Farmers Market located in the 800 Block of Orange Street, the Clifford Brown Jazz Festival, and First Night. The City of Wilmington was mentioned in "Money Magazine", as one of the best cities based on job growth, net migration, real estate prices and other measures in which to start a business or get a job.

Long-Term Financial Planning. The City continues to embark on an aggressive program of encouraging the construction of attractive housing. The City has contracted to develop the Christina Riverfront for upscale townhouses. Meanwhile, the City continues to develop the three-block strip running between King and Market Streets between 5th Street on the North and 2nd Street on the south. The City has widespread support from New Castle County, the State of Delaware, and the private sector in the development of a "campus district" in downtown Wilmington. Since the City announced support for the creation of the Delaware College of Art and Design, a unique joint venture between the Corcoran Art Institute in Washington, D.C. and the Pratt Institute in New York City, three other major institutions of higher education, have expanded into downtown Wilmington. Drexel University, the University of Delaware, and Delaware State University have all expanded course offerings within a block of Market Street. Springfield College is presently occupying an entire building a block from Market Street.

Cash management policies and practices. Although, the City's scope of investments is limited by the State Constitution to U.S. Government Agency securities, collateralized certificates of deposit and repurchase agreements; the City was able to earn a reasonable yield of 1.57% for fiscal year 2003.

Risk management. On January 1, 1986, the City established a self-funded Risk Management Program to fully provide for exposure in general, automobile, police professional and public officials' liability. As part of this comprehensive plan, resources are allocated in the Risk Management Fund to provide for expected future payments on claims previously incurred, including reported claims, and incurred but unreported claims. The total maximum liability is limited to $300,000 per occurrence by the Delaware Municipal Tort Claims Act. Also, prior to

this date, the City had established a self-funded workers' compensation program to fully provide for this exposure. As part of this comprehensive plan, resources are allocated in the Workers' Compensation Fund. The total maximum liability is limited by type of incident by the Workers' Compensation Law of the State of Delaware. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. Additional information on the City of Wilmington's risk management activity can be found in Note 12-A of the notes to the financial statements.

Pension and Other Post-Employment Benefits. The City of Wilmington covers substantially 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 its 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 health care 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 retiree pays the full premium.

Awards and Acknowledgements

The Government Finance Officers Association (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, 2002. This was the thirteenth consecutive year that the government has received this prestigious award. 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 GAAP 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 conform to 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, 2003. 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.

ACKNOWLEDGMENTS

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

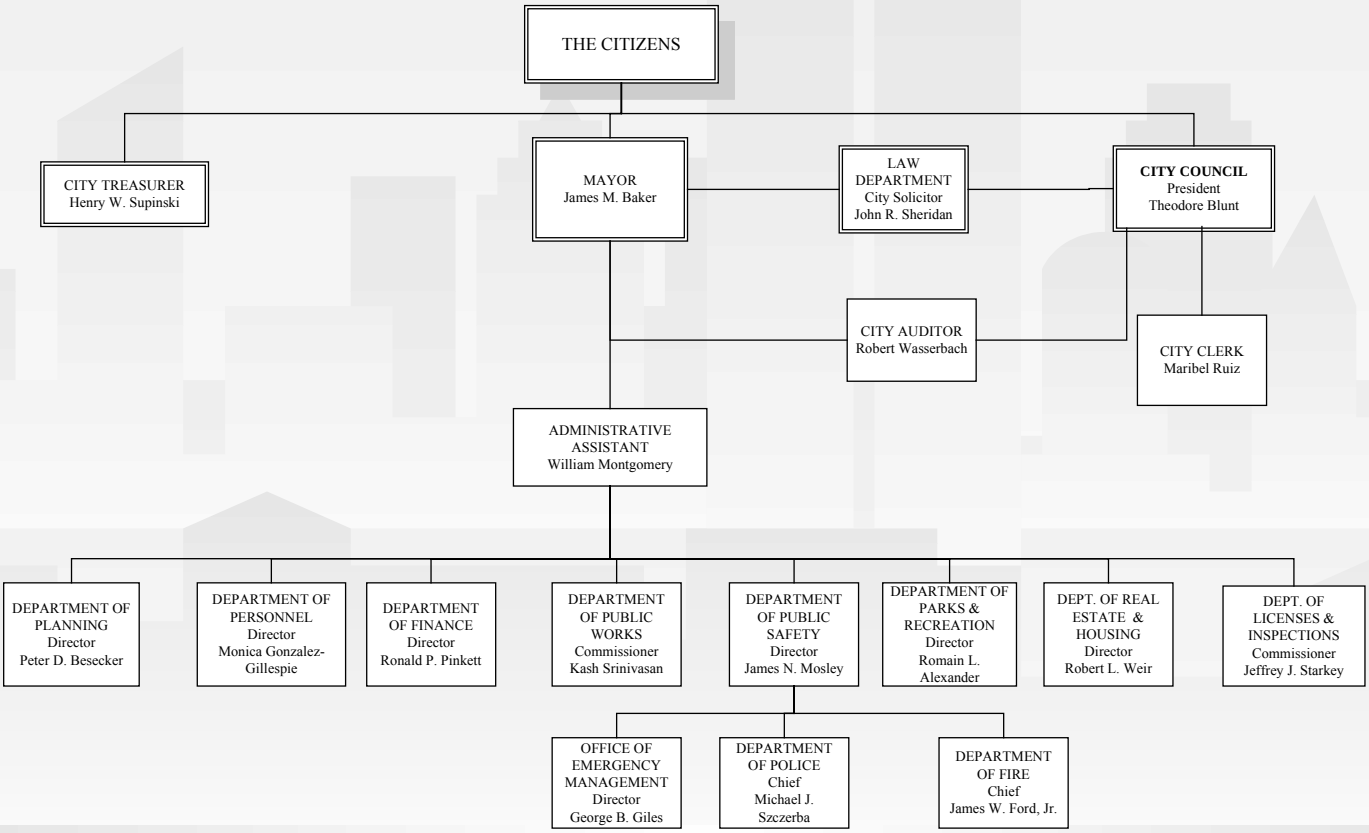
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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.

President

Executive Director

CITY OF WILMINGTON ORGANIZATION CHART



City of Wilmington
Listing of Principal Officials
June 30, 2003

Executive

Mayor	**James M. Baker**
City Treasurer	**Henry Supinski**

City Council

President	Theodore Blunt
1st District	Charles Potter, Jr.
2nd District	Norman D. Griffiths
3rd District	Stephanie T. Bolden
4th District	Norman M. Oliver
5th District	Demetrio Ortega, Jr.
6th District	Kevin F. Kelley, Sr.
7th District	Gerard W. Kelly
8th District	Gerald L. Brady, Sr.
Council Person at Large	Paul T. Bartkowski
Council Person at Large	Michael J. Hare
Council Person at Large	Theopalis K. Gregory
Council Person at Large	Charles M. Freel

Administration

Administrative Assistant to the Mayor	William S. Montgomery
City Solicitor	John R. Sheridan
City Auditor	Robert Wasserbach
Clerk of Council	Maribel Ruiz

Department Heads

Planning	Peter D. Besecker
Personnel	Monica Gonzalez-Gillespie
Finance	Ronald P. Pinkett
Public Works	Kash Srinivasan
Public Safety	James N. Mosley
Parks and Recreation	Romain Alexander
Real Estate and Housing	Robert L. Weir
Licenses and Inspections	Jeffrey J. Starkey
Police	Michael J. Szczerba
Fire	James W. Ford

CITY OF WILMINGTON, DELAWARE
Management's Discussion and Analysis

June 30, 2003

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, 2003. 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 $132,144,108 (net assets), a decrease of $5,801,404 from the previous year. The operational decrease in net assets was $3,652,929. There were prior period adjustments in the amount of $2,148,475. The net assets of the City decreased due to accounting for compensatory time in the amount $1,437,776. Component units reported net assets of $51,716,773, a decrease of $189,601 from the previous year. The net change was due to a prior period adjustment in the amount of $1,161,089 and excess expenditures over revenue in the amount of $1,350,690.

Fund Level

- As of the close of the current fiscal year, the City of Wilmington's governmental funds reported combined fund balances of $33,532,156, a decrease of $6,176,953 in comparison to the prior year. Of the current ending fund balances, $4,884,615 is reported as reserved for Park Trust Operations, $7,520,107 is designated for to the Capital Projects Fund, $7,689,683 is designated for Economic Development.

- The unreserved balance of the General Fund was $13,437,751 or 14.2% of the total General Fund expenditures and transfers out. Of the unreserved balance, $3,283,362 is designated for Permanent Investment, $10,154,389 is designated for the Budget Reserve Account for Public Emergencies and fiscal year 2004 expenditures.

Long-Term Debt

- The City's total net bonded debt was $177,471,993 at June 30, 2003.

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. Certain prior year net assets balances have been restated as described in Note 17.

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. Because the City of Wilmington implemented new reporting standards in the prior fiscal year with significant changes in content and structure, much of the financial information was not easily comparable to prior years. However, in the current and future years, comparisons will be more meaningful and will go further in explaining the City's financial position and changes in financial position.

The Statement of Net Assets (pages 23-24) 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 a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 25) 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 in 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 26 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 88. 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 27) 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 29). 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, worker 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 33-34 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 37 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 are not reported individually, as with major funds, on the governmental fund financial statements. Combining and individual fund statements begin on page 88.

Statistical Section. The City provides certain informational and statistical schedules that begin on page 105.

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

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

City of Wilmington's Net Assets as of June 30, 2003

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other Assets	$ 98,063,333	$ 114,939,376	$ 13,435,334	$ 23,948,378	$ 111,498,667	$ 138,887,754
Capital Assets	117,464,188	118,045,950	142,223,583	136,531,283	259,687,771	254,577,233
Total Assets	215,527,521	232,985,326	155,658,917	160,479,661	371,186,438	393,464,987
Long Term Liabilities	117,685,892	136,400,193	70,528,076	78,420,402	188,213,968	214,820,595
Other Liabilities	44,532,713	39,624,082	6,295,649	1,074,798	50,828,362	40,698,880
Total Liabilities	162,218,605	176,024,275	76,823,725	79,495,200	239,042,330	255,519,475
Net Assets:						
Invested in Capital Assets, Net of Related Debt	29,844,049	31,108,977	71,695,507	64,050,844	101,539,556	95,159,821
Restricted	12,574,298	9,718,750	-	-	12,574,298	9,718,750
Unrestricted	10,890,569	16,133,324	7,139,685	16,933,617	18,030,254	33,066,941
Total Net Assets	$ 53,308,916	$ 56,961,051	$ 78,835,192	$ 80,984,461	$ 132,144,108	$ 137,945,512

The largest component of Total Net Assets, $101,539,556, 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 $12,574,298 represents resources that are subject to a City of Wilmington charter provision or enabling legislation on how they may be used.

Changes in Net Assets. The combined net assets of the City decreased by $5,801,404. $137,945,512 to $132,144,108. The decrease was caused by a decrease of $3,652,135 in the net assets of the governmental activities and a decrease of $2,149,269 in the net assets of the City's business-type activities. A significant amount of the decrease is related to a decrease in the capital assets and prior adjustments for changes to the 2002 payroll accrual that affected government-wide and business-type activities net assets balances.

City of Wilmington's Changes in Net Assets

Year Ended June 30, 2003

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
REVENUES						
Program Revenues:						
Charges for Services	$ 15,745,325	$ 13,999,623	$ 38,799,279	$ 34,631,018	$ 54,544,604	$ 48,630,641
Operating Grants & Contributions	9,062,321	9,031,393	-	-	9,062,321	9,031,393
Capital Grants & Contributions	1,986,087	4,674,657	-	-	1,986,087	4,674,657
General Revenues:						
Property Taxes	28,598,639	26,088,116	-	-	28,598,639	26,088,116
Wage taxes	37,369,184	40,916,704	-	-	37,369,184	40,916,704
Net Profit Taxes	3,256,223	3,179,702	-	-	3,256,223	3,179,702
Real Estate Transfer Taxes	3,262,024	4,235,821	-	-	3,262,024	4,235,821
Head Taxes	2,573,858	2,524,037	-	-	2,573,858	2,524,037
Investment Earnings	2,649,356	3,430,624	-	-	2,649,356	3,430,624
Other	11,887,365	10,997,471			11,887,365	10,997,471
Gains/Losses on Capital Assets	3,315,798	2,577,762	-	-	3,315,798	2,577,762
Total Revenues	119,706,180	121,655,910	38,799,279	34,631,018	158,505,459	156,286,928
EXPENSES						
General Government	34,206,686	34,331,721	-	-	34,206,686	34,331,721
Commerce	2,722,144	3,482,407	-	-	2,722,144	3,482,407
Real Estate and Housing	8,080,851	7,870,595	-	-	8,080,851	7,870,595
Public Works	16,807,245	12,453,280	-	-	16,807,245	12,453,280
Parks and Recreation	6,305,699	5,341,614	-	-	6,305,699	5,341,614
Public Safety	47,597,878	46,868,653	-	-	47,597,878	46,868,653
Interest on Long Term Debt	7,701,464	6,711,160	-	-	7,701,464	6,711,160
Water/Sewer	-	-	39,011,421	34,847,458	39,011,421	34,847,458
Total Expenses	123,421,967	117,059,430	39,011,421	34,847,458	162,433,388	151,906,888
Increase in Net Assets before Transfers	(3,715,787)	4,596,480	(212,142)	(216,440)	(3,927,929)	4,380,040
Transfers	2,275,000	1,000,000	(2,000,000)	(1,000,000)	275,000	-
Increase (Decrease) in Net Assets	(1,440,787)	5,596,480	(2,212,142)	(1,216,440)	(3,652,929)	4,380,040
Net Assets - Beginning As Previously Reported	56,961,051	51,364,571	80,984,461	82,200,901	137,945,512	133,565,472
Prior Period Adjustments	(2,211,348)	-	62,873	-	(2,148,475)	-
Net Assets - Beginning - As Restated	54,749,703	51,364,571	81,047,334	82,200,901	135,797,037	133,565,472
Net Assets - Ending	$ 53,308,916	$ 56,961,051	$ 78,835,192	$ 80,984,461	$ 132,144,108	$ 137,945,512

Governmental Activities

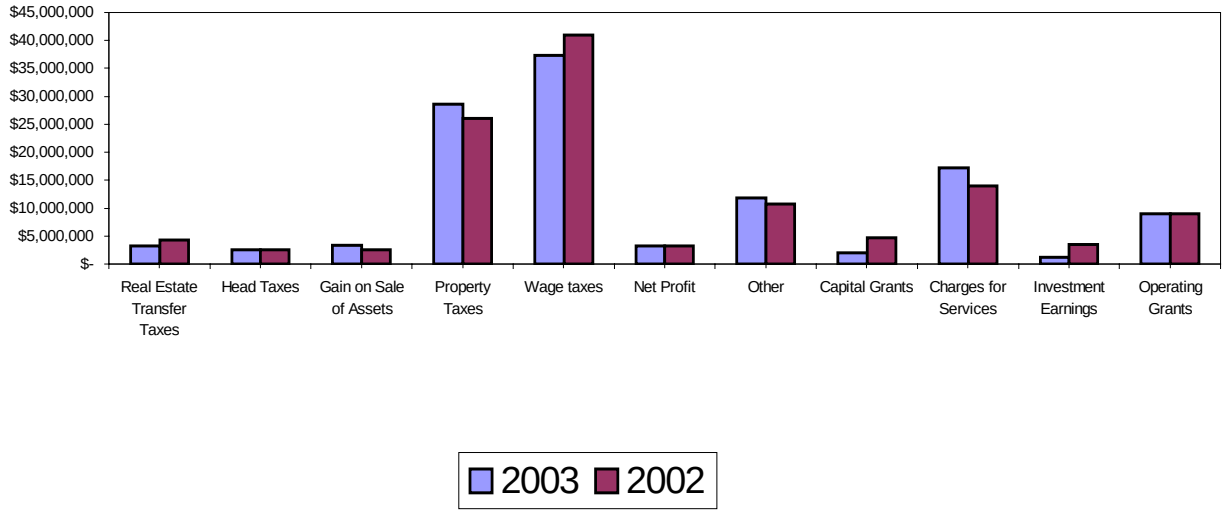
The following chart depicts a comparative view of the revenues of the governmental activities for fiscal year 2003 as compared to fiscal year 2002:

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

Governmental Activities Revenue Sources
2003 versus 2002

	2003	2002
Real Estate Transfer Taxes	$ 3,262,024	$ 4,235,821
Head Taxes	2,573,858	2,524,037
Gain on Sale of Assets	3,315,798	2,577,762
Property Taxes	28,598,639	26,088,116
Wage taxes	37,369,184	40,916,704
Net Profit	3,256,223	3,179,702
Other	11,887,365	10,797,471
Capital Grants	1,986,087	4,674,657
Charges for Services	15,745,325	13,999,623
Investment Earnings	2,649,356	3,340,624
Operating Grants	9,062,321	9,031,393

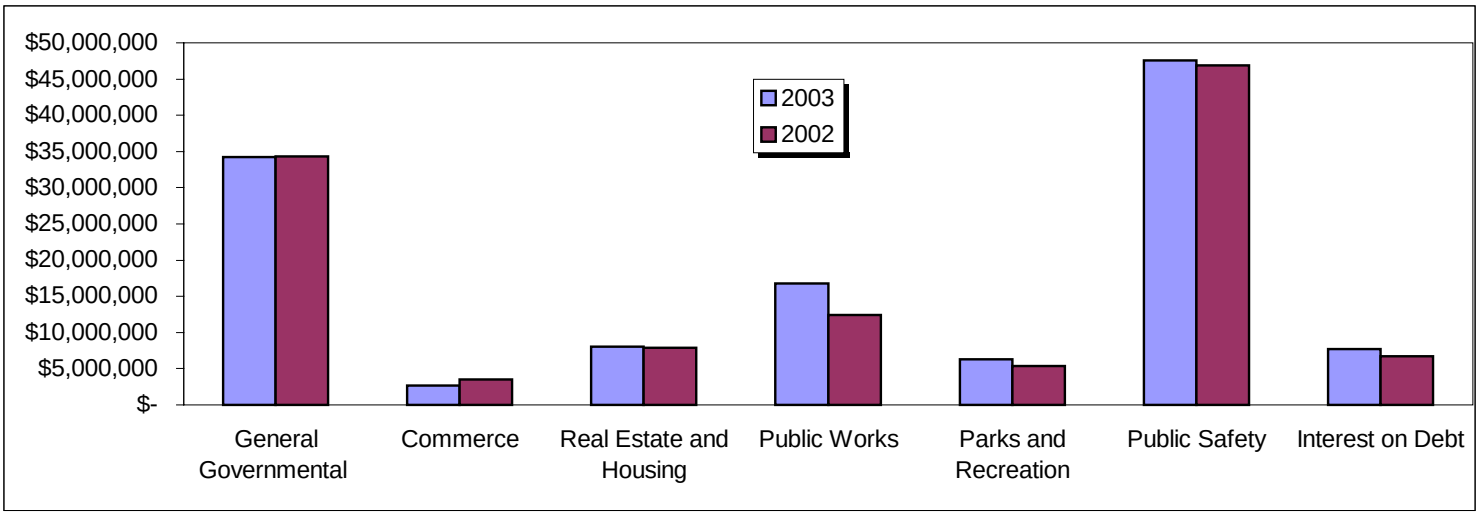
Revenues - Governmental Activities
Fiscal Year Ending June 30, 2003



The following chart depicts functional expenses of the governmental activities for the fiscal year 2003 as compared to fiscal year 2002:

Governmental Activities Expenses
2003 versus 2002

	2003	2002
General Governmenttal	$ 34,206,686	$ 34,331,721
Commerce	2,722,144	3,482,407
Real Estate and Housing	8,080,851	7,870,595
Public Works	16,807,245	12,453,280
Parks and Recreation	6,305,699	5,341,614
Public Safety	47,597,878	46,868,653
Interest on Debt	7,701,464	6,711,160



Business-type Activities

Net assets of the business-type activities have decreased by $2,149,269 for the current fiscal year due to a $2.0 million transfer into the Government-wide statement.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds reported fund balances of $33,532,156. Of the current ending fund balances, $13,437,751 is reported as unreserved in the General Fund, $4,884,615 as reserved for Park Operations, $7,520,107 related to Capital Projects, and $7,689,683 is reserved for Economic Development.

Governmental Funds

General Fund – Comparison to Prior Year. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance was $13,437,751. The General Fund unreserved fund balance is not available for new spending because it has already been committed (designated) primarily for permanent Investment Reserves ($3,283,362) and the balance has been designated for Budget Reserves for Public Emergencies ($10,154,389).

- Due to property being removed from the tax-exempt status, property tax revenues, increased by $2,510,523 over the 2002 results.

- Wage and net profit taxes, decreased $3,614,241 compared to 2002 primarily from a one-time wage tax refund in the amount of $2.2 million.

- Charges for services increased by $596,869 as compared to 2002 due to a reimbursement of cost from damages caused by the Presidents' Day blizzard in the City of Wilmington.

- Due to the reduction in the rate of return on funds invested, the interest earned in 2003 decreased by $1,397,902 as compared to 2002.

Expenditures in 2003 increased by $3,437,082 or 3.8% above 2002 spending levels and exceeded the 2003 budgeted expenditures by 9% due to an increase in risk management and worker compensation claims.

General Governmental expenditures for 2003, which were 15% of the entire General Fund expenditures, experienced a decrease of $258,253 as compared to the 2002 results. The City incurred an additional $250,000 in audit fees for the implementation of GASB 34. Additional costs were incurred for management studies to identify additional revenues and to provide information to improve management operation and procedures.

In 2003, the Real Estate and Housing Department experienced an increase of $447,230 over 2002 due to management's decision to demolish vacant and abandoned properties.

Public Safety expenditures, which represented 58% of the City's General Fund expenditures, experienced an increase of $1,553,962 above 2002. The Police Department expenditures increased by $2,297,776, due to increased overtime, general insurance liability and pension costs. Licenses and Inspections costs increased by $160,552, primarily due to an increase in demolition costs.

Pension and Retirement costs increased based on actuarially recommended annual contributions related to an increasing pension benefit obligation. The amount also includes $247,000 in costs pertaining to the post-retirement medical plan initiated on January 1, 2001.

General Fund – Comparison to Budget. Governmental activities decreased the City of Wilmington's net assets by $1,440,787, thereby accounting for most of the total reduction in the net assets of the City of Wilmington. Key elements of this decrease are as follows:

- Property tax revenues, which represented 37% of General Fund Tax revenues, exceeded the budget by $244,439 due to property being removed from tax-exempt status.

- Net profit taxes exceeded the budget by $1,696,223. The City experienced a windfall from, the profitability of law firms and the increase in cases settled in the City.

- Real estate transfer taxes exceeded budget by $1,162,024. There was an increase in property acquired and new business relocating within the City limits.

- Head taxes exceeded budget by $1,751,858. By offering tax incentives to lure new businesses, the City experienced a significant increase in the head tax revenue in this fiscal year.

- Charges for services increased by $1,121,364, due to an unexpected reimbursement of $477,100 for costs incurred from snow blizzard in fiscal year 2002.

General Governmental expenditures for 2003 exceeded budget by $636,389. The Mayor's Office expenditures were $78,328 over budget; Personnel expenditures were $112,709 over budget. Finance was $234,363 over budget. Planning expenditures were $154,207 over budget.

Parks and Recreation expenditures were in excess of budget in the amount of $550,301, primarily due to excess costs charged to grants that were not allowable by the funding agencies. The general fund had to adsorb these unallowable charges ($340,000).

The Public Works Department incurred additional expenditures of $419,041 in excess of budget for feasibility studies to approve the City water and sewer system. The City experienced heavy damage to the water system due to extraordinary rain conditions, that increased employee overtime within the Public Works department.

During fiscal year 2003, the Public Safety expenditures experienced an increase in overtime in the amount $468,000 and $957,567 in hospitalization charges. Other factors contributing to the $5,494,451 budget overruns, were significant increase in Risk Management, Worker Compensation and pension costs.

Proprietary Funds

Water/Sewer Fund – The operation of the Business-type activities decreased the City's net assets by $2,149,269.

- Compared to 2002, the Water/Sewer System's operating revenues in 2003 increased by $4,168,261 or 12%. The full effect of the rate increase approved by City Council in fiscal year 2002, and the improvement in customer billing and collection were primarily responsible for the increase noted above.

- Sewer service charges to New Castle County increased 2.7% from $14,231,530 to $14,612,124. Other operating revenues (primarily direct user charges) increased by 1.6% from $23,716,526 to $24,092,883; the increase was caused by a lower allowance for bad debt charges.

- Operating expenses increased by $3,821,473 or 12.1%. The increased costs are primarily due to contract maintenance costs.

- Taking into account additional non-operating expenses (primarily interest on bonds for capital projects) of $3,504,051, the decrease in net assets was $2,149,269 for 2003.

General Fund Budgetary Highlights

The City adopted its fiscal year 2003 budget on May 22, 2002, 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 $86,677,033 of revenues and other financing sources (uses) and $87,421,961 of expenditures. The actual results were revenues and other financing sources (uses) of $4,467,185 above budget and expenditures of $7,100,775 over budget.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2003, the City had invested $259,687,772, net of accumulated depreciation, in a broad range of capital assets (see the table below).

City of Wilmington's Capital Assets as of June 30, 2003
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	$ 20,069,161	$ 16,520,031	$ 3,656,612	$ 3,656,612	$ 23,725,773	$ 20,176,643
Buildings	29,566,609	30,444,518	59,980,853	62,525,568	89,547,462	92,970,086
Improvements other than Buildings	56,239,850	54,984,838	69,420,359	64,824,984	125,660,209	119,809,822
Machinery and Equipment	7,251,854	7,682,684	9,059,228	8,729,743	16,311,082	16,412,427
Vehicles	4,336,715	5,132,876	106,531	194,376	4,443,246	5,327,252
Construction-in-Progress	-	3,281,003	-	-	-	3,281,003
Totals	$ 117,464,189	$ 118,045,950	$ 142,223,583	$ 139,931,283	$ 259,687,772	$ 257,977,233

The City is not required to and has not 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 Government Plaza reconstruction is a $1.8 million project with a projected completion date in the year 2004.
- 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.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $177,471,993. Of this amount, $117,097,841 comprises debt backed by the full faith and credit of the government for Governmental activities, and $60,374,152 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 a Aaa rating from Moody's Investors Service and AAA 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.

City of Wilmington's Outstanding Debt
General Obligations Bonds

	Governmental Activites		Business-type Activites		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	$ 117,097,841	$ 126,217,559	$ 60,374,152	$ 64,985,741	$ 177,471,993	$ 191,203,300

Economic Factors and 2003 Budgets and Rates

The City of Wilmington's unemployment rate of 4.5% is trending upwards while per capita income continues to grow. The City's diversified manufacturing and service economy follows national inflation and activity trends, but it is not likely to be significantly impacted by any one 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 2003. The City's budget addresses the development, expanded public safety and infrastructure needs. Tax and service charge rates have primarily stayed unchanged in fiscal year 2003; the property tax rate was unchanged while reassessments and increased taxable assets increased the taxable assessed property 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, 2003

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets:				
Cash and Cash Equivalents	$ 44,245,568	$ 250	$ 44,245,818	$ 8,316,078
Receivables (net of Allowances for Uncollectibles):				
Property Taxes	1,335,068	-	1,335,068	-
Customer	-	7,107,390	7,107,390	514,659
Parking Citations	413,442	-	413,442	-
Business Licenses	61,956	-	61,956	-
Wage Taxes	1,112,854	-	1,112,854	-
Mortgage Receivable	1,449,018	-	1,449,018	34,719,831
Notes Receivable	28,377,400	-	28,377,400	-
Other	2,211,507	-	2,211,507	521,403
Employee Travel Advances	3,647	310	3,957	-
Internal Balances	(6,059,208)	6,059,208	-	-
Due from Other Governmental Agencies	2,530,957	-	2,530,957	-
Due from Fiduciary Funds	5,014,499	-	5,014,499	-
Prepaid Expenses	-	-	-	74,062
Accrued Interest Receivable	-	-	-	166,625
Deferred Charges	449,543	268,176	717,719	792,219
Other Assets	-	-	-	8,500
Restricted Assets:				
Cash and Investments	16,917,081	-	16,917,081	2,602,772
Capital Assets (Net of Accumlated Depreciation)				
Land	20,069,161	3,656,612	23,725,773	19,926,054
Buildings	29,566,609	59,980,853	89,547,462	26,797,377
Improvements other than Building	56,239,850	69,420,359	125,660,209	-
Machinery and Equipment	7,251,854	9,059,228	16,311,082	991,195
Vehicles	4,336,715	106,531	4,443,246	-
Construction in Progress	-	-	-	1,614,950
Total Assets	$ 215,527,521	$ 155,658,917	$ 371,186,438	$ 97,045,725

City of Wilmington, Delaware

Statement of Net Assets
June 30, 2003

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Accounts Payable and Other	$ 6,204,394	$ 4,725,740	$ 10,930,134	$ 1,342,912
Interest Payable	1,881,260	1,007,302	2,888,562	273,866
Refundable Deposits	323,503	-	323,503	60,435
Deferred Revenue	6,278,271	-	6,278,271	423,279
Long Term Liabilities				
Due Within One Year:				
Loan Payable	114,459	710,069	824,528	359,446
General Obligation Bonds Payable	8,595,205	4,599,795	13,195,000	-
Mortgage Payable	-	-	-	87,694
Obligations under Capital Lease	1,481,756	107,284	1,589,040	10,295
Revenue Bonds Payable	-	-	-	1,588,520
Arbitrage Rebate Payable	258,552	-	258,552	-
Compensated Absences	-	562,607	562,607	-
Due in more than one year:				
Loan Payable	1,183,031	11,107,941	12,290,972	14,099,257
General Obligation Bonds Payable	108,502,636	55,774,357	164,276,993	-
Compensated Absences	5,542,789	-	5,542,789	-
Revenue Bonds Payable	-	-	-	23,430,497
Mortgage Payable	-	-	-	1,611,210
Claims Liabilities	24,043,944	-	24,043,944	-
Obligations under Capital Lease	1,590,028	51,838	1,641,866	27,122
Deferred Amounts on Refunding	(3,781,223)	(1,823,208)	(5,604,431)	-
Minority Interest	-	-	-	2,014,419
Total Liabilities	162,218,605	76,823,725	239,042,330	45,328,952
Net Assets				
Investment in Capital Assets, Net of Related Debt	29,844,049	71,695,507	101,539,556	16,922,856
Restricted for:				
Debt Service	-	-	-	4,511,621
Park Operations	4,884,615	-	4,884,615	-
Economic Development	7,689,683	-	7,689,683	12,160,000
Unrestricted	10,890,569	7,139,685	18,030,254	18,122,296
Total Net Assets	$ 53,308,916	$ 78,835,192	$ 132,144,108	$ 51,716,773

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, 2003

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Governmental Services	$ 34,206,686	$ 6,262,340	$ 501,754	$ 120,061	$ (27,322,531)	$ -	$ (27,322,531)	$ -
Commerce	2,722,144	-	-	-	(2,722,144)	-	(2,722,144)	-
Real Estate and Housing	8,080,851	-	7,610,871	-	(469,980)	-	(469,980)	-
Public Works	16,807,245	9,140	-	1,866,026	(14,932,079)	-	(14,932,079)	-
Parks and Recreation	6,305,699	2,509,403	710,988	-	(3,085,308)	-	(3,085,308)	-
Public Safety	47,597,878	6,964,442	238,708	-	(40,394,728)	-	(40,394,728)	-
Interest on Long-term Debt	7,701,464	-	-	-	(7,701,464)	-	(7,701,464)	-
Total governmental activities	123,421,967	15,745,325	9,062,321	1,986,087	(96,628,234)	-	(96,628,234)	-
Business-type activities:								
Water/Sewer	39,011,421	38,799,279	-	-	-	(212,142)	(212,142)	-
Total primary governments	162,433,388	54,544,604	9,062,321	1,986,087	(96,628,234)	(212,142)	(96,840,376)	-
Component units:								
Brandywine Gateway Corporation	677,470	663,017	-	-	-	-	-	(14,453)
Christina Gateway Corporation	50,269	42,385	-	-	-	-	-	(7,884)
Rock Manor Golf Corporation	1,217,571	1,046,630	-	81,268	-	-	-	(89,673)
Wilmington UDAG Corporation	1,737,560	566,243	-	-	-	-	-	(1,171,317)
Wilmington Economic Development Corporation	1,257,706	354,050	-	-	-	-	-	(903,656)
Wilmington Parking Authority	6,392,112	6,284,246	-	-	-	-	-	(107,866)
Downtown Visions	1,629,985	1,677,533	-	-	-	-	-	47,548
Riverfron Business Improvement District	123,609	165,477	-	-	-	-	-	41,868
Total component units	$ 13,086,282	$ 10,799,581	$ -	$ 81,268	$ -	$ -	$ -	$ (2,205,433)
	General Revenues:							
	Property Taxes				28,598,639	-	28,598,639	-
	Wage Taxes				37,369,184	-	37,369,184	-
	Net Profit Taxes				3,256,223	-	3,256,223	-
	Real Estate Transfer Taxes				3,262,024	-	3,262,024	-
	Head Taxes				2,573,858	-	2,573,858	-
	Gain on Sale of Assets				3,315,798	-	3,315,798	430,203
	Others				11,887,365	-	11,887,365	70,126
	Interest Earned on Investments				2,649,356	-	2,649,356	629,414
	Transfers				2,275,000	(2,000,000)	275,000	(275,000)
	Total General Revenues and Transfers				95,187,447	(2,000,000)	93,187,447	854,743
	Changes in Net Assets				(1,440,787)	(2,212,142)	(3,652,929)	(1,350,690)
	Net Assets - Beginning as Previously Reported				56,961,051	80,984,461	137,945,512	51,906,374
	Prior Period Adjustments				(2,211,348)	62,873	(2,148,475)	1,161,089
	Net Assets - Beginning As Restated				54,749,703	81,047,334	135,797,037	53,067,463
	Net Asset - Ending				$ 53,308,916	$ 78,835,192	$ 132,144,108	$ 51,716,773

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

City of Wilmington, Delaware

Balance Sheet
Governmental Funds
June 30, 2003

	General	Capital Projects	Commerce Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	$ 42,611,298	$ -	$ 12,588,802	$ 627,809	$ 55,827,909
Investments	-	-	-	4,328,279	4,328,279
Receivables (net):					
Property Taxes	1,335,068	-	-	-	1,335,068
Parking Citations	413,442	-	-	-	413,442
Business Licenses	61,956	-	-	-	61,956
Wage Taxes	1,112,854	-	-	-	1,112,854
Mortgages	-	-	800,000	649,018	1,449,018
Notes Receivable	-	-	28,377,400	-	28,377,400
Other	689,907	229,600	1,292,000	-	2,211,507
Employee Travel Advances	958	-	-	2,440	3,398
Due from Other Funds	-	7,150,326	-	1,505,550	8,655,876
Due from Other Governments	-	1,023,340	-	1,507,617	2,530,957
Total Assets and Other Debits	$ 46,225,483	$ 8,403,266	$ 43,058,202	$ 8,620,713	$ 106,307,664
Liabilities:					
Accounts Payable	$ 1,504,385	$ 883,159	$ 205,145	$ 1,078,350	$ 3,671,039
Accrued Wages Payable	278,658	-	9,197	65,855	353,710
Refundable Deposits	323,503	-	-	-	323,503
Due to Other Funds	27,973,276	-	3,736,777	802,980	32,513,033
Environmental Reserve	-	-	1,000,000	-	1,000,000
Deferred Revenue	2,449,358	-	30,417,400	1,788,913	34,655,671
Arbitrage Rebate Payable	258,552	-	-	-	258,552
Total Liabilities	32,787,732	883,159	35,368,519	3,736,098	72,775,508
Fund Balances:					
Reserved for:					
Park Operations	-	-	-	4,884,615	4,884,615
Unreserved Designated For:					
Capital Projects	-	7,520,107	-	-	7,520,107
Economic Development	-	-	7,689,683	-	7,689,683
Permanent Investment Reserves	3,283,362	-	-	-	3,283,362
Budget Reserve Account for Public Emergencies	10,154,389	-	-	-	10,154,389
Total Fund Balances	13,437,751	7,520,107	7,689,683	4,884,615	33,532,156
Total Liabilities and Fund Balances	$ 46,225,483	$ 8,403,266	$ 43,058,202	$ 8,620,713	$ 106,307,664

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, 2003

The Total Net Assets reported for governmental activities in the Statement of Net Assets (Page 24) is different because:

Total Fund Balances for Government Funds (Page 26)		$ 33,532,156
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.		117,464,188
Other long-term assets are not available to pay current-period expenditures, and therefore, are deferred in the funds		24,268,702
Deferred revenues reported in the funds are recognized in governmental activities.		28,377,400
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	(5,542,789)	
Other long-term liabilities	(1,179,645)	
Claim Liabilities	(24,043,944)	
Accrued interest	(1,881,260)	
Bonds and Notes Payable	(117,685,892)	(150,333,530)
Total Net Assets of Governmental Activities (Page 24)		$ 53,308,916

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, 2003

	General	Capital Projects	Commerce Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	$ 28,598,639	$ -	$ -	$ -	$ 28,598,639
Wages	37,369,184	-	-	-	37,369,184
Franchise	1,840,354	-	-	-	1,840,354
Real Estate Transfer	3,262,024	-	-	-	3,262,024
Net Profit	3,256,223	-	-	-	3,256,223
Head	2,573,858	-	-	-	2,573,858
Intergovernmental	-	276,726	8,131,919	12,003,460	20,412,105
Licenses and Permits	2,811,199	-	-	-	2,811,199
Fines and Forfeitures	3,394,601	-	-	-	3,394,601
Charges for Services	4,745,897	-	-	-	4,745,897
Interest	1,083,733	-	1,461,142	104,481	2,649,356
Program Income	-	-	-	275,831	275,831
Other	-	74,181	39,130	271,567	384,878
Total Revenues	88,935,712	350,907	9,632,191	12,655,339	111,574,149
Expenditures:					
Current:					
General Governmental Services	13,375,415	-	-	1,120,434	14,495,849
Commerce	-	-	2,575,276	-	2,575,276
Real Estate and Housing	345,292	-	-	7,610,871	7,956,163
Public Works	12,717,622	-	-	1,866,026	14,583,648
Parks and Recreation	6,059,259	-	-	972,808	7,032,067
Public Safety	52,786,665	-	-	1,324,249	54,110,914
Debt Service:					
Principal Retirement	5,350,628	-	3,805,992	-	9,156,620
Interest and Fiscal Charges	3,887,855	-	1,932,349	-	5,820,204
Capital Projects	-	6,655,980	-	-	6,655,980
Total Expenditures	94,522,736	6,655,980	8,313,617	12,894,388	122,386,721
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,587,024)	(6,305,073)	1,318,574	(239,049)	(10,812,572)
Other Financing Sources (Uses)					
Proceeds from Debt Refunding	-	-	-	-	-
Transfers In	2,275,000	-	-	73,388	2,348,388
Transfers Out	(73,388)	-	-	-	(73,388)
Proceeds from the Sale of Assets	6,894	-	3,332,000	-	3,338,894
Total Other Financing Sources (Uses)	2,208,506	-	3,332,000	73,388	5,613,894
Net Change in Fund Balances	(3,378,518)	(6,305,073)	4,650,574	(165,661)	(5,198,678)
Fund Balance - Beginning as Previously Reported	20,833,653	13,825,180	-	5,050,276	39,709,109
Prior Period Adjustment and Restatements	(4,017,384)	-	3,039,109	-	(978,275)
Fund Balance - Beginning - Restated	16,816,269	13,825,180	3,039,109	5,050,276	38,730,834
Fund Balance - Ending	$ 13,437,751	$ 7,520,107	$ 7,689,683	$ 4,884,615	$ 33,532,156

The notes to the financial statements are an integral part of the 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, 2003

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

Net Change in Fund Balances - Total Governmental Funds (Page 27)	$	(5,198,678)
Capital outlays are reported as expenditures in governmental funds; however, in the governmental-wide statements, capital outlays are reported as 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 were:		
Capital assets acquisition		7,470,489
Depreciation expense		(4,556,091)
Repayment of general long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces general long-term liabilties in the statement of net assets. During the current fiscal year, these amounts consisted of:		
Principal Payments		9,156,620
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:		
Accrued interest		(1,881,260)
Other		(6,431,867)
Change in net assets of governmental activities (page 25)	$	(1,440,787)

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, 2003

	Business-type Activities	Governmental Activities
Assets	**Water and Sewer**	**Internal Service Funds**
Curent Assets		
Cash and Cash Equivalents	$ 250	$ 1,006,211
Customer Receivables	7,107,390	-
Employee Travel Advances	310	250
Due from Other Funds	6,059,208	24,672,532
Unamortized Bond Issue Costs	268,176	831
Total Current Assets	13,435,334	25,679,824
Noncurrent Assets		
Capital Assets		
Land	3,656,612	-
Building and Improvements	210,203,571	101,758
Machinery and Equipment	20,679,650	3,423,944
Vehicles	938,862	12,135,949
Less Accumulated Depreciation	(93,255,112)	(10,013,077)
Total Noncurrent Assets	142,223,583	5,648,574
Total Assets	155,658,917	31,328,398
Liabilities		
Current Liabilities:		
Accounts Payable	4,656,474	1,151,424
Accrued Wages and Payroll Withholdings	69,266	27,971
Accrued Interest Payable	1,007,302	-
Compensated Absences	562,607	168,769
Loans Payable	710,069	-
General Obligation Bonds-current	4,599,795	34,964
Deferred Amounts on Refunding	(1,823,208)	-
Obligations under Capital Lease-current	107,284	1,481,756
Total Current Liabilities	9,889,589	2,864,884
Noncurrent Liabilites:		
General Obligation Bonds Payable	55,774,357	969,456
Capital Leases Payable	51,838	1,590,028
Loans Payable	11,107,941	-
Advances from Other Funds	-	1,860,086
Claims Liabilities	-	24,043,944
Total Noncurrent Liabilities	66,934,136	28,463,514
Total Liabilities	76,823,725	31,328,398
Net Assets		
Invested in Capital Assets, Net of Related Debt	71,695,507	2,576,790
Unrestricted	7,139,685	(2,576,790)
Total Net Assets	$ 78,835,192	$ -

The notes to the financial statements are an intergral 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, 2003

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Funds
Operating Revenues:		
Charges for Services	$ 37,860,845	$ 25,424,668
Rentals and Concessions	100,044	-
State Contributions	838,390	-
Employee	-	335,179
Other	-	13,462
Total Operating Revenues	38,799,279	25,773,309
Operating Expenses:		
Personal Services	6,746,701	1,442,950
Materials, Supplies and Contractual Services	23,200,297	5,248,256
Pension and Retirement	287,840	48,402
Depreciation and Amortization	5,072,532	1,500,692
Claims Expense	-	16,829,567
Insurance Premiums	-	392,093
Total Operating Expenses	35,307,370	25,461,960
Operating Income	3,491,909	311,349
Non-Operating Revenues (Expenses):		
Interest Expense	(3,704,051)	(288,253)
Gain (Loss) on Sale of Assets	-	(23,096)
Total Non-Operating Revenues (Expenses):	(3,704,051)	(311,349)
Income (Loss) Before Transfers	(212,142)	-
Transfers Out	(2,000,000)	-
Change in Net Assets	(2,212,142)	-
Total Net Assets - Beginning as Previously Reported	80,984,461	-
Prior Period Adjustments	62,873	-
Total Net Assets - Beginning - as Restated	81,047,334	-
Total Net Assets - Ending	$ 78,835,192	$ -

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, 2003

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from Customers and Users	$ 36,483,552	$ 25,424,668
Payments to Suppliers	(11,795,432)	(17,131,867)
Payments to Employees	(7,135,133)	(1,435,628)
Other Operating Revenues	838,390	(366,135)
Net Cash Provided by Operating Activities	18,391,377	6,491,038
Cash Flows from Noncapital Financing Activities		
Advances from Other Funds	(2,000,000)	(4,107,657)
Cash Flows From Capital and Related Financing Activities:		
Purchase of Capital Assets	-	(271,300)
Acquistion and Construction of Capital Assets	(7,334,342)	(580)
Principal Paid on Capital Debt	(5,215,176)	-
Interest Paid on Capital Debt	(3,689,818)	-
Principal Paid on Capital Lease	(137,186)	(1,800,732)
Interest Paid on Capital Lease	(14,233)	(288,253)
Proceeds from Sale of Assets	-	(23,096)
Other Capital Activities	(622)	-
Net Cash Used by Capital and Related Financing Activities	(16,391,377)	(2,383,961)
Net Decrease in Cash and Cash Equivalents	-	(580)
Cash and Cash Equivalents - July 1, 2002	250	1,006,791
Cash and Cash Equivalents - June 30, 2003	$ 250	$ 1,006,211
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 3,491,909	$ 311,349
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	5,072,532	1,500,690
Increase in Provision for Uncollectible Accounts	1,431,891	
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(2,846,355)	-
Decrease in Due from Other Funds	-	(14,434)
Decrease in Employee Travel Advances	310	-
Increase in Accounts Payable	2,676,560	155,713
Increase in Compensated Absences	64,613	16,484
Increase in Accrued Salaries	(89,202)	(9,163)
Decrease in Accrued Interest	28,917	-
Increase in Claims Liability	-	4,899,890
Decrease in Due to Other Funds	8,560,202	(369,491)
Net Cash Provided by Operating Activities	$ 18,391,377	$ 6,491,038

Notes to the financial statements are an integral part of this statments

City of Wilmington

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Total Pension and Other Employee Benefit Trust Funds	Total Agency Funds
Assets		
Cash and Cash Equivalents	$ 6,997,028	$ 41,577
Receivables:		
Accrued Interest Receivable	264,731	-
Total Receivables	264,731	-
Investments, at fair value:		
U.S.Treasury Obligations	28,009,506	-
Stocks	51,922,346	-
Corporate Obligations	39,009,023	-
Mutual Funds	4,563,145	-
Total Investments	123,504,020	-
Due from Other Funds	1,323	267,831
Due from Other Governments	-	161,950
Travel Advances	300	-
Total Assets	130,767,402	471,358
Liabilities:		
Accounts Payable	17,435	103,524
Accrued Wages and Fringes	4,229	77
Liability for Stale-dated Checks	163,401	-
Due to Other Funds	5,144,796	138,857
Compensated Absences	4,477	-
Notes Payable	-	50,357
Funds Held in Escrow	-	178,543
Total Liabilities	5,334,338	471,358
Net Assets		
Held in Trust for Pension Benefits	$ 125,433,064	$ -

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, 2003

	Total Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
City	$ 5,237,408
State	5,265,091
Employees	1,274,509
Total Contributions	11,777,008
Investment Income	
Interest	4,723,160
Net Depreciation in Fair Value	(2,648,840)
Total Investment Earnings	2,074,320
Less Investment Expense	(711,645)
Net Investment Income	1,362,675
Total Additions	13,139,683
Deductions:	
Benefits Paid	15,453,945
Administrative Costs	605,633
Total Deductions	16,059,578
Net Decrease in Plan Net Assets	(2,919,895)
Net Assets - Beginning as Previously Reported	128,297,863
Prior Period Adjustments	55,096
Net Assets - Beginning as Restated	128,352,959
Net Assets - Ending	$ 125,433,064

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, 20003

ASSETS	Brandywine Gateway Corporation	Christina Gateway Corporation	Wilmington UDAG Corporation	Wilmington Economic Development Corporation	Rock Manor Golf Corporation	Wilmington Parking Authority	Downtown Visions	Riverfront Business Improvement District	Total Component Units
Cash and Cash Equivalents	$ 593,049	$ 144,448	$ 454,257	$ 913,343	$ 105,163	$ 5,984,738	$ 82,896	$ 38,184	$ 8,316,078
Receivables (Net):									
Mortgages and Notes	12,160,000	-	7,397,264	1,355,693	-	13,806,874	-	-	34,719,831
Customer	-	-	325,003	-	3,943	140,436	44,041	1,236	514,659
Other	350,000	-	-	171,403	-	-	-	-	521,403
Prepaid Expenses	-	-	-	1,833	63,101	-	9,128	-	74,062
Restricted Assets:									
Investments	-	-	-	-	-	2,602,772	-	-	2,602,772
Accrued Interest Receivable	101,334	31	31,845	-	-	33,415	-	-	166,625
Unamortized bond issue costs	-	-	-	-	-	792,219	-	-	792,219
Other Assets	-	-	8,500	-	-	-	-	-	8,500
Capital assets (net):									
Land	-	3,166,910	948,354	4,321	-	15,806,469	-	-	19,926,054
Building and improvements	-	-	449,509	2,780,944	-	22,960,103	606,821	-	26,797,377
Machinery and Equipment	-	-	30,617	55,040	407,601	73,519	424,418	-	991,195
Construction in Progress	-	-	1,356,386	-	-	258,564	-	-	1,614,950
Total Assets	13,204,383	3,311,389	11,001,735	5,282,577	579,808	62,459,109	1,167,304	39,420	97,045,725
LIABILITIES									
Accounts Payable	398,200	90,000	-	27,321	112,497	591,424	24,312	7,605	1,251,359
Accrued Wages and Payroll Withholdings	-	-	-	-	-	39,916	51,637	-	91,553
Accrued Interest	-	-	-	-	-	273,866	-	-	273,866
Refundable Deposits	-	1,000	-	-	-	59,435	-	-	60,435
Unearned revenue	-	-	-	-	104,766	182,187	136,326	-	423,279
Long term Liabilities									
Due within One Year									
Loans Payable	-	-	294,446	-	65,000	-			359,446
Obligation under Capital Lease	-	-	-	-	7,630	-	2,665	-	10,295
Revenue Bonds Payable	-	-	-	-	-	1,588,520		-	1,588,520
Mortgage Payable	-	-	-	54,974	-	-	32,720	-	87,694
Due More than One Year									
Loans Payable	12,160,000	-	-	-	395,000	-	763,454	780,803	14,099,257
Obligation under Capital Lease	-	-	-	-	27,122	-	-	-	27,122
Revenue Bonds Payable	-	-	-	-	-	23,430,497	-	-	23,430,497
Minority Interest	-	-	-	-	-	2,014,419	-	-	2,014,419
Mortgage Payable	-	-	-	1,611,210	-	-	-	-	1,611,210
Total Liabilities	12,558,200	91,000	294,446	1,693,505	712,015	28,180,264	1,011,114	788,408	45,328,952
NET ASSETS									
Invested in capital assets net of related debt	-	-	2,784,866	-	52,399	14,079,638	5,953	-	16,922,856
Restricted for:									
Debt Service	-	-	-	1,875,434	-	2,636,187	-	-	4,511,621
Under Contractual Agreement	-	-	-	-	-	12,160,000	-	-	12,160,000
Unrestricted	646,183	3,220,389	7,922,423	1,713,638	(184,606)	5,403,020	150,237	(748,988)	18,122,296
Total Net Assets	$ 646,183	$ 3,220,389	$ 10,707,289	$ 3,589,072	$ (132,207)	$ 34,278,845	$ 156,190	$ (748,988)	$ 51,716,773

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

City of Wilmington, Delaware

Combining Statement of Revenues, Expenditures and Changes in Net Assets
Component Units
For the Year Ended June 30, 2003

	Brandywine Gateway Corporation	Christina Gateway Corporation	Wilmington UDAG Corporation	Wilmington Economic Development Corporation	Rock Manor Golf Corporation	Wilmington Parking Authority	Downtown Visions	Riverfront Business Improvement	Total Component Units
Operating Revenues:									
Charges for Services	$ -	$ -	$ -	$ 183,093	$ 1,046,630	$ 6,144,201	$ 1,476,946	$ 164,827	$ 9,015,697
Rentals and Concession	-	41,250	62,696	2,850	-	140,045	-	-	246,841
Interest	613,017	1,135	414,197	143,905	-	-	-	-	1,172,254
Other	50,000	-	89,350	24,202	-	-	200,587	650	364,789
Total Operating Revenues	663,017	42,385	566,243	354,050	1,046,630	6,284,246	1,677,533	165,477	10,799,581
Operating Expenses:									
Personal Services	-	-	-	289,505	492,376	1,567,333	1,178,038	-	3,527,252
Materials, Supplies, Equipment and Contractual Services	677,470	50,269	1,716,716	882,200	613,032	1,614,276	329,743	123,489	6,007,195
Pension and Retirement	-	-	-	-	-	100,068	-	-	100,068
Depreciation and Amortization	-	-	20,844	86,001	91,788	1,877,053	63,935	120	2,139,741
Total Operating Expenses	677,470	50,269	1,737,560	1,257,706	1,197,196	5,158,730	1,571,716	123,609	11,774,256
Operating Income (Loss)	(14,453)	(7,884)	(1,171,317)	(903,656)	(150,566)	1,125,516	105,817	41,868	(974,675)
Nonoperating Revenues (Expenses):									
Interest Revenue	-	-	-	-	-	623,077	6,120	217	629,414
Interest Expense	-	-	-	-	(20,375)	(1,233,382)	(58,269)	-	(1,312,026)
Payment to Primary Government	-	-	-	-	-	(275,000)	-	-	(275,000)
Gain (Loss) on Sale of Assets	-	-	-	-	(5,180)	435,023	-	360	430,203
Other	-	-	-	-	-	70,126	-	-	70,126
Total Nonoperating Revenues (Expenses)	-	-	-	-	(25,555)	(380,156)	(52,149)	577	(457,283)
Income (Loss) before Capital Contribution	(14,453)	(7,884)	(1,171,317)	(903,656)	(176,121)	745,360	53,668	42,445	(1,431,958)
Capital Contribution	-	-	-	-	81,268	-	-	-	81,268
Change in Net Assets	(14,453)	(7,884)	(1,171,317)	(903,656)	(94,853)	745,360	53,668	42,445	(1,350,690)
Total Net Assets - Beginning	660,636	3,228,273	11,878,606	2,642,728	(37,354)	33,533,485	-	-	51,906,374
Prior Period Adjustments	-	-	-	1,850,000	-	-	102,522	(791,433)	1,161,089
Total Net Assets - Ending	$ 646,183	$ 3,220,389	$ 10,707,289	$ 3,589,072	$ (132,207)	$ 34,278,845	$ 156,190	$ (748,988)	$ 51,716,773

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

CITY OF WILMINGTON, DELAWARE

Notes to Financial Statements

June 30, 2003

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 in 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 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.

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, the most of whom are City officials, and provides all executive, administrative and support services, and maintains the books and records.

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.

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.

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 corporations 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 corporations 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 31st fiscal year end.

The financial information for the above component units is presented in the financial statements. Complete financial statements with accompanying notes of 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 10 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. The effect of internal activity has been eliminated from these statements. 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, even though 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 establishes new requirement 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 year ending June 30, 2006.

Management's Discussion and Analysis – GASB Statement No. 34 requires 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. This approach includes not only current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not only those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display 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 individual functions is compared to the revenue generated directly by the 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 2003 include property taxes levied principally on July 1, 2002, and collected prior to September 1, 2003. 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 when the fund 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, municipal court, 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 both the City's and its component units' policy that all repurchase agreements be secured with U.S. Government securities and considers 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 31st. Penalty and interest on delinquent property taxes is 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 is 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 is 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 do not add to the value of the asset or materially extend the asset’s life are 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:

Asset Class	Years
Buildings	50
Building Improvements	50
Vehicles	10

The funds expended for infrastructure for the year ended June 30, 2003, 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 have been no losses above insurance limits during the last three years.

Deferred Revenues

Deferred 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, 2003, 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, 2003, expenditures exceeded appropriations as follows:

Fund	Department or Budget Line Item	Expenditures Over Budget
General Fund	Mayor's Office	$ 78,328
	City Council	42,733
	Audit	93,149
	Finance	234,363
	Personnel	131,930
	Treasurer	29,743
	Planning	154,207
	Real Estate and Housing	593
	Public Works	419,041
	Parks and Recreation	550,301
	Fire	1,957,836
	Police	3,567,979
Commerce Fund	Economic Development	7,510,705

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.

The investment policy for the City's Pension Trust Funds are 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, 2003, 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.

Primary Government	Carrying Amount	Bank Balances
Category 1	$ 330,056	$ 330,056
Category 2	44,968,911	48,292,770
Category 3	11,535,653	7,906,143
	56,834,620	$ 56,528,969
Restricted Investments, classified with restricted cash on statement of net assets	4,328,279	
Total per statement of net assets	$ 61,162,899	
Pension and other employee benefit trust funds:		
Category 3	$ 6,997,028	$ 6,997,028
Agency Funds:		
Category 3	$ 41,577	$ 41,577

Component Units

As of June 30, 2003, 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 Balances
Category 1	$ 643,165	$ 609,135
Category 2	6,118,793	6,145,156
Category 3	1,554,120	1,499,851
Total	$ 8,316,078	$ 8,254,142

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, 2003 Carrying Amount
	1	2	3	(Fair Value)
Pension Plans:				
U.S. Treasury Obligations	$ 28,009,506	$ -	$ -	$ 28,009,506
Stocks	51,922,346	-	-	51,922,346
Corporate Obligations	39,009,023	-	-	39,009,023
	$ 118,940,875	$ -	$ -	118,940,875
Mutual Funds				4,563,145
Total Pension Plan Investments				$ 123,504,020
Primary Government - Wilmington Park Trust Commission:				
Stocks	$ -	$ -	$ 3,050,533	$ 3,244,056
U.S. Treasury Obligations	-	-	1,277,746	1,307,012
	$ -	$ -	$ 4,328,279	$ 4,551,068

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:

	Category			June 30, 2003 Carrying Amount
	1	2	3	(Fair Value)
Wilmington Parking Authority:				
U.S. Treasury Obligations	$ -	$ 2,602,772	$ -	$ 2,602,772

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:

	Governmental Activities					Business-Type Activities	
	General	Capital Projects	Commerce Fund	Other Funds	Total Governmental	Water and Sewer	Totals Receivables
Receivables:							
Property Taxes	$ 4,897,678	$ -	$ -	$ -	$ 4,897,678	$ -	$ 4,897,678
Parking Citations	20,669,206	-	-	-	20,669,206	-	20,669,206
Business Licenses	266,577	-	-	-	266,577	-	266,577
Utility Billings	-	-	-	-	-	14,068,320	14,068,320
Wage Taxes	2,120,707	-	-	-	2,120,707	-	2,120,707
Head Taxes	-	-	-	-	-	-	-
Signs and Licenses	474,573	-	-	-	474,573	-	474,573
Other	510,183	229,600	2,092,000	-	2,831,783	-	2,831,783
Diamond State Port	-	-	28,377,400	-	28,377,400	-	28,377,400
Mortgage	-	-	-	1,043,601	1,043,601	-	1,043,601
Gross Receivables	28,938,924	229,600	30,469,400	1,043,601	60,681,525	14,068,320	74,749,845
Less: Allowance for Uncollectibles	(25,325,697)	-	-	(394,583)	(25,720,280)	(6,960,930)	(32,681,210)
Net Total Receivables	$ 3,613,227	$ 229,600	$ 30,469,400	$ 649,018	$ 34,961,245	$ 7,107,390	$ 42,068,635

Component Units

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

	Brandywine Gateway Corporation	Wilmington UDAG Corporation	Wilmington Parking Authority	Wilmington Economic Development Corporation	Other Component Units	Total
Receivables:						
Accounts	$ 350,000	$ 325,003	$ 180,945	$ 241,137	$ 49,220	$ 1,146,305
Mortgages and Loans	12,160,000	7,397,264	13,806,874	1,355,693	-	34,719,831
Less: allowance for Uncollectibles	-	-	(40,509)	(69,734)	-	(110,243)
Net Total Receivables	$ 12,510,000	$ 7,722,267	$ 13,947,310	$ 1,527,096	$ 49,220	$ 35,755,893

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 a 7%

interest rate. The Agreement contains certain indemnification provisions under which the City may be liable to reimburse the DSPC for certain costs incurred, and the City has recorded an environmental liability 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 deferred revenue of $2,040,000 being recognized in fiscal year 2003 as revenue. The deferred gain was recalculated and will be fully recognized by June 30, 2004. The notes are included in "Notes Receivable" on the statement of net assets and governmental funds balance sheet at June 30, 2003.

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 are 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 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 was 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, 2003, is $1,297,490.

Wilmington UDAG Corporation has made several loans to developers and individuals under UDAG loan agreements and 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 have included below-market or zero interest, extended interest-only payback periods, and scheduled conditional debt forgiveness. The following table summarizes WUC's notes and loans receivable balances at June 30, 2003:

Notes and Loans Balances	
Commercial Entities	
Eugene A. DelleDonne and Son, L.P.	$ 5,300,000
Leon H. Weiner and Associates	1,120,886
800 Delaware Avenue (DelleDonne)	600,000
Kuumba Academy	200,000
DDR, LLC (Fox Valley)	176,378
	$ 7,397,264

6. Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities					
Capital Assets not being Depreciated:					
Land	$ 16,520,031	$ 268,127	$ 3,281,003	$ -	$ 20,069,161
Construction-In-Progress	3,281,003	-	(3,281,003)	-	-
Total Capital Assets not being Depreciated	19,801,034	268,127	-	-	20,069,161
Capital Assets being Depreciated:					
Buildings	44,091,470	-	-	-	44,091,470
Improvements Other Than Buildings	62,529,963	5,929,905	-	3,471,899	64,987,969
Machinery and equipment	24,441,652	842,798	-	-	25,284,450
Vehicles	13,832,296	429,659	-	163,849	14,098,106
Total Capital Assets being Depreciated	144,895,381	7,202,362	-	3,635,748	148,461,995
Less Accumlated Depreciation For:					
Buildings	(13,638,221)	(893,593)	-	(6,953)	(14,524,861)
Improvements Other Than Buildings	(7,420,461)	(1,327,658)	-	-	(8,748,119)
Machinery and Equipment	(16,892,362)	(1,140,234)	-	-	(18,032,596)
Vehicles	(8,699,421)	(1,194,606)	-	(132,636)	(9,761,391)
Total Accumulated Depreciation	(46,650,465)	(4,556,091)	-	(139,589)	(51,066,967)
Total Capital Assets being Depreciated, Net	98,244,916	2,646,271	-	3,496,159	97,395,028
Governmental Activities Capital Assets, Net	$ 118,045,950	$ 2,914,398	$ -	$ 3,496,159	$ 117,464,189

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital Assets not being Depreciated:				
Land	$ 3,656,612	$ -	$ -	$ 3,656,612
Total Capital Assets not being Depreciated	3,656,612	-	-	3,656,612
Capital assets being Depreciated:				
Buildings	115,524,228	-	-	115,524,228
Improvements Other Than Buildings	88,583,152	6,096,191	-	94,679,343
Machinery and Equipment	19,441,499	1,238,151	-	20,679,650
Vehicles	938,862	-	-	938,862
Total Capital Assets being Depreciated	224,487,741	7,334,342	-	231,822,083
Less Accumulated Depreciation for:				
Buildings	(66,949,377)	(2,201,594)	-	(69,150,971)
Improvements Other Than Buildings	(9,807,451)	(1,844,937)	-	(11,652,388)
Machinery and Equipment	(10,711,756)	(908,666)	-	(11,620,422)
Vehicles	(744,486)	(87,845)	-	(832,331)
Total Accumulated Depreciation	(88,213,070)	(5,043,042)	-	(93,256,112)
Total Capital Assets being Depreciated, Net	136,274,671	2,291,300	-	138,565,971
Business-Type Activities Capital Assets, Net	$ 139,931,283	$ 2,291,300	$ -	$ 142,222,583

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

Governmental Activities	
General Government	$ 1,758,875
Commerce	165,461
Real Estate and Housing	326,574
Public Works	887,080
Parks and Recreation	515,688
Public Safety	902,413
Total Depreciation Expense - Governmental Activities	$ 4,556,091
Total Depreciation Expense - Business-Type Activities	
Water/Sewer	$ 5,043,042

B. Component Units

Capital asset activity for the City's component units for the year ended June 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 19,926,054	$ -	$ -	$ 19,926,054
Construction-In-Progress	1,284,906	330,044	-	1,614,950
Total Capital Assets not being Depreciated	21,210,960	330,044	-	21,541,004
Capital Assets being Depreciated:				
Buildings	45,737,499	1,357,067	(619,568)	46,474,998
Machinery and Equipment	1,942,266	581,067	(7,767)	2,515,566
Total Capital Assets being Depreciated	47,679,765	1,938,134	(627,335)	48,990,564
Less Accumulated Depreciation for:				
Buildings	(17,968,451)	(1,709,170)	-	(19,677,621)
Machinery and Equipment	(1,147,443)	(379,568)	2,640	(1,524,371)
Total Accumulated Depreciation	(19,115,894)	(2,088,738)	2,640	(21,201,992)
Total Capital Assets being Depreciated, Net	28,563,871	(150,604)	(624,695)	27,788,572
Component Units Activities Capital Assets, Net	$ 49,774,831	$ 179,440	$ (624,695)	$ 49,329,576

7. Interfund Receivables, Payables and Transfers

Inter-fund balances arise primarily from the General Fund's role as receiver, investor, and disburser of cash. The General Fund balances payable to the Water and Sewer Fund amounting to $6,059,208 will supply funding of capital projects under draw down type bond financing. The General Fund payable to the Capital Projects Fund amounting to $7,150,326 represents financing due from bond type financing and expected cost reimbursement type financing for projects funded by the State of Delaware that are expected to be expended in the next fiscal year. The Fiduciary Fund payable amounting to $5,014,499 represents a liability to the General Fund for prior years' pension charges paid and not reimbursed.

The composition of inter-fund balances as of June 30, 2003, is as follows.

Receivable Fund	Payable Fund	Amount
Water and Sewer	General Fund	$ 6,059,208
General Fund	Fiduciary Funds	(5,014,499)
Capital Projects	General Fund	7,150,326
Internal Service	General Fund	22,812,446
General Fund	Commerce Fund	(3,736,777)
Non Major Governmental Funds	General Fund	702,570
Total Payable by General Fund		$ 27,973,274

Inter-fund transfers of $2,275,000 to the General Fund consist of a $2,000,000 transfer from Water and Sewer Fund to subsidize current operations as mandated by City Council, a $275,000 transfer from the Wilmington Parking Authority (component unit), inter-fund transfers from the General Fund consist of $73,338 transferred to the Wilmington Art Commission (a Special Revenue Fund).

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, 2003:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 126,217,559	$ -	$ (9,119,718)	$ 117,097,841	$ 8,595,205
Less deferred amounts on refunding	(4,234,969)	-	453,746	(3,781,223)	(453,746)
Capital Leases	4,872,516	-	(1,800,732)	3,071,784	1,481,756
Loan-WPA	1,389,917	-	(92,427)	1,297,490	114,459
Compensated Absences (Note 17)	5,357,976	4,636,425	(4,451,612)	5,542,789	-
Claims Liabilities (Note 12)	19,144,053	4,899,891	-	24,043,944	-
Governmental Activities Long-Term Liabilities	$ 152,747,052	$ 9,536,316	$ (15,010,743)	$ 147,272,625	$ 9,737,674
Business-Type Activities:					
Water Sewer Fund Bonds Payable	$ 64,985,741	$ -	$ (4,611,589)	$ 60,374,152	$ 4,599,795
Less deferred amounts on refunding	(2,041,969)	-	218,761	(1,823,208)	(218,761)
Capital Leases	296,309	-	(137,187)	159,122	107,284
Loan-DWPC	12,640,358	49,401	(871,749)	11,818,010	710,069
Compensated Absences (Note 17)	497,994	440,269	(375,656)	562,607	-
Business-Type Activities Long-Term Liabilities	$ 76,378,433	$ 489,670	$ (5,777,420)	$ 71,090,683	$ 5,198,387

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, 2003:

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2003
2002/2020	$ 34,780,000	Series of 2002	4.0% - 5.375%	$ 34,760,000
2001/2012	22,165,000	Series of 2001	3.25% - 5.0%	15,970,000
1998/2016	45,500,000	Series of 1998	3.6% - 5.25%	41,040,000
1996/2016	46,685,000	Series of 1996A	4.9% - 6.0%	20,105,000
1996/2010	5,500,000	Series of 1996B	4.15% - 6.20%	4,435,000
1993/2022	68,305,000	Series of 1993B	3.9% - 5.1%	58,500,000
2000/2025	2,000,000	Series of 2000	3.9% - 5.1%	2,000,000
				176,810,000
Plus: Bond Premiums				661,993
Total General Obligation Bonds Payable				$ 177,471,993

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

	General Obligation Bonds			
Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2004	$ 8,660,502	$ 5,415,046	$ 4,610,844	$ 2,804,794
2005	9,490,207	5,034,018	4,516,139	2,606,978
2006	9,786,451	4,600,314	4,699,896	2,400,593
2007	10,214,112	4,160,155	4,907,234	2,188,917
2008	10,708,019	3,678,995	5,143,330	1,957,948
2009-2013	35,539,198	11,780,255	17,608,188	6,605,719
2014-2018	20,905,146	5,717,399	11,354,854	3,451,704
2019-2023	11,794,206	1,522,857	7,533,667	1,030,206
	$ 117,097,841	$ 41,909,039	$ 60,374,152	$ 23,046,859

Primary Government

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 27, 2020, 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 effect 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 Series 1992A Bonds were called on January 2, 2002, at a redemption price of $100%, whereas the Series 1992B Bonds were called on April 1, 2002, at a redemption price of 102%.

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 2003 was $218,766 in the Water and Sewer Fund and $453,746 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 2020 and bear annual interest rates between 3.9% and 5.1%.

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, 2016, 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, 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% are due 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. As of June 30, 2003, all 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 October 1, 2016. The total amount of the loan outstanding as of June 30, 2003, is $11,818,010, 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, 2003
Wilmington Parking Authority	1992/2015	$ 35,920,000	Parking Revenue Bonds	5.7% - 6.25%	$ 1,250,500
Wilmington Parking Authority	1992/2015	21,075,000	Parking Revenue Bonds	2.5% - 5.25%	21,075,000
Wilmington Parking Authority	1992/2015	2,500,000	Mortgage	4-5%	2,125,000
Rock Manor Golf Corporation	2002/2008	460,000	Notes Payable to Bank	4.75% - 6%	460,000
UDAG	Various	294,446	Notes Payable to Bank	Various	294,446
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%	116,184
Brandywine Gateway	Various	12,160,000	Mortgage Payable	0%	12,160,000
Downtown Visions	2000/2009	637,500	Community Investment	7.78%	592,648
Downtown Visions	2003/2008	156,000	Wilmington Saving Fund Secured Loan	425%	154,764
Downtown Visions	2003/2007	50,990	Wilmington Saving Fund Secured Loan	4.25%	46,729
Downtown Visions	2001/2003	31,875	Wilmington Saving Fund Secured Loan	9.75%	2,023
Riverfront Development Business District	1998/Open	800,000	Riverfront Development Corporation	4.25%	780,803
Sub-total					40,608,097
Bond Premium/Bond Discount					568,517
Total Long-term Debt					$ 41,176,614

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	Wilmington Economic Development Corporation		Rock Manor Golf Course Corporation		Wilmington Parking Authority		Wilmington UDAG Corparation	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 40,561	$ 1,474	$ 65,000	$ 19,750	$ 1,588,520	$ 986,367	$ -	$ -
2005	5,749	9,960	65,000	14,850	3,491,980	910,135	-	-
2006	4,039	23,447	65,000	11,925	1,495,000	797,835	-	-
2007	4,188	174	65,000	9,000	1,550,000	743,835	-	-
2008	4,343	-	65,000	6,075	1,545,000	686,735	-	-
2009-2013	24,236	-	135,000	3,150	8,810,000	2,447,005	-	-
2014-2018	10,953	-	-	-	5,970,000	482,262	-	-
2019-2023	1,572,115	-	-	-	-	-	294,446	-
Total	$ 1,666,184	$ 35,055	$ 460,000	$ 64,750	$ 24,450,500	$ 7,054,174	$ 294,446	$ -

	Component Unit's Debt Service Schedule							
Year Ending	Downtown Visions		Riverfront Business Improvement District		Brandywine Gateway Corporation		Total Componnent Unit's Debt Service	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 32,709	$ 53,865	$ -	$ -	$ -	$ 608,000	$ 1,726,790	$ 1,669,456
2005	32,660	51,846	-	-	-	608,000	3,595,389	1,594,791
2006	34,778	49,727	-	-	-	608,000	1,598,817	1,490,934
2007	37,045	48,060	-	-	-	608,000	1,656,233	1,409,069
2008	168,690	43,612	-	-	-	608,000	1,783,033	1,344,422
2009-2013	490,282	49,228	-	-	12,160,000	382,546	21,619,518	2,881,929
2014-2018	-	-	-	-	-	-	5,980,953	482,262
2019-2023	-	-	780,803	-	-	-	2,647,364	-
Total	$ 796,164	$ 296,338	$ 780,803	$ -	$ 12,160,000	$ 3,422,546	$ 40,608,097	$ 10,872,863

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.

At June 30, 2003, $4,000,000 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 who 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, 2003, ten issues with debt of $65,023,606 remain outstanding.

9. Leases

A. Leases - Leasee

1. Capital Lease - Primary Government

The City had a Master Lease Agreement with First Union National Bank which allowed it to purchase equipment at an adjustable market rate. The agreement was implemented through a series of nine-acceptance certificates/schedules of payments constituting of a single transaction. Under this agreement, the City had drawn down a total of $2,507,563. Each draw had a separate lease schedule with interest rates ranging from 4.99% to 5.475%, that has expired as of July 1, 2003. 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. Further, 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.

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, 2003, the City had drawn down a total of $10,049,753. Each draw has a separate lease schedule. The leases currently expire between 2003 and 2007 and the total quarterly payment at June 30, 2003 was $453,026. 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. Further, 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, 2003, follows:

Year Ending June 30	Water/ Sewer	Motor Vehicle
2004	$ 107,284	$ 1,481,756
2005	56,578	1,111,137
2006	8,353	451,108
2007	3,937	191,349
Total Minimum Lease Payments	176,152	3,235,350
Less: Amount Representing Interest	17,030	163,566
Present Value of Lease payments	$ 159,122	$ 3,071,784

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 deferred revenue equal to the net present value of the minimum lease payments or $1,430,038 in accordance with sale-leaseback accounting rules. The deferred 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, 2003, are as follows:

Year Ending June 30	Wilmington Parking Authority
2004	$ 276,000
2005	276,000
2006	253,000
	$ 805,000

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. In August 2002, DSU negotiated a new lease directly with the owner and DSU is now the sole lessee. Wilmington UDAG Corporation will continue to subsidize DSU's rent payment through August 2003, as previously agreed.

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 2003 was $138,299. The following is a schedule of minimum future rental income on non-cancelable operating leases as of June 30, 2003:

Year Ending June 30	Wilmington Parking Authority
2004	$ 124,110
2005	96,851
2006	12,300
2007	6,000
2008	6,000
2009-2011	442,000
Total Minimum Future Rental Income	$ 687,261

10. Fund Balance

Primary Government

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

- Budget Reserve Amount for Public Emergencies ($10,154,389): 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 ($3,283,362): These funds are set aside by Ordinance of City Council, primarily, this account may be increased or decreased by investment income or decreased through appropriations passed by Council.

- Economic Development ($7,689,683): These funds represents the entire fund balance of the Commerce Fund are set aside by the City Council for economic development.

The entire balance ($4,884,615) of the Wilmington Park Trust Fund Commission is Restricted for Parks Operations in accordance with the bequest of grantors.

11. Accounting Changes

The Commerce Fund, previously reported as an Enterprise Fund, was merged into the General Fund for reporting purposes in 2002, because the Fund no longer met the criteria to be reported as an Enterprise Fund according to GAAP.

After subsequent review, the City made the decision in 2003, to separately report the Commerce Fund as a Special Revenue Fund to provide more information to the reader. The fund meets the criteria to be reported as a Special Revenue Fund according to GAAP.

The effect of this and other (Note 17) changes to the beginning fund balance of the General and Commerce Funds is as follows:

	General Fund	Commerce Fund
Fund Balance - As Previously Reported	$ 20,833,653	$ -
FY'02 Payroll accrual adjustment (Note 17)	1,381,714	-
Commerce Fund conversion	(5,399,098)	5,399,098
FY'02 Restatement conversion (Note 17)		(2,708,322)
WEDCO - Note write off (Note 17)	-	348,333
Beginning - As Restated	$ 16,816,269	$ 3,039,109

12. 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%. An analysis of claims liabilities recorded in the Risk Management Fund is presented below:

	Year ended June 30, 2003	Year ended June 30, 2002
Unpaid claims, beginning of fiscal year	$ 6,697,708	$ 6,071,200
Incurred claims	4,233,573	1,768,669
Claim Payments	(665,528)	(1,142,161)
Unpaid claims, end of fiscal year	$ 10,265,753	$ 6,697,708

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, 2003	Year ended June 30, 2002
Unpaid claims, beginning of fiscal year	$ 11,480,791	$ 11,640,635
Incurred claims	3,526,584	1,910,630
Claim Payments	(2,415,213)	(2,070,474)
Unpaid claims, end of fiscal year	$ 12,592,162	$ 11,480,791

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 $1,186,029 at June 30, 2003, 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, 2003	Year ended June 30, 2002
Unpaid claims, beginning of fiscal year	$ 965,554	$ 1,003,700
Incurred claims	9,069,410	7,929,900
Claim Payments	(8,848,935)	(7,968,046)
Unpaid claims, end of fiscal year	$ 1,186,029	$ 965,554

13. Deferred Revenues

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

In the Governmental Funds, deferred revenue of $2,449,358 consists of $25,341 for parking citations, $845,701 for property taxes, $1,435,233 for wage taxes, $40,966 for business licenses, and $102,117 for sign permits recorded in the General Fund, all of which have been deemed to be measurable but not available.

In the Commerce Fund, deferred revenue represents the unamortized portion of the gain, $2,040,014, and the deferred note receivable of $28,377,400 on the sale of the Port of Wilmington to the Diamond State Port Corporation (Note 5-A).

In the Special Revenue Funds, $1,788,913 of deferred revenue consists of grant amounts that have been received in the current reporting period but will be earned in a subsequent period.

14. 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, the City 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 $1,866,779 in 2003, $1,566,500 for basic debt service and $320,279 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 adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. City officials do not expect any significant adjustments 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 $7.1 million. The three potentially responsible parties have verbally agreed to equally share the cleanup costs. Therefore, the City's share could be as much as $2.37 million. However, it is also possible that the State of Delaware which s 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, 2003.

15. 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:

	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 $47,107,000.

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, disbursements from the Funds, and execution of 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, 2003, 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, 2003, the following individual plans have investments at fair value in excess of 5% of the individual plan's net assets.

Name of Institution	Investment Type	Firefighters	Plan III Nonuniformed
Wilmington Trust Company	Certificates of Deposit	$ -	$ 2,025,000
Commerce Bank	Certificates of Deposit	$ 3,885,000	$ -

Membership, Benefit and Contribution Provisions

A description of the individual plans including eligibility provisions, types of benefits, and contribution requirements are 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. Detail information and financial statements and further information for the Delaware County and Municipal Police/Firefighters Pension Plan is 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.

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; 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.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2001	$ 4,167,655	100.0%	-
6/30/2002	5,055,204	100.0%	-
6/30/2003	4,686,914	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; 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.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2001	$ 4,437,978	100.0%	-
6/30/2002	5,975,440	100.0%	-
6/30/2003	4,387,021	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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2001	$ 69,200	100.0%	-
6/30/2002	115,360	100.0%	-
6/30/2003	238,066	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 equal 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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2001	$ -	100.0%	-
6/30/2002	-	100.0%	-
6/30/2003	-	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 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 - 2% of compensation.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2001	$ -	100.0%	-
6/30/2002	374,201	100.0%	-
6/30/2003	825,342	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 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 payroll during the period for which the amount is determined. The City's contributions to the plan for 2003, 2002, and 2001 were $1,028,760, $1,031,824 and $1,010,438, 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.

	Firefighters	Police	Plan I Nonuniformed	Plan II Nonuniformed	Plan III Nonuniformed
Annual Required Contribution and Pension Cost (7/1/01-6/30/02) (1)	$3,963,939	$5,091,069	$216,293	$0	$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 $100,068 for the year ended June 30, 2003. 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 of the Wilmington Parking Authority, 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.

16. 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, 2003, the plan has 966 eligible persons, all of whom are participants. The plan is on a pay as you go basis. Benefit expenses recognized during 2003 were $343,388 , and participant contributions were $117,985 (net $225,403).

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

17. Prior Period Adjustments

In prior years, the City did not record a liability for compensatory time off earned by employees of the Police department in accordance with generally accepted accounting principles. Accordingly an adjustment was recorded during 2003 to increase the liability for Compensatory Absences and to reduce previously reported net assets of the Government-wide Activities Statement of Net Assets.

In prior years, the City had erroneously over depreciated some of the fixed assets. Accordingly, an adjustment was recorded in the amount $ 202,703 to decrease accumulated depreciation of the affected assets and to increase previously reported net assets of the Government-wide Activities

In prior years, the City had erroneously under stated the carrying value of the mortgage receivable from WEDCO. The net carrying value in prior years was $451,667, when in fact it should have been $800,000. Accordingly, an adjustment has been recorded to increase the carrying value of the receivable by $348,333 and to increase previously reported net assets of the Government-wide Activities Statement of Net Assets.

Net Assets - Beginning - As Previously Reported	$ 56,961,051
Accrued payroll adjustment	1,381,714
Commerce Fund FY'02, restatement conversion (Note 11)	(2,708,322)
WEDCO Note write-off (Note 17)	348,333
Depreciation adjustment for prior year	204,703
Adjustment for Compensated Absences	(1,437,776)
Prior Period Adjustments sub-total	(2,211,348)
Net Assets - Beginning - As Restated	$ 54,749,703

In a prior year, the City erroneously recorded an excess of $62,882 of pension costs in the Plan II-Non-Uniformed Pension. Accordingly, an adjustment was recorded during 2003 to increase Benefits Paid in 2003 and to increase previously reported Net Assets of Plan II – Non-Uniform Pension.

	Plan II	Total Pension and Other Employee Benefit Trust Funds
Net Assets - Beginning - As Previously Reported	$ 14,089,648	$ 128,290,077
Adjustment for Compensated Absences	62,882	62,882
Net Assets - Beginning - As Restated	$ 14,152,530	$ 128,352,959

In prior years, the City had incorrectly accrued wages payable at year-end. Accordingly, adjustments were recorded in 2003 to reduce the accrued wages payable and to increase the previously reported Fund Balance in the General Fund by $1,381,714 and the Net Assets in the Water and Sewer Fund by $62,873.

	General Fund	**Water/Sewer Fund**
Net Assets - Beginning - As Previously Reported	$ 20,833,653	$ 80,984,461
Payroll accrual adjustment	1,381,714	62,873
Commerce Fund restatement (Note 11)	(5,399,098)	-
Total Prior Period Adjustments	(4,017,384)	62,873
Net Assets - Beginning - As Restated	$ 16,816,269	$ 81,047,334

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.

General Fund

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

For the Year Ended June 30, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
Property	$ 28,354,200	$ 28,354,200	$ 28,598,639	$ 244,439
Wages	39,126,300	39,126,300	37,369,184	(1,757,116)
Franchise	1,600,000	1,600,000	1,840,354	240,354
Net Profit	1,560,000	1,560,000	3,256,223	1,696,223
Real Estate Transfer taxes	2,100,000	2,100,000	3,262,024	1,162,024
Head	822,000	822,000	2,573,858	1,751,858
Licenses, Permits and Fees	2,285,000	2,285,000	2,811,199	526,199
Fines and Forfeitures	3,100,000	3,100,000	3,394,601	294,601
Charges for Services	3,624,533	3,624,533	4,745,897	1,121,364
Interest	1,460,000	1,460,000	1,083,733	(376,267)
Total revenues	84,032,033	84,032,033	88,935,712	4,903,679
Expenditures:				
General Governmental Services:				
Mayor's office	3,347,853	3,951,268	4,029,596	(78,328)
City Council	1,853,585	1,919,440	1,962,173	(42,733)
Audit	424,725	437,389	530,538	(93,149)
Law	1,939,336	1,984,928	1,856,864	128,064
Finance	6,388,810	3,031,301	3,265,664	(234,363)
Personnel	1,042,351	1,077,810	1,209,740	(131,930)
Treasurer	287,498	294,894	324,637	(29,743)
Planning	1,032,107	1,051,357	1,205,564	(154,207)
Real Estate and Housing	1,473,830	1,481,426	1,482,019	(593)
Parks and Recreation:	7,325,555	7,457,261	8,007,562	(550,301)
Public Safety:				
Police	31,133,605	32,183,698	35,751,677	(3,567,979)
Fire	13,844,321	14,337,518	16,295,354	(1,957,836)
Licenses and Inspection	2,312,597	2,429,025	2,397,661	31,364
Public Works	14,081,034	15,784,646	16,203,687	(419,041)
Total Expenditures	86,487,207	87,421,961	94,522,736	(7,100,775)
Excess of Expenditures Over Revenues	(2,455,174)	(3,389,928)	(5,587,024)	(2,197,096)
Other Financing Sources (Uses)				
Transfer In	2,700,000	2,700,000	2,275,000	(425,000)
Transfer Out	(55,000)	(55,000)	(73,388)	(18,388)
Gain on Sale of Capital Assets	-	-	6,894	6,894
Total Other Financing Sources (Uses)	2,645,000	2,645,000	2,208,506	(436,494)
Net Change in Fund Balances	189,826	(744,928)	(3,378,518)	(2,633,590)
Fund Balance - Beginning as Previously Reported	-	-	20,833,653	20,833,653
Prior Period Adjustments	-	-	(4,017,384)	(4,017,384)
Fund Balance - Beginning as Restated	-	-	16,816,269	16,816,269
Fund Balance - Ending	$ 189,826	$ (744,928)	$ 13,437,751	$ 14,182,679

The notes to required supplementary information are an integral part of this schedule.

City of Wilmington, Delaware

Commerce Fund

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

For the Year Ended June 30, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	$ -	$ -	$ 8,131,919	$ 8,131,919
Interest	1,940,436	1,940,436	1,461,142	(479,294)
Other	39,130	39,130	39,130	-
Total revenues	1,979,566	1,979,566	9,632,191	7,652,625
Expenditures:				
Personal Services	477,819	477,819	487,379	(9,560)
Materials, Supplies and Equipment	392,753	392,753	2,087,897	(1,695,144)
Debt Service	2,396,757	2,396,757	5,738,341	(3,341,584)
Total Expenditures	3,267,329	3,267,329	8,313,617	(5,046,288)
Excess of Expenditures Over Revenues	(1,287,763)	(1,287,763)	1,318,574	2,606,337
Other Financing Sources (Uses)				
Gain on Sale of Capital Assets	-	-	3,332,000	3,332,000
Total Other Financing Sources (Uses)	-	-	3,332,000	3,332,000
Net Change in Fund Balances	(1,287,763)	(1,287,763)	4,650,574	5,938,337
Fund Balance - Beginning as Previously Reported	-	-	-	-
Prior Period Adjustments	-	-	3,039,109	3,039,109
Fund Balance - Beginning as Restated	-	-	3,039,109	3,039,109
Fund Balance - Ending	$ (1,287,763)	$ (1,287,763)	$ 7,689,683	$ 8,977,446

The notes to required supplementary information are an integral part of this schedule.

City of Wilmington, Delaware
Notes to Required Supplementary Information
June 30, 2003

Budgetary Accounting and 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.

The annual appropriated budget for the Commerce Fund, a major fund, and a Special Revenue Fund is also adopted. Inter-governmental amounts represent proceed from the 1995 sale of the Port of Wilmington. They follow contractual repayment schedule and were not included in the budget. Debt service expenditures represent repayment of Port of Wilmington debt and were also not included in the budget.

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, 2003, 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.

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) for the General Fund to provide a meaningful comparison of actual results with the budget.

Appropriations for the Capital Projects Fund are adopted on a multi-year basis that remain open and carried over to succeeding years until the related expenditures are made, modified or canceled. 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.

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%
7/1/2002	17,862,788	20,403,158	2,540,370	87.5%	17,055,921	14.9%

City of Wilmington

Pension Funding Status and Progress (Continued)

Schedule of Contributions

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Firefighters			
6/30/1998	$ 3,165,879	100.0%	$ -
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%	-
Police			
6/30/1998	$ 3,840,894	100.0%	$ -
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%	-
Plan I Non-Uniformed			
6/30/1998	$ 274,066	100.0%	$ -
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%	-
Plan II Non-Uniformed			
6/30/1998	$ 101,779	100.0%	$ -
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%	-
Plan III Non-Uniformed			
6/30/1998	$ 502,832	100.0%	$ -
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%	-

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 that is 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, 2003

Assets	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 Funds	U.S. Department of Commerce	Total Nonmajor Governmental Funds
Cash and Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 627,809	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 627,809
Investments	-	-	-	-	-	-	4,328,279	-	-	-	-	-	-	-	-	4,328,279
Receivables:																
Mortgages	-	649,018	-	-	-	-	-	-	-	-	-	-	-	-	-	649,018
Employee Travel Advances	400	516	-	-	-	-	-	-	1,424	-	100	-	-	-	-	2,440
Due from Other Funds	-	149,180	77,125	-	478,995	-	-	42,698	13,788	-	-	9,073	-	734,691	-	1,505,550
Due from Other Governments	185,505	-	153,734	170,365	-	106,647	121,899	-	75,155	329,767	77,663	3,575	22,974	225,905	34,428	1,507,617
Total Assets	$ 185,905	$ 798,714	$ 230,859	$ 170,365	$ 478,995	$ 106,647	$ 5,077,987	$ 42,698	$ 90,367	$ 329,767	$ 77,763	$ 12,648	$ 22,974	$ 960,596	$ 34,428	$ 8,620,713
Liabilities and Fund Balances																
Liabilities:																
Accounts Payable	$ 7,493	$ 218,278	$ 230,447	$ -	$ 210,524	$ 46,630	$ 71,869	$ -	$ 83,920	$ 146,600	$ 14,356	$ 12,648	$ 100	$ 34,268	$ 1,217	$ 1,078,350
Accrued Wages and Payroll Withholdings	23,422	25,441	412	1,071	-	788	1,554	-	6,447	426	1,477	-	563	3,579	675	65,855
Due to Other Funds	154,990	-	-	169,294	-	59,229	119,949	-	-	182,741	61,930	-	22,311	-	32,536	802,980
Deferred Revenue	-	554,995	-	-	268,471	-	-	42,698	-	-	-	-	-	922,749	-	1,788,913
Total Liabilities	185,905	798,714	230,859	170,365	478,995	106,647	193,372	42,698	90,367	329,767	77,763	12,648	22,974	960,596	34,428	3,736,098
Fund Balances:																
Reserved	-	-	-	-	-	-	4,884,615	-	-	-	-	-	-	-	-	4,884,615
Total Fund Balances	-	-	-	-	-	-	4,884,615	-	-	-	-	-	-	-	-	4,884,615
Total Liabilities and Fund Balances	$ 185,905	$ 798,714	$ 230,859	$ 170,365	$ 478,995	$ 106,647	$ 5,077,987	$ 42,698	$ 90,367	$ 329,767	$ 77,763	$ 12,648	$ 22,974	$ 960,596	$ 34,428	$ 8,620,713

City of Wilmington, Delaware

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds - Special Revenue Funds
June 30, 2003

	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	$ 453,817	$ 2,510,631	$ 2,847,957	$ 227,437	$ 1,866,026	$ 1,179,614	$ -	$ 2,049	$ 1,322,200	$ 795,044	$ 310,666	$ -	$ 29,734	$ 415,615	$ 42,670	$ 12,003,460
Program Income	-	275,831	-	-	-	-	-	-	-	-	-	-	-	-	-	275,831
Interest Income	-	-	-	-	-	-	100,397	-	-	-	-	-	-	4,084	-	104,481
Other/Private Contributions	106,004	-	-	-	-	1,794	3,558	-	-	-	19,000	-	-	141,211	-	271,567
Total Revenues	559,821	2,786,462	2,847,957	227,437	1,866,026	1,181,408	103,955	2,049	1,322,200	795,044	329,666	-	29,734	560,910	42,670	12,655,339
Expenditures:																
Current:																
General Governmental Services	-	-	-	-	-	-	84,066	-	-	-	329,666	73,388	29,734	560,910	42,670	1,120,434
Real Estate and Housing	-	2,786,462	2,847,957	-	-	1,181,408	-	-	-	795,044	-	-	-	-	-	7,610,871
Public Works	-	-	-	-	1,866,026	-	-	-	-	-	-	-	-	-	-	1,866,026
Parks and Recreation	559,821	-	-	227,437	-	-	185,550	-	-	-	-	-	-	-	-	972,808
Public Safety	-	-	-	-	-	-	-	2,049	1,322,200	-	-	-	-	-	-	1,324,249
Total Expenditures	559,821	2,786,462	2,847,957	227,437	1,866,026	1,181,408	269,616	2,049	1,322,200	795,044	329,666	73,388	29,734	560,910	42,670	12,894,388
Excess (Deficiency) of Expenditures over Revenues	-	-	-	-	-	-	(165,661)	-	-	-	-	(73,388)	-	-	-	(239,049)
Other Financing Sources (Uses)																
Transfers in:																
General Fund	-	-	-	-	-	-	-	-	-	-	-	73,388	-	-	-	73,388
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	73,388	-	-	-	73,388
Net change in Fund Balances	-	-	-	-	-	-	(165,661)	-	-	-	-	-	-	-	-	(165,661)
Fund Balance - Beginning	-	-	-	-	-	-	5,050,276	-	-	-	-	-	-	-	-	5,050,276
Fund Balance - Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,884,615	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,884,615

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, 2003

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Park Trust Assistance			
Revenues	$ 410,000	$ 559,821	$ 149,821
Expenditures	410,000	559,821	149,821
Excess Revenues Over Expenditures	$ -	$ -	$ -
Commmunity Development Block Grant			
Revenues	$ 3,082,536	$ 2,786,462	$ (296,074)
Expenditures	3,082,536	2,786,462	(296,074)
	-	-	-
Excess Revenues Over Expenditures	$ -	$ -	$ -
Section 8 Housing Assistance			
Revenues	$ 3,445,794	$ 2,847,957	$ (597,837)
Expenditures	3,445,794	2,847,957	(597,837)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Municipal Street Aid			
Revenues	$ 1,572,277	$ 1,866,026	$ 293,749
Expenditures	1,572,277	1,866,026	293,749
Excess Revenues Over Expenditures	$ -	$ -	$ -
Home Partnership Program			
Revenues	$ 1,313,000	$ 1,181,408	$ (131,592)
Expenditures	1,313,000	1,181,408	(131,592)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Home for People With Aids			
Revenues	$ 1,015,000	$ 795,044	$ (219,956)
Expenditures	1,015,000	795,044	(219,956)
Excess Revenues Over Expenditures	$ -	$ -	$ -

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

Internal Service Funds
Combining Statement of Fund Net Assets
June 30, 2003

	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	$ 1,004,920	$ -	$ -	$ -	$ -	$ 150	$ 300	$ 441	$ 400	$ -	$ 1,006,211
Travel Advances	-	-	-	-	-	-	-	250	-	-	250
Due from Other Funds	-	37,667	-	33,165	8,032	-	-	10,277,668	12,958,774	1,357,226	24,672,532
Unamortized Bond Costs	831	-	-	-	-	-	-	-	-	-	831
Total Current assets	1,005,751	37,667	-	33,165	8,032	150	300	10,278,359	12,959,174	1,357,226	25,679,824
Noncurrent Assets:											
Capital assets:											
Land, Buildings, Equipment and Buildings and Improvement	47,520	11,600	-	-	-	-	42,638	-	-	-	101,758
Machinery and Equipment	1,229,580	59,072	38,733	-	18,554	582,237	1,308,166	169,888	12,566	5,148	3,423,944
Vehicles	-	-	-	-	-	12,098,349	-	37,600	-	-	12,135,949
Less Accumulated Depreciation	(622,772)	(58,790)	(6,456)	-	(3,166)	(8,315,895)	(845,971)	(144,521)	(12,566)	(2,940)	(10,013,077)
Total Capital Assets (net of Accumulated Depreciation)	654,328	11,882	32,277	-	15,388	4,364,691	504,833	62,967	-	2,208	5,648,574
Total Assets	1,660,079	49,549	32,277	33,165	23,420	4,364,841	505,133	10,341,326	12,959,174	1,359,434	31,328,398
LIABILITIES											
Current liabilities:											
Accounts Payable	164,730	2,656	26,277	18,444	5,198	284,513	76,214	67,351	335,581	170,460	1,151,424
Accrued Wages and Payroll Withholdings	7,597	4,282	731	1,138	2,920	-	3,166	1,618	5,218	1,301	27,971
Due to Other Funds	446,246	-	1,564	-	-	1,008,544	403,732	-	-	-	1,860,086
Compensated Absences	37,086	42,611	3,705	13,583	15,302	-	22,021	6,604	26,213	1,644	168,769
General Obligation Bonds Payable	1,004,420	-	-	-	-	-	-	-	-	-	1,004,420
Obligation under Capital Lease	-	-	-	-	-	3,071,784	-	-	-	-	3,071,784
Total Current Liabilities	1,660,079	49,549	32,277	33,165	23,420	4,364,841	505,133	75,573	367,012	173,405	7,284,454
Noncurrent Liabilities:											
Claims Liability	-	-	-	-	-	-	-	10,265,753	12,592,162	1,186,029	24,043,944
Total Liabilities	1,660,079	49,549	32,277	33,165	23,420	4,364,841	505,133	10,341,326	12,959,174	1,359,434	31,328,398
NET ASSETS											
Invested in Capital Assets, Net of Related Debt	654,328	11,882	32,277	-	15,388	1,292,907	504,833	62,967	-	2,208	2,576,790
Unrestricted	(654,328)	(11,882)	(32,277)	-	(15,388)	(1,292,907)	(504,833)	(62,967)	-	(2,208)	(2,576,790)
Total Net Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

City of Wilmington, Delaware

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2003

	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	$ 1,619,870	$ 320,229	$ 293,276	$ 249,867	$ 260,671	$ 3,936,513	$ 1,179,667	4,660,461	$ 4,101,295	$ 8,802,819	$ 25,424,668
Employee Contributions	-	-	-	-	-	-	-	-	-	335,179	335,179
Other	-	-	-	-	-	-	-	-	13,462	-	13,462
Total Operating Revenues	1,619,870	320,229	293,276	249,867	260,671	3,936,513	1,179,667	4,660,461	4,114,757	9,137,998	25,773,309
Operating Expenses:											
Personal Services	391,582	220,990	59,350	56,498	146,492	-	163,111	85,064	255,147	64,716	1,442,950
Materials, Supplies, Equipment and Contractual Services	1,050,646	88,955	229,106	191,068	109,198	2,395,051	926,838	92,360	163,015	2,019	5,248,256
Pension and Retirement	16,943	9,316	1,003	2,301	3,010	-	7,357	1,672	5,462	1,338	48,402
Depreciation and Amortization	112,952	968	3,817	-	1,971	1,277,860	82,361	20,154	94	515	1,500,692
Claims Expense	-	-	-	-	-	-	-	4,233,573	3,526,584	9,069,410	16,829,567
Insurance Premiums	-	-	-	-	-	-	-	227,638	164,455	-	392,093
Total Operating Expenses	1,572,123	320,229	293,276	249,867	260,671	3,672,911	1,179,667	4,660,461	4,114,757	9,137,998	25,461,960
Operating Income	47,747	-	-	-	-	263,602	-	-	-	-	311,349
Nonoperating Revenues (Expenses):											
Interest Expense	(47,747)	-	-	-	-	(240,506)	-	-	-	-	(288,253)
Loss on Sale of Assets	-	-	-	-	-	(23,096)	-	-	-	-	(23,096)
Total Nonoperating Revenues (Expenses)	(47,747)	-	-	-	-	(263,602)	-	-	-	-	(311,349)
Change in Net Assets	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets - Beginning	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets - Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

City of Wilmington, Delaware

Internal Service Funds
Combining Statement of Cash Flows
June 30, 2003

	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	$ 1,619,870	$ 320,229	$ 293,276	$ 249,867	$ 260,671	$ 3,936,513	$ 1,179,667	$ 4,660,461	$ 4,101,295	$ 8,802,819	$ 25,424,668
Payments to Suppliers	(1,190,076)	(101,616)	(232,848)	(193,385)	(117,005)	(2,159,995)	(1,014,476)	(1,040,070)	(2,401,150)	(8,681,246)	(17,131,867)
Payments to Employees	(381,059)	(218,613)	(60,428)	(56,482)	(143,666)	-	(165,191)	(83,646)	(260,160)	(66,383)	(1,435,628)
Other Receipts (Payments)	-	-	-	-	-	-	-	21,571	(172,204)	(215,502)	(366,135)
Net Cash Provided by Operating Activities	48,735	-	-	-	-	1,776,518	-	3,558,316	1,267,781	(160,312)	6,491,038
Cash Flows from Noncapital Financing Activities											
Advances From (To) Other Funds	-	-	-	-	-	558,128	-	(3,558,316)	(1,267,781)	160,312	(4,107,657)
Net Cash Provided (Used) by Capital and Related Financing Activites	-	-	-	-	-	558,128	-	(3,558,316)	(1,267,781)	160,312	(4,107,657)
Cash Flows from Capital and Related Financing Activities:											
Principal paid on Capital Debt	(580)	-	-	-	-	-	-	-	-	-	(580)
Purchase of Capital Assets	-	-	-	-	-	(271,300)	-	-	-	-	(271,300)
Principal Paid on Capital Lease	(988)	-	-	-	-	(1,799,744)	-	-	-	-	(1,800,732)
Interest Paid on Capital Lease	(47,747)	-	-	-	-	(240,506)	-	-	-	-	(288,253)
Loss on Sale of Assets	-	-	-	-	-	(23,096)	-	-	-	-	(23,096)
Net Cash Provided (Used) by Capital and Related Financing Activities	(49,315)	-	-	-	-	(2,334,646)	-	-	-	-	(2,383,961)
Net Increase in Cash and Cash Equivalents	(580)	-	-	-	-	-	-	-	-	-	(580)
Cash and Cash Equivalents - July 1, 2002	1,005,500	-	-	-	-	150	300	441	400	-	1,006,791
Cash and Cash Equivalents - June 30, 2003	$ 1,004,920	$ -	$ -	$ -	$ -	$ 150	$ 300	$ 441	$ 400	$ -	$ 1,006,211
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:											
Operating Income (Loss)	$ 47,747	$ -	$ -	$ -	$ -	$ 263,602	$ -	$ -	$ -	$ -	311,349
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:											
Depreciation and Amortization	112,952	967	3,816	-	1,971	1,277,860	82,361	20,154	94	515	1,500,690
Changes in Assets and Liabilities:											
Due from Other Funds	-	(5,539)	-	(1,841)	(7,054)	-		-	-	-	(14,434)
Accounts Payable	120,152	2,195	24,468	1,825	2,257	203,845	50,576	(31,300)	161,330	(379,635)	155,713
Compensated Absences	14,690	1,609	409	(239)	2,274	-	213	1,088	(1,673)	(1,887)	16,484
Accrued Salaries	(4,167)	768	(1,487)	255	552	-	(2,293)	330	(3,341)	220	(9,163)
Claims Liability	-	-	-	-	-	-	-	3,568,044	1,111,371	220,475	4,899,890
Due to Other Funds	(242,639)	-	(27,206)	-	-	31,211	(130,857)	-	-	-	(369,491)
Net Cash Provided by Operating Activities	$ 48,735	$ -	$ -	$ -	$ -	$ 1,776,518	$ -	$ 3,558,316	$ 1,267,781	$ (160,312)	$ 6,491,038

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	Non-Uniformed Plans
Fire Pension	**Plan I**
Police Pension	**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 sub grantee agencies involved in shelter activities. The City acts as a conduit for the funds to reach these agencies.

City of Wilmington

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	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	$ 3,889,588	$ 974,872	$ 31,129	$ 21,687	$ 2,074,205	$ 5,547	$ 6,997,028	$ 41,577
Receivables:								
Accrued Interest Receivable	69,783	111,875	21,761	29,412	31,900	-	264,731	-
Total Receivables	69,783	111,875	21,761	29,412	31,900	-	264,731	-
Investments, at fair value:								
U.S.Treasury Obligations	7,190,173	11,527,189	2,242,156	3,030,456	3,286,858	732,674	28,009,506	-
Stocks	13,686,730	21,942,383	4,268,017	5,768,573	6,256,643	-	51,922,346	-
Corporate Obligations	10,215,554	16,377,440	3,185,579	4,305,569	4,669,857	255,024	39,009,023	-
Mutual Funds	1,031,474	1,653,645	321,650	434,734	471,520	650,122	4,563,145	-
Total Investments	32,123,931	51,500,657	10,017,402	13,539,332	14,684,878	1,637,820	123,504,020	-
Due from Other Funds	-	-	-	-	-	1,323	1,323	267,831
Due from Other Governments	-	-	-	-	-	-	-	161,950
Travel Advances	72	108	45	45	30	-	300	-
Total Assets	36,083,374	52,587,512	10,070,337	13,590,476	16,791,013	1,644,690	130,767,402	471,358
Liabilities:								
Accounts Payable	6,470	4,780	2,179	1,770	1,169	1,067	17,435	103,524
Accrued Wages and Fringes	411	411	411	849	2,147	-	4,229	77
Liability for state-dated pensikon checks	40,869	75,400	33,687	8,161	5,284	-	163,401	-
Due to Other Funds	2,865,203	292,819	926,071	228,835	831,868	-	5,144,796	138,857
Compensated Absences	448	448	448	898	2,235	-	4,477	-
Notes Payable	-	-	-		-	-	-	50,357
Funds Held in Escrow	-	-	-	-	-	-	-	178,543
Total Liabilities	2,913,401	373,858	962,796	240,513	842,703	1,067	5,334,338	471,358
Net Assets								
Held in Trust for Pension Benefits	$ 33,169,973	$ 52,213,654	$ 9,107,541	$ 13,349,963	$ 15,948,310	$ 1,643,623	$ 125,433,064	$ -

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, 2003

	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
Additions:							
Contributions:							
City	$ 693,474	$ 3,146,670	$ 206,766	$ 16,500	$ 825,342	$ 365,156	$ 5,253,908
State	3,993,440	1,240,351	31,300	-	-	-	5,265,091
Employees	322,936	551,429	346	-	383,298	-	1,258,009
Total Contributions	5,009,850	4,938,450	238,412	16,500	1,208,640	365,156	11,777,008
Investment Income							
Interest	1,243,589	1,945,032	337,835	482,869	599,123	114,712	4,723,160
Net Depreciation in Fair Value	(678,729)	(992,373)	(364,206)	(374,533)	(238,999)	-	(2,648,840)
Total Investment Earnings	564,860	952,659	(26,371)	108,336	360,124	114,712	2,074,320
Less Invesment Expense	(188,243)	(297,558)	(62,158)	(80,065)	(83,621)	-	(711,645)
Net Investment Income	376,617	655,101	(88,529)	28,271	276,503	114,712	1,362,675
Total Additions	5,386,467	5,593,551	149,883	44,771	1,485,143	479,868	13,139,683
Deductions:							
Benefits Paid	5,521,976	6,845,646	1,392,050	700,299	650,586	343,388	15,453,945
Administrative Expenses	106,134	105,822	64,913	147,039	158,233	23,492	605,633
Total Deductions	5,628,110	6,951,468	1,456,963	847,338	808,819	366,880	16,059,578
Net Increase (Decrease) in Plan Net Assets	(241,643)	(1,357,917)	(1,307,080)	(802,567)	676,324	112,988	(2,919,895)
Net Assets - Beginning as Previously Reported	33,415,103	53,575,870	10,414,621	14,089,648	15,271,986	1,530,635	128,297,863
Prior Period Adjustments	(3,487)	(4,299)	-	62,882	-	-	55,096
Net Assets - Beginning as Restated	33,411,616	53,571,571	10,414,621	14,152,530	15,271,986	1,530,635	128,352,959
Net Assets - Ending	$ 33,169,973	$ 52,213,654	$ 9,107,541	$ 13,349,963	$ 15,948,310	$ 1,643,623	$ 125,433,064

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

CITY OF WILMINGTON, DELAWARE

Combining Statement of Changes in Net Assets
All Agency Funds
For the Fiscal Year Ended June 30, 2003

	Balance at June 30, 2002	Additions	Deductions	Balance at June 30, 2003
RENT ESCROW FUND				
Assets:				
Cash and Cash Equivalents	$ 4,138	$ -	$ -	$ 4,138
Total Assets	$ 4,138	$ -	$ -	$ 4,138
Liabilities:				
Funds Held in Escrow	$ 4,138	$ -	$ -	$ 4,138
Total Liabilities	$ 4,138	$ -	$ -	$ 4,138
ESCROW LOANS AND GRANTS				
Assets:				
Due from Other Funds	$ 306,657	$ 416,285	$ 468,029	$ 254,913
Machinery and Equipment	2,095	-	2,095	-
Total Assets	$ 308,752	$ 416,285	$ 470,124	$ 254,913
Liabilities:				
Accounts Payable	$ -	$ 540,211	$ 459,703	$ 80,508
Funds Held in Escrow	308,752	-	134,347	174,405
Total Liabilities	$ 308,752	$ 540,211	$ 594,050	$ 254,913
SECTION 108 PROGRAM				
Assets:				
Cash and Cash Equivalents	$ 37,299	$ 140	$ -	$ 37,439
Due from Other Funds	12,918	-	-	12,918
Total Assets	$ 50,217	$ 140	$ -	$ 50,357
Liabilities:				
Notes Payable	$ 50,217	$ 140	$ -	$ 50,357
Total Liabilities	$ 50,217	$ 140	$ -	$ 50,357

City of Wilmington, Delaware

Combining Statement of Changes in Net Assets
All Agency Funds
For the Fiscal Year Ended June 30, 2003

	Balance at June 30, 2002	Additions	Deductions	Balance at June 30, 2003
EMERGENCY SHELTER GRANT				
Assets:				
Due from Other Governments	$ 144,853	$ 17,097	$ -	$ 161,950
Total Assets	$ 144,853	$ 17,097	$ -	$ 161,950
Liabilities:				
Accounts Payable	$ 14,154	$ 123,281	$ 114,419	$ 23,016
Accrued Wages and Fringes	-	77	-	77
Due to Other Funds	130,699	118,190	110,032	138,857
Total Liabilities	$ 144,853	$ 241,548	$ 224,451	$ 161,950
SUMMARY OF AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	$ 41,437	$ 140	$ -	$ 41,577
Due from Other Funds	319,575	416,285	468,029	267,831
Due from Other Governments	144,853	17,097	-	161,950
Machinery and Equipment	2,095	-	2,095	-
Total Assets	$ 507,960	$ 433,522	$ 470,124	$ 471,358
Liabilities:				
Accounts Payable	$ 14,154	$ 663,492	$ 574,122	$ 103,524
Accrued Wages and Fringes	-	77	-	77
Due to Other Funds	130,699	118,190	110,032	138,857
Notes Payable	50,217	140	-	50,357
Funds Held in Escrow	312,890	-	134,347	178,543
Total Liabilities	$ 507,960	$ 781,899	$ 818,501	$ 471,358

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, 2003

	2003	2002
Governmental Funds Capital Assets:		
Land	$ 20,069,161	$ 16,520,031
Building and Improvements	85,806,459	85,429,356
Equipment	7,251,853	7,682,684
Vehicles	4,336,715	5,132,876
Construction-in-Progress	-	3,281,003
Total Governmental Funds Capital Assets	$ 117,464,188	$ 118,045,950
Investment in General Fixed Assets From:		
Capital Projects Funds	$ 96,551,477	$ 97,133,239
General Fund Revenues	2,060,525	2,060,525
Special Revenue Funds Revenues	18,852,186	18,852,186
Total Governmental Funds Capital Assets	$ 117,464,188	$ 118,045,950

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
General 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
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	$ -	$ 122,386,721
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 [1]	6,031,769	8,204,214	4,604,134	29,996,572	1,637,646	3,081,610	3,477,326	-	87,133,490
1994	9,001,378	20,423,699 [1]	5,069,202	8,902,970	4,539,201	32,754,619	4,002,015	2,902,561	3,006,525	-	90,602,170

Source: Financial Statements

Notes: In Fiscal Years 1994 - 1995, Commerce Fund operated the Port of Wilmington.

Table 2

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
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	50,751,679	2,448,929	2,595,977	528,728	10,468,959	617,545	4,596,600	72,008,417
1994	48,349,649	2,418,001	2,078,215	434,149	10,569,762	584,787	4,330,344	68,764,907

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.

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	Total
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	18,146,954	26,565,151	1,740,198	1,700,647	1,178,219	1,420,510	50,751,679
1994	18,189,064	24,467,233	1,464,793	1,395,729	1,001,502	1,831,328	48,349,649

Table 6

CITY OF WILMINGTON
Principal Taxpayers
June 30, 2003

Name	Property Type	2003 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 buildings	51,775,000	1.5%
Verizon	Office Buildings	49,610,500	1.4%
Hub Properties Trust	Office buildings	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	13,542,000	0.4%
	Total	$ 592,637,760	16.9%

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
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
1994	0.9111	0.8580	0.1440	1.9131	100.0

Table 6

CITY OF WILMINGTON
Principal Taxpayers
June 30, 2003

Name	Property Type	2003 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 buildings	51,775,000	1.5%
Verizon	Office Buildings	49,610,500	1.4%
Hub Properties Trust	Office buildings	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 Squar	Office building	15,113,600	0.5%
Elk Grove Suites	Office building	13,542,000	0.4%
	Total	$ 592,637,760	16.9%

Table 7

City of Wilmington
Computation of Legal Debt Margin
June 30, 2003
Unaudited

General operating budget for 2003	$ 87,421,961
Legal limitation 17.5% of budget	$ 15,298,843
Principal and interest expended in 2003	$ 9,238,483
Percent of operating budget - actual	10.6%

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 Wilmingotn
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt per Capita
Last Ten Fiscal Years
Unaudited

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Gross Debt Payable from Enterprise/ Internal Service Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	72,503	$ 3,494,093,710	$ 193,818,399	$ 74,604,280	$ 119,214,119	3.40%	$ 1,644
2002	73,400	2,877,759,877	210,402,400	77,922,408	132,479,992	4.60%	1,805
2001	73,000	2,531,437,546	193,200,403	73,204,816	119,995,587	4.70%	1,644
2000	72,582	2,110,113,191	201,850,206	78,628,919	123,221,287	5.80%	1,698
1999	72,582	2,102,649,126	212,644,705	82,705,577	129,939,128	6.20%	1,790
1998	72,600	2,085,292,700	182,689,920	72,272,197	110,417,723	5.30%	1,521
1997	72,600	2,177,955,491	187,255,451	72,207,552	115,047,899	5.30%	1,585
1996	72,600	1,968,023,897	193,705,913	69,084,472	124,621,441	6.30%	1,717
1995	72,013	1,977,292,100	184,312,883	59,633,781	124,679,102	6.30%	1,731
1994	71,529	1,988,610,076	181,062,413	58,986,804	122,075,609	6.10%	1,707

TABLE 9

City of Wilmington
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years
Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
1994	2,092,561	3,006,525	5,099,086	73,492,361	6.9%

TABLE 10

City of Wilmington
Computation of Direct and Overlapping Debt - Unudited

City of Wilmington Debt as of June 30, 2003	$ 188,213,968	
Add: New Castle County debt (15.3% of $144,094,475)	22,046,608	
Add: Various school districts' debt (14.7% of $86,383,710)	12,732,868	
Total: Direct and Overlapping Debt		$ 222,993,444
Less: Self-Supporting City Debt	(74,604,280)	
Less: Self-supporting New Castle County debt (15.3% of $49,957,186)	(7,643,449)	
Total: Self-Supporting Debt		(82,247,729)
Total estimated non-self-supporting debt of the City of Wilmington including non-self-supporting ovelapping debt of New Castle County and the various school districts		$ 140,745,715

TABLE 11

City of Wilmington
Revenue Bond Coverage - Uaudited
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Coverage
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	1.01
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
1994	2,786,594	2,160,025	626,569	2,030,000	2,652,444	4,682,444	0.13

Note: Revenue Bonds issued by the Wilmington Parking Authority are guaranteed by the City of Wilmington in the event resources of the Authority are insufficient to cover required debt service. Debt service requirements have been reduced for amounts paid from sources not requiring cash flows from operations.

TABLE 12

City of Wilmington
Demographics Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Total Households (2)	Total Median Age (2)	Median Household Effective Buying Income (2)	Number of Person Unemployed (2)	Unemployment Rate (1)
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%
1994	71,529	29,200	33.7	30,078	1,651	4.7%

Ssource: (1). "A Survey of Buying Power" by Sales and Marketing Management - September 30, 2003
(2) State of Delaware - Department of Labor

TABLE 13

City of Wilmington
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
TABLE 6

Fiscal Year	Assessed Property Value	New Construction Number of Permits	New Construction Value of Permits	Bank Deposits (000) Omitted
2003	$ 3,494,093,710	55	$ 66,686,100	$ 58,716,985
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
1994	1,988,610,076	43	34,526,600	13,200,121

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	17,200
E.I. du Pont Nemours & Co.	Throughout Wilm. Area	Chemical	12,900
MBNA America	Christiana/Wilmington	Banking	10,400
Christiana Care Health Services	Christiana/Wilmington	Hospital	5,600
University of Delaware	Newark	Education	5,100
Bank One	Wilmington	Banking	3,200
DaimlerChrysler Corp	Newark	Auto Assembly	3,100
Christina School District	Wilmington	Public Schools	2,800
AstraZeneca Inc.	Fairfax	Spec Chemicals	2,800
General Motors Corp	New Castle County	Auto Assembly	2,900
Wilmington Trust Company	Throughout Delaware	Banking	2,500
Conectiv	Throughout Delaware	Utilities	2,100
Red Clay School District	Wilmington	Public Schools	2,000
Greenwood Trust Company	Throughout Delaware	Banking	1,900
DuPont Merck Pharmaceuticals	Throughout Delaware	Pharmaceuticals	1,900
Alfred I. DuPont Hospital	Wilmington	Childrens Hospital	1,900
J.P. Morgan Bank	New Castle County	Banking	1,800
Acme Markets	Throughout Delaware	Retail Food	1,700
Brandywine School District	Wilmington	Public Schools	1,700
YMCA	Wilmington	Membership Organization	1,700
St. Francis Hospital	Wilmington	Hospital	1,500
Sears, Roebuck & Co.	New Castle County	Retail	1,500
Wal-Mart Inc.	Throughout Delaware	Retail	1,500
Colonial School District	Wilmington	Public Schools	1,400
Bank of New York	Wilmington	Banking	1,400

Source: State of Delaware, Department of Labor