# CITY OF WILMINGTON, DELAWARE

# COMPREHENSIVE ANNUAL FINANCIAL

# REPORT

# FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**PREPARED BY THE DEPARTMENT OF FINANCE**

WILMINGTON'S LITTLE
BROADWAY
the playhouse THEATRE
THE PLAYHOUSE

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

## TABLE OF CONTENTS

**Page No.**


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

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

Notes to Financial Statements ..... 42

**TABLE OF CONTENTS**
**(continued)**

**Page No.**


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

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

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

**TABLE OF CONTENTS**
**(continued)**

**Page No.**

Computation of Direct and Overlapping Debt - Table 10 .....116
Revenue Bond Coverage - Table 11 .....117
Demographic Statistics – Table 12 .....118
Property Value, Construction, and Bank Deposits – Table 13 .....118
Major Area Employers – Table 14.....119

JAMES M. BAKER
MAYOR

# City of Wilmington
## Delaware

LOUIS L. REDDING - CITY/COUNTY BUILDING
800 FRENCH STREET
WILMINGTON, DELAWARE
19801 - 3537

December 1, 2004

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

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

The report consists of management's representations concerning the finances of the City of Wilmington. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Wilmington has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Wilmington's financial statements in conformity with accounting principles generally accepted in the United States. Because the cost of internal controls should not outweigh their benefits, the City of Wilmington's comprehensive framework of internal controls has been designed to provide reasonable (rather than absolute) assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Wilmington's financial statements have been audited by McBride Shopa & Company, P.A., a firm of licensed, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Wilmington for the fiscal year ended June 30, 2004, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Wilmington's financial statements, for the fiscal year ended June 30, 2004, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

**Profile of the Government**

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

The Charter provides for a mayor and council form of government. Legislative authority is vested in a 13-member council. All members are elected to four-year terms. The City's Chief Executive and Administrative Officer is the Mayor, elected by citizens to a four-year term. The Mayor may veto any legislation passed by Council. A veto may be overridden by a two-thirds vote of all members of Council. The City Council fixes compensation of all City employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations and borrowings, licensing and regulating of businesses and trades, and other municipal purposes.
The City of Wilmington provides a full range of services, such as police and fire protection, maintenance and repairs of infrastructure, recreational activities, and promotes cultural events. The water and sewer services are provided through the Water and Sewer Fund, which has been included as an integral part of the City of Wilmington's financial statements.

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

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

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

The fiscal year 2005 budget reflects the following:

- A continuation of sound financial management practices that include tight controls on expenditures and the growth of government, important investments in the City infrastructure for upgrades and prevention of higher future expenditures and continuing discussions with State and County government officials on new sources of annual revenue for Wilmington that has so far, produced a total of $3.5 million in new revenue.

- The General Fund operating budget totaled $92,181,805, approximately $4.2 million increase over fiscal year's 2004 budget. Several factors led to the increase in FY 2005 including the continuing rise in employee medical costs, debt service on existing capital bonds and salary increases.

- An increase in the authorized strength of the Wilmington Police Department by 11 officers for a total of 300 officers. The 11 new officers are the result of creative and innovative agreements involving the City and public and private entities that have agreed to fund these new positions for anywhere from three to five years. The officers are assigned to patrol the public and private funding entities but are also available for other duty to citizens in the immediate area of the funding sources, thus increasing police coverage.

- The new budget includes $335,000 in Police overtime to allow for the continuation of the City's successful street corner drug interdiction program, $310,000 for the disposition or demolition of vacant and abandoned properties and $75,000 for utility costs associated with the Downtown and Neighborhood Camera Safety Programs.

- The City of Wilmington has implemented free wireless Internet 'hot zones' in three locations to allow for the flow and exchange of worldwide information among local residents or out-of-town businesspersons and other citizens and visitors. Individuals who use laptops can access the Internet on a free, unlimited basis. Expansion of the free Internet 'hot zone' program is anticipated in the future.

**Factors Affecting Financial Condition**

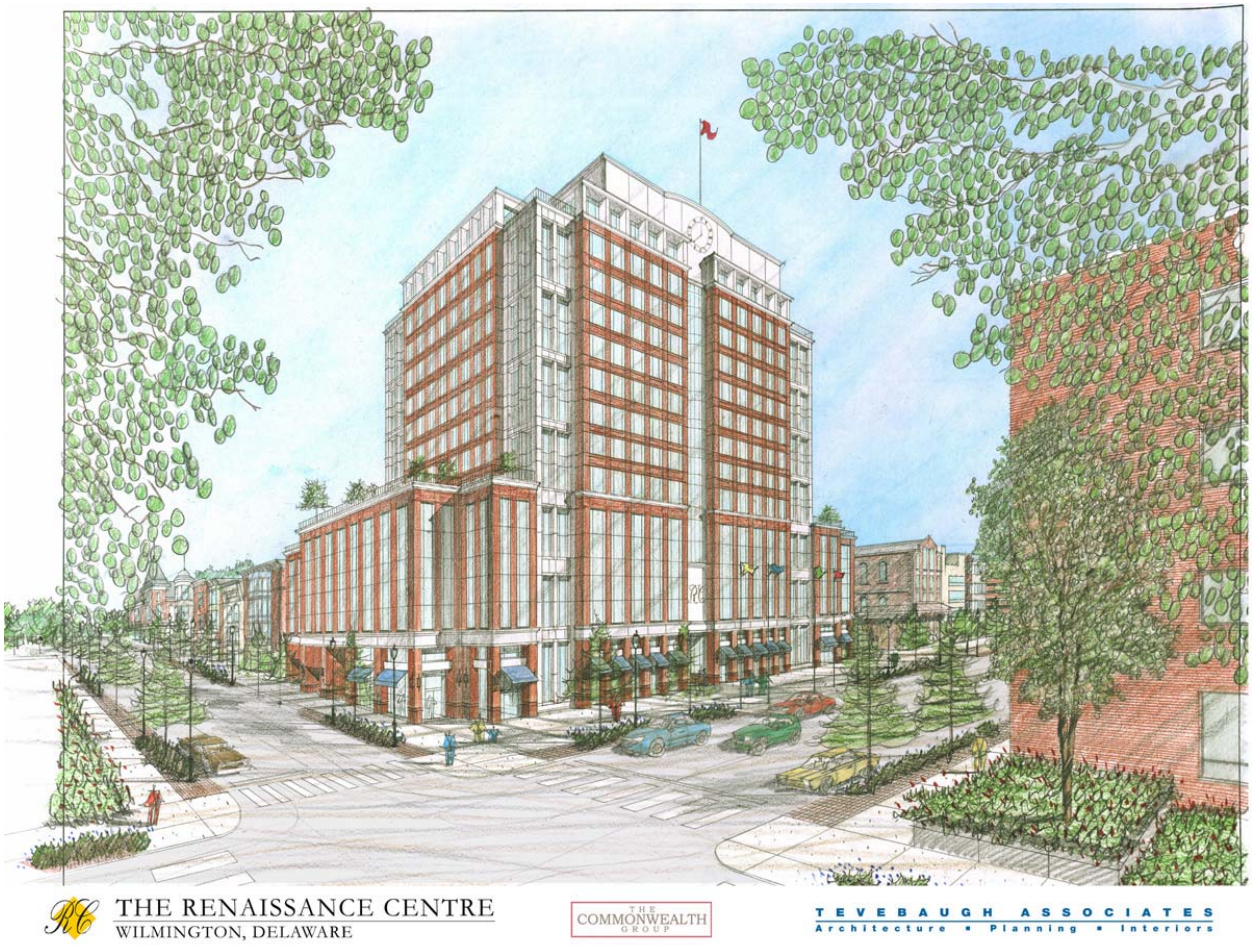
**Jobs.** The City's Economic Development Office, in conjunction with Wilmington City Council, the Wilmington Economic Development Corporation (WEDCO), and the State of Delaware's Development Office, has added nearly 3,000 jobs in the past few years. These jobs are either new, due to businesses relocating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

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

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

- Christina Landing, an $80-million townhouse and condominium under construction on the banks of the Christina River adjacent to the City's already popular Riverfront District. When completed and complimented with a full-scale green space park, Christina Landing will be a completely new neighborhood on once abandoned and neglected property.

- Residences at Rodney Square, a 350-apartment downtown living complex created from the transformed former headquarters of the Delaware Trust Bank. The formerly vacant 22-story property began a renaissance of downtown living that has continued to the southern end of the Downtown District with the renovation of the historic Ships Tavern area that today houses scores of new City residents. The City continues developing the three-block strip between King Street to the east and Market Street to the west, and 5th Street to the north and 2nd Street to the south. New development includes the Renaissance Centre, a 140,000 square feet office tower with retail and residential components. Scheduled for completion in March of 2007, this project preserves some of the original architecture of the turn-of-the-century Market Street that has been incorporated into the design of the new structure. An artist rendering of the Renaissance Centre (below) is provided courtesy of the Wilmington architectural firm of Tevebaugh and Associates.




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

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

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

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

## Awards and Acknowledgements

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

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

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

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

## Acknowledgements

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

Respectfully submitted,

Ronald P. Pinkett
Director of Finance

Robert C. Johnson, Sr.
Accounting Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Wilmington, Delaware

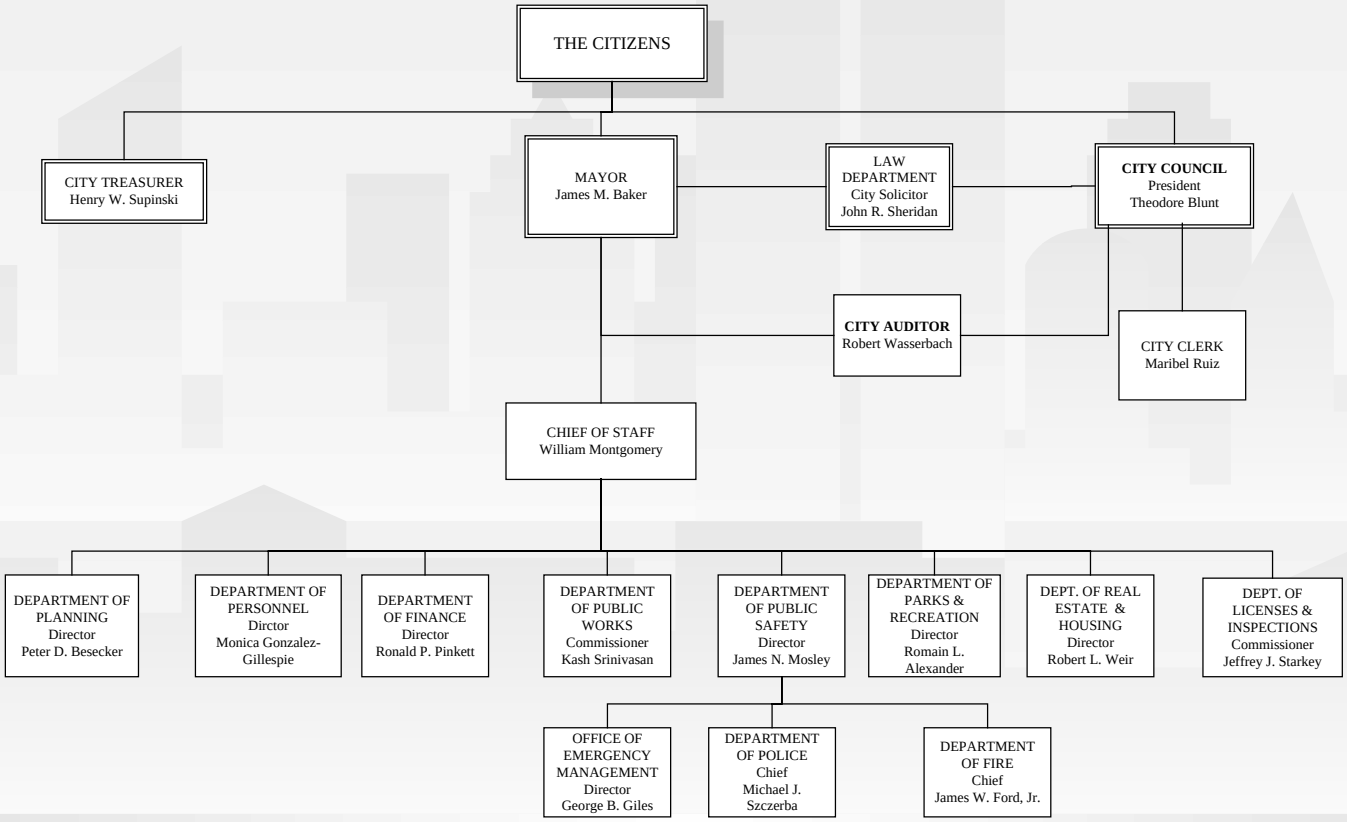
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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

President

Executive Director

# CITY OF WILMINGTON
# ORGANIZATION CHART



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

## Executive

| | |
|---|---|
| **Mayor** | **James M. Baker** |

## City Council

| | |
|---|---|
| President | 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 |

| | |
|---|---|
| Chief of Staff | William S. Montgomery |
| City Solicitor | John R. Sheridan |
| City Auditor | Robert Wasserbach |
| Clerk of Council | Maribel Ruiz |
| City Treasurer | Henry W. Supinski |

## 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 L. Alexander |
| Real Estate and Housing | Robert L. Weir |
| Licenses and Inspections | Jeffrey J. Starkey |
| Police | Michael J. Szczerba |
| Fire | James W. Ford |

SEAL OF THE CITY OF WILMINGTON
DELAWARE

McBride Shopa & company, P.A.

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

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

Members of:
American Institute of CPA's
Private Companies Practice Section
Delaware Society of CPA's

Certified Public Accountants
A Professional Association

270 Presidential Drive
Wilmington, Delaware 19807
(302) 656-5500
(302) 656-8024 Fax

704 Rehoboth Avenue
Rehoboth Beach, DE 19971
(302) 227-4872
(302) 227-4873 Fax
www.mcbrideshopa.com

Report of Independent Auditors

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

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

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



BDO SEIDMAN ALLIANCE An Independent Member of the BDO Seidman Alliance

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

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

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

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

McBride, Shopa & Co

Wilmington, Delaware
November 30, 2004

# CITY OF WILMINGTON, DELAWARE
## Management's Discussion and Analysis

**June 30, 2004**

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

## Financial Highlights

### Government-wide

- The assets of the City exceeded its liabilities at the close of the fiscal year by $146,781,864 (net assets), an increase of $14,637,756 as compared to the prior year's results.

- Component units reported net assets of $50,712,874, a decrease of $1,003,899 compared to the previous year.

### Fund Level

- As of the close of the current fiscal year, the City of Wilmington's governmental funds reported combined fund balances of $45,231,150, an increase of $11,698,994 compared to the prior year.

- Park Trust Operations reported fund balance in the amount of $5,396,359 at the close of the fiscal year.

- $609,248 is designated for the Capital Projects Fund; $13,484,998 is designated for Economic Development.

- The unreserved balance of the General Fund is $25,740,545 or 30% of the total General Fund expenditures and transfers. Of the unreserved balance, $9,434,759 is designated for Permanent Investment, and $16,305,786 is designated for the Budget Reserve Account for Public Emergencies and fiscal year 2005 expenditures.

### Long-Term Debt

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

## Overview of the Financial Statements

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

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

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

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

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

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

- *Governmental Activities* – Most of the City's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include General Governmental Services, Commerce, Real Estate and Housing, Public Works, Parks and Recreation, and Public Safety.

- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services provided. The City provides water and wastewater treatment services.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the City is financially accountable. The City includes the following component units this report: Brandywine Gateway Corporation, Christina Gateway Corporation, Rock Manor Golf Corporation, Wilmington UDAG Corporation, Wilmington Economic Development Corporation, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District, and Wilmington Parking Authority. The Wilmington Park Trust Commission (The Trust) is a

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

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

- *Governmental Funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided (page 32) to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Assets and between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities (page 34). These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets, available to satisfy current liabilities. Governmental funds of the City include the General Fund, Special Revenue Funds, and the Capital Project Fund.

- *Proprietary Funds* – When the City charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – water and sewer services. The Internal Service Funds report activities that provide supplies and services for the City's other programs and activities - data processing services, word processing services, mail service, mapping and graphics, duplication and reproduction, motor vehicle charges, health insurance claims, workers' compensation claims and risk management issues.

- *Fiduciary Funds* – The City acts as a fiduciary to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Wilmington's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 38-39 of this report. These funds are used where the City holds assets in trust or as an agent for others, including the pension trust funds and agency funds. Complete financial statements with accompanying notes of the Firefighter's Pension Plan and the Policeman's Pension Plan can be obtained from the City of Wilmington, Delaware.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 42 of this report.

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

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

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

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

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

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

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

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

**City of Wilmington's Changes in Net Assets**

**Year Ended June 30, 2004**

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

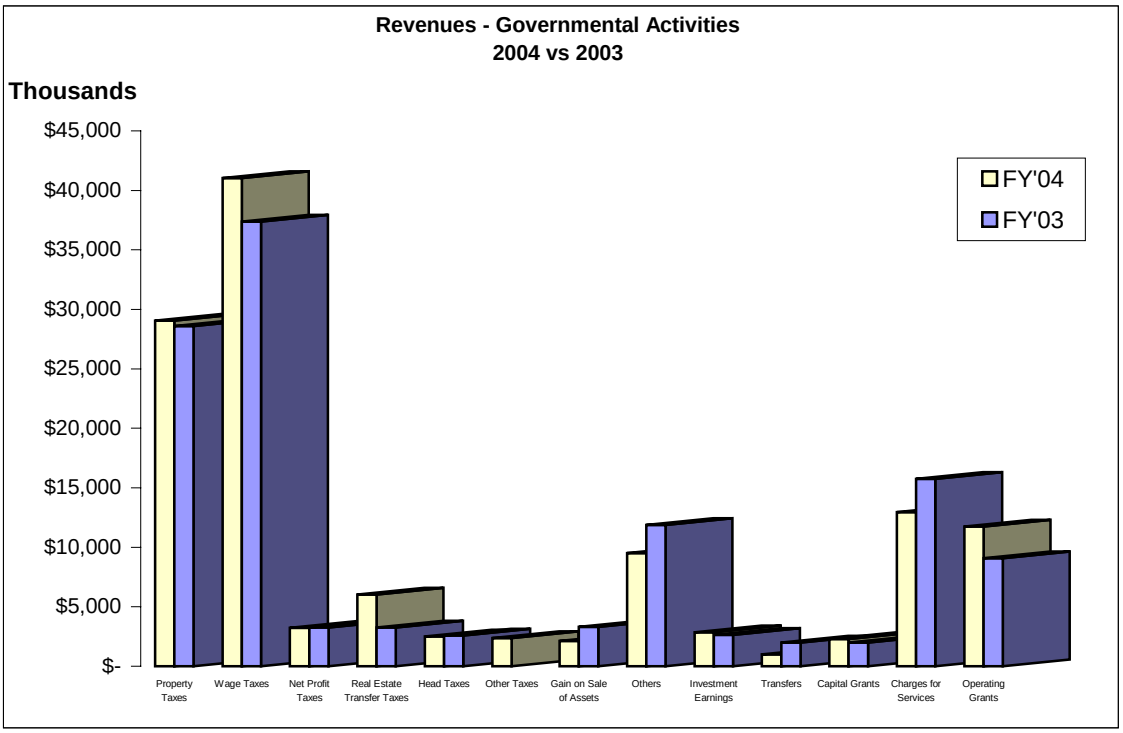
## Governmental Activities

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

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

**Governmental Activities Revenue Sources**

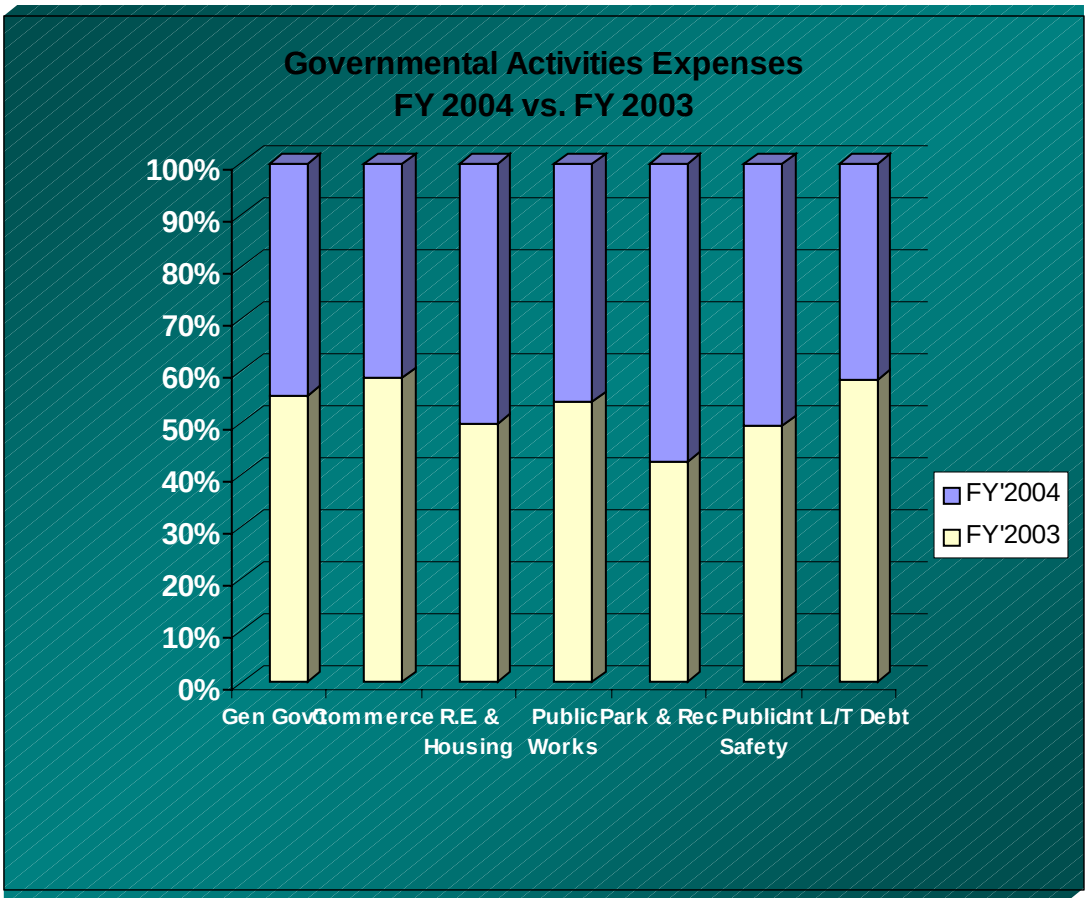
| | 2004 | 2003 |
|---|---|---|
| Property Taxes | $ 29,068,010 | $ 28,598,639 |
| Wage Taxes | 41,030,254 | 37,369,184 |
| Net Profit Taxes | 3,240,693 | 3,256,223 |
| Real Estate Transfer Taxes | 6,033,039 | 3,262,024 |
| Head Taxes | 2,500,666 | 2,573,858 |
| Other Taxes | 2,367,322 | - |
| Gain on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



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

**Governmental Activities Expenditures**

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




## Business-Type Activities

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

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

**General Fund – Comparison to Prior Year.**

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

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

- Due to property being removed from tax-exempt status, property tax revenues increased by $469,371 over 2003.

- Wage and Net Profit taxes increased by $3,645,540 compared to 2003 due primarily to increased payments received from the Top 100 taxpayers such as MBNA, Bank One, and the State of Delaware. Increased audit efforts by the Earned Income Tax Division staff also impacted this result.

- Franchise taxes increased by $591,186 compared to the prior year's results. The increase is primarily due to the new revenue source, natural gas tax, enacted through legislation by the State of Delaware during the 2003 fiscal year.

- New Revenue Sources: Taxes from other new revenue sources contributed $2,367,322 to the City's total revenue for fiscal year 2004. These taxes – lodging and limited liability taxes, and corporate filing fees are new revenue sources for the City enacted through state legislation in fiscal year 2003.

- Transfer taxes increased by $2,771,015. The increase is due primarily to the transfer of properties such as the Delaware Trust Building, 824 Market Street, 201 and 301 North Walnut Street, and several Riverfront locations.

- The decrease of $611,195 in Fines and Forfeitures is primarily due to the fact that parking tickets issuance declined about 17% when compared to the prior year. The trend indicates that parking tickets issuance has declined significantly over the past four years.

- Due to the reduction in the rate of return on invested funds, the interest earned in 2004 decreased by $270,369.

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

- General Governmental expenditures for 2004, which were 15.7% of the entire General Fund expenditures, experienced a decrease of $1,071,214 compared to the 2003 results. Some of the factors contributing to the decrease were reduction in consultant and accounting fees, grants to agencies, temporary salaries, and debt service payments, lower workers' compensation costs and general liability claims.

- In 2004, the Real Estate and Housing Department expenditures decreased by $454,865, compared to 2003 results. Lower principal payment and lower pension costs are primarily responsible for this decrease.

- Parks and Recreation Department expenditures decreased by $1,144,220. This decrease was due to lower costs in temporary salaries, maintenance contract services, workers' compensation costs and general liability claims.

- Public Safety expenditures, which represented 59% of the City's General Fund expenditures, experienced a decrease of $4,562,498:

    - The Police Department expenditures decreased by $3,009,153, and the Fire Department expenditures decreased by $1,640,187. In both categories, significantly lower insurance liability and workers' compensation costs were the major contributing factors.

- Pension and Retirement costs increased based on actuarially recommended annual contributions related to an increasing pension benefit obligation. The amount also includes $334,000 in costs pertaining to the post-retirement medical plan initiated on January 1, 2001.

**City of Wilmington, Delaware**

**General Fund**
**Comparison Schedule of Revenues, Expenditures**
**For the Fiscal Years**

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

## General Fund – Comparison to Budget

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

- Property Tax revenues, representing 30% of General Fund Tax revenues, exceeded the budget by $813,810 due to property being removed from tax-exempt status.

- Net Profit Taxes exceeded the budget by $1,805,693. Continued profitability of the legal service industry is primarily responsible for the increase in this revenue source.

- Real Estate Transfer Taxes exceeded budget by $3,433,039. There was an increase in property acquired and new businesses relocating within the City limits.

- Franchise Taxes exceed budget by $631,540. Reflected in this increase is the impact of the natural gas tax, a new revenue source for the City of Wilmington in fiscal year 2004.

- New Revenue Source: Taxes from new revenue sources contributed $2,367,322 to the City's total revenue for fiscal year 2004. These revenues – lodging and limited liability taxes and corporate filing fees are new sources for the City enacted through state legislation in fiscal year 2003.

- General Governmental expenditures for 2004 were less than budget by $449,643. The Mayor's Office expenditures were less by $190,788 and the Department of Finance expenditures were less by $95,963. Reduced general liability and workers' compensation costs were the major contributing factors to the decrease in costs. Due primarily to the reduction of outsourced legal services, the Law Departments expenditures decreased by $116,750.

- Parks and Recreation expenditures were less than budget in the amount of $621,780 primarily due to lower costs in the categories of salaries, hospitalization, and general liability.

- The Public Works Department expenditures were less than budget by $880,821. Lower expenditures in the areas of landfill fees and general liability costs were the principal factors pertaining to the decline.

- Public Safety expenditures were less than budget by $1,542,945: the Police Department expenditures were less than budget by $1,099,575, and the Fire Department expenditures were less than budget by $356,524. The primary contributors to costs decline in both areas are lower general liability and workers' compensation costs.

**Proprietary Funds**

**Water/Sewer Fund**

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

- Compared to 2003, the Water/Sewer System's revenues in fiscal year 2004 increased by $1,019,861 or 2.6%. The increase is due primarily to increased funding for capital projects--$1,063,143 over fiscal year 2003--by the State of Delaware. The funds are to be expended for the Combined Sewer Overflow Project.

- Sewer service charges to New Castle County increased 2.7% from $14,612,124 to $15,003,123. Other operating revenues (primarily direct user charges) increased by 2.6% from $24,092,883 to $24,721,745.
- Compared to fiscal year 2003 results, operating expenses decreased by $2,435,995 or 6.9%. The decreased costs are primarily due to reduction in general liability costs.

## General Fund Budgetary Highlights

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

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

## Capital Assets and Debt Administration

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

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

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

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

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

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

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

City of Wilmington's Outstanding Debt
General Obligations Bonds

| | Governmental Activites | | Business-type Activites | | Total | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| General Obligation Bonds | $ 108,436,971 | $ 117,097,841 | $ 55,763,675 | $ 60,374,152 | $ 164,200,646 | $ 177,471,993 |

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

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

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

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

## Economic Factors and 2004 Budgets and Rates

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

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

## Requests for Information

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

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

Basic Financial Statements

## City of Wilmington, Delaware

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

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

# City of Wilmington, Delaware

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

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

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

**City of Wilmington, Delaware**

**Statement of Activities**

**For the Year Ended June 30, 2004**

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

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

## City of Wilmington, Delaware

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

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

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

## City of Wilmington

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

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

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

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

**City of Wilmington, Delaware**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

**For the Year Ended June 30, 2004**

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

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

## City of Wilmington, Delaware

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

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

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

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

**City of Wilmington, Delaware**

**Statement of Fund Net Assets**
**Proprietary Funds**

**June 30, 2004**

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

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

## City of Wilmington, Delaware

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

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

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

**City of Wilmington, Delaware**

**Statement of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2004**

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

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

## City of Wilmington

## Statement of Fiduciary Net Assets
## Fiduciary Funds
## June 30, 2004

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

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

## City of Wilmington, Delaware

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

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

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

**City of Wilmington, Delaware**

**Combining Statement of Net Assets**
**Component Units**
**June 30, 20004**

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

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

**City of Wilmington, Delaware**

**Combining Statement of Activities**

**Component Units**

**For the Year Ended June 30, 2004**

| | | | Net (Expense) Revenues and Changes in Net Assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Program Revenues | | | | | | | | | |
| | Expenses | Charges for Services | Brandywine Gateway Corporation | Christina Gateway Corporation | Rock Manor Golf Corporation | Wilmington UDAG Corporation | Wilmington Economic Development Corporation | Wilmington Parking Authority | Downtown Visions | Riverfront Business Development District | Totals |
| **Component Units:** | | | | | | | | | | | |
| Brandywine Gateway Corporation | $ 667,641 | $ 610,144 | $ (57,497) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (57,497) |
| Christina Gateway Corporation | 56,772 | 55,342 | - | (1,430) | - | - | - | - | - | - | (1,430) |
| Rock Manor Golf Corporation | 1,134,509 | 1,053,138 | - | - | (81,371) | - | - | - | - | - | (81,371) |
| Wilmington UDAG Corporation | 976,654 | 513,950 | - | - | - | (462,704) | - | - | - | - | (462,704) |
| Wilmington Economic Development Corporation | 518,580 | 249,427 | - | - | - | | (269,153) | - | - | - | (269,153) |
| Wilmington Parking Authority | 6,244,832 | 6,384,720 | - | - | - | - | - | 139,888 | - | - | 139,888 |
| Downtown Visions | 1,689,212 | 1,705,506 | - | - | - | - | - | | 16,294 | - | 16,294 |
| Riverfront Business Improvement District | 125,733 | 195,243 | - | - | - | - | - | - | - | 69,510 | 69,510 |
| **Total Component Units** | $ 11,413,933 | $ 10,767,470 | (57,497) | (1,430) | (81,371) | (462,704) | (269,153) | 139,888 | 16,294 | 69,510 | (646,463) |
| **General Revenues** | | | | | | | | | | | |
| Loss on Sale of Assets | | | - | - | (3,083) | (776,956) | - | (63,321) | - | - | (843,360) |
| Others | | | - | - | - | - | - | 58,450 | - | - | 58,450 |
| Interest Earned on Investments | | | - | - | - | - | - | 524,429 | 2,501 | 343 | 527,273 |
| Total General Revenues | | | - | - | (3,083) | (776,956) | - | 519,558 | 2,501 | 343 | (257,637) |
| Changes in Net Assets | | | (57,497) | (1,430) | (84,454) | (1,239,660) | (269,153) | 659,446 | 18,795 | 69,853 | (904,100) |
| **Net Assets - Beginning** | | | 646,183 | 3,220,389 | (132,207) | 10,707,289 | 3,589,072 | 34,179,046 | 156,190 | (748,988) | 51,616,974 |
| **Net Assets - Ending** | | | $ 588,686 | $ 3,218,959 | $ (216,661) | $ 9,467,629 | $ 3,319,919 | $ 34,838,492 | $ 174,985 | $ (679,135) | $ 50,712,874 |

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

CITY OF WILMINGTON, DELAWARE

Notes to Financial Statements

June 30, 2004

## 1. Summary of Significant Accounting Policies

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

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

### A. Financial Reporting Entity

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

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

#### Blended Component Unit

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

**Discretely Presented Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

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

Rock Manor Golf Corporation
19 Caruthers Lane
Wilmington, Delaware 19803

Wilmington Parking Authority
625 North Orange Street
Wilmington, Delaware 19801

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

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

**Related Organizations**

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

## B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

**Governmental Fund Financial Statements**

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

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The City reports the following major governmental funds:

> **The General Fund** is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, municipal user taxes, employee taxes, and other intergovernmental revenues. This fund accounts for the general administrative services of the City not recorded elsewhere, including the activities of the various departments, parks and recreation expenditures, public safety, public works, licenses and inspections, real estate and housing, transportation, personnel activities, and debt service on general long-term obligations.
>
> **The Capital Projects Fund** is used to account for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds or other Governmental Fund Types.
>
> **The Commerce Fund** is used to account for the proceeds from the sale of the Port of Wilmington to the State of Delaware, debt service payments on the remaining Port debt, and certain economic development activities.

The City reports the following major enterprise fund:

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

The City also reports the following fund types:

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

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

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

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

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

## D. Assets, Liabilities and Fund Equity

### Deposits and Investments

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

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

**Pooled Investments**

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

**Restricted Investments**

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

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

**Investments - Carrying Value**

Investments are stated at fair value.

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

**Receivables**

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

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

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

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

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

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

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

**Due to/Due from Other Funds**

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

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

**Bond Issuance/Deferred Financing Costs**

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

**Capital Assets**

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

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

| Asset Class | Years |
|---|---|
| Buildings | 50 |
| Building Improvements | 50 |
| Machinery and Equipment | 10 |
| Vehicles | 5 |

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Self-Insurance**

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

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

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

**Unearned Revenues**

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

**Fund Balances**

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

## 2. Stewardship, Compliance, and Accountability

### A. Legally Adopted Governmental Fund Budgets

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

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

**B. Expenditures Over Appropriations**

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

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

## 3. Cash Deposits and Investment Portfolio Disclosure

**Primary Government**

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

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

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

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

**A. Deposits**

**Category 1** ► Insured or collateralized with securities held by the City or by its agent in the City's name.

**Category 2** ► Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

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

**Component Units**

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

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

## B. Investments

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

**Category 1** ► Insured or registered, or securities held by the City or its agent in the City's name.

**Category 2** ► Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name.

**Category 3** ► Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name.

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

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

## Component Units

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

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

## 4. Receivables

## Primary Government

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

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

## Component Units

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

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

## 5. Notes Receivable

### A. Deferred Notes – General Fund

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

### B. Component Units

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

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

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

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

| **Notes and Loans Balances** | |
|---|---|
| **Commercial Entities** | |
| Eugene A. DelleDonne and Son, L.P. | $ 5,300,000 |
| Leon H. Weiner and Associates | 1,054,952 |
| 800 Delaware Avenue (DelleDonne) | 450,000 |
| Harold Garfinkel | 322,513 |
| DDR, LLC (Fox Valley) | 161,214 |
| Kuumba Academy | 150,000 |
| | $ 7,438,679 |

## 6. Capital Assets

### A. Primary Government

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

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

| | 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 | 77,878,075 | 11,659,972 | 272 | 89,537,775 |
| Streets and Utilities | 16,801,268 | - | - | 16,801,268 |
| Machinery and Equipment | 20,679,650 | 3,207,082 | - | 23,886,732 |
| Vehicles | 938,862 | - | 125,620 | 813,242 |
| Total Capital Assets Being Depreciated | 231,822,083 | 14,867,054 | 125,892 | 246,563,245 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (69,150,971) | (1,958,456) | - | (71,109,427) |
| Improvements Other Than Buildings | (8,457,716) | (1,689,883) | (39) | (10,147,560) |
| Streets and Utilities | (3,194,672) | (344,122) | - | (3,538,794) |
| Machinery and Equipment | (11,620,422) | (1,030,965) | - | (12,651,387) |
| Vehicles | (832,331) | (46,782) | (125,236) | (753,877) |
| Total Accumulated Depreciation | (93,256,112) | (5,070,208) | (125,275) | 98,201,045 |
| Total Capital Assets Being Depreciated, Net | 138,565,971 | 9,796,846 | 617 | 148,362,200 |
| Business-Type Activities Capital Assets, Net | $ 142,222,583 | $ 9,796,846 | $ 617 | $ 152,018,812 |

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

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

## B. Component Units

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

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

## 7. Interfund Balances and Transfers

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

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

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

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

## 8. Long-term Debt – Primary Government

### A. Changes in Long-Term Liabilities

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

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

### B. General Obligation Bonds

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

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

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

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

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

**Primary Government**

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

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

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

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

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

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

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

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

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

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

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

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

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

## Component Units

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

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

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

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

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

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

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

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

## C. Prior-Year Defeasance of Debt

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

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

## D. Conduit Debt Obligations

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

## E. Compensated Absences

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

# 9. Leases

## A. Leases - Lessee

### 1. Capital Lease - Primary Government

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

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

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

## 2. Operating Leases- Component Unit

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

| Year Ending June 30 | Wilmington Parking Authority |
|---|---|
| 2005 | $ 276,000 |
| 2006 | 253,000 |
| | $ 529,000 |

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. Wilmington UDAG Corporation is no longer a party to the lease.

## B. Operating Leases – Lessor

### Component Unit

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

| Year Ending June 30 | Wilmington Parking Authority |
|---|---|
| 2005 | $ 110,019 |
| 2006 | 12,300 |
| 2007 | 6,000 |
| 2008 | 6,000 |
| 2009 | 6,000 |
| 2010 and thereafter | 436,000 |
| **Total Minimum Future Rental Income** | $ 576,319 |

## 10. Fund Balance

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

- The entire balance amount ($5,396,359) of Wilmington Park Trust Commission is Restricted for Parks Operations in accordance with the bequest of grantors.

- Budget Reserve Amount for Public Emergencies ($16,305,786): The budget reserve was legislated to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by economic changes and/or unfunded legislative mandates.

- Permanent Investment ($9,434,759): This account was established within the City Code for the purpose of providing a longer-term reserve for the City to address certified emergencies.

- Economic Development ($13,484,998): These funds, representing the entire fund balance of the Commerce Fund, are set aside by the City Council for economic development.

- Capital Projects ($609,248): These funds, representing the entire fund balance of the Capital Projects Fund, are set aside by the City Council for economic development.

## 11. Self Insurance Funds

### A. Risk Management

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

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

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

## B. Workers' Compensation

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

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

## C. Health Insurance

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

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

## 12. Unearned Revenues

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

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

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

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

## 13. Commitments and Contingencies

### A. Delaware Solid Waste Authority

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

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

### B. Funding Commitments

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

## C. Litigation

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

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

## 14. Pension Plans

## A. Primary Government

### Description of the Plans

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

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

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

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

**Cash and Investments**

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

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

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

**Membership, Benefit and Contribution Provisions**

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

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

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

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

## City of Wilmington, Delaware

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

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

**Firefighters Pension Plan (Closed)**

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

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

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

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

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

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

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

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

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

**Police Pension Plan (Closed)**

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

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

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

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

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

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

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

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

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

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

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

**Nonuniformed Employees Plan I (Closed)**

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

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

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

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

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

Contributions: Employee - none.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

Contributions: none.

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

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

**Nonuniformed Employees Plan II (Closed)**

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

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

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

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

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

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

Contributions: Employee - none.
Employer - actuarially determined.

Death Benefit: Same as Survivor Benefit.

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

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

**Nonuniformed Employees Plan III**

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

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

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

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

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

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

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

Death Benefit: Same as Survivor Benefit.

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

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

**Delaware Municipal Police/Firefighter Pension Plan**

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

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

## Funding Policy and Annual Pension Cost

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

| | 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 | $ - | $ 1,034,386 |
| Actuarial Valuation Date | July 1, 2002 | July 1, 2002 | July 1, 2002 | July 1, 2002 | July 1, 2002 |
| Actuarial Cost Method | Aggregate Entry Age | Aggregate Entry Age | Aggregate Entry Age | Aggregate Entry Age | Aggregate Entry Age |
| Amortization Method | Level Percent Closed | Level Percent Closed | Level Percent Closed | Level Percent Closed | Level Percent Closed |
| Remaining Amortization Period (2) | 17 years | 17 years | 17 years | 17 years | 17 years |
| Asset Valuation Method | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value |
| Actuarial Assumptions | | | | | |
| Investment Rate of Return | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Projected Salary Increases | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Includes Inflation rate of | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Cost-of-Living Adjustments | Ad Hoc | Ad Hoc | None | None | None |

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

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

## B. Component Units

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

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

## 15. Post-Retirement Benefit Fund

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

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

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

## 16. Restatement - Component Unit

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

## 17. Subsequent Events

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

**Required Supplementary Information**

## Major Governmental Fund

## General Fund

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

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

**City of Wilmington, Delaware**

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

**General Fund**

**For the Year Ended June 30, 2004**

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

**City of Wilmington, Delaware**

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

**Commerce Fund**

**For the Year Ended June 30, 2004**

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

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

## Budgetary Accounting Control

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

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

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

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

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

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

## Pension Funding Status and Progress

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

**City of Wilmington**
**Schedule of Funding Progress**

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

City of Wilmington
Pension Funding Status and Progress (Continued)

## Schedule of Contributions

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

# COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

## City of Wilmington, Delaware

## Non-major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

## City of Wilmington, Delaware

## Combining Balance Sheet
## Non-Major Governmental Funds - Special Revenue Funds
## June 30, 2004

| 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 | $ - | $ - | $ - | $ - | $ - | $ - | $ 232,781 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 232,781 |
| Investments | - | - | - | - | - | - | 5,172,186 | - | - | - | - | - | - | - | - | 5,172,186 |
| Receivables: | | | | | | | | | | | | | | | | |
| Mortgages | - | 348,804 | - | - | - | - | - | - | - | - | - | - | - | - | - | 348,804 |
| Others | - | - | - | - | - | - | 3,053 | - | - | - | - | - | - | - | - | 3,053 |
| Employee Travel Advances | 1,428 | 731 | - | - | - | - | - | - | 2,882 | - | - | 552 | 92 | - | - | 5,685 |
| Due from Other Funds | - | - | 388,259 | - | 440,391 | 87,715 | - | 29,337 | - | - | - | 6,543 | - | 406,159 | - | 1,358,404 |
| Due from Other Governments | 644,716 | 514,778 | - | 105,259 | - | 66,619 | 66,328 | - | 164,202 | 388,177 | 68,890 | 190 | 29,895 | 536,898 | 117,206 | 2,703,158 |
| **Total Assets** | $ 646,144 | $ 864,313 | $ 388,259 | $ 105,259 | $ 440,391 | $ 154,334 | $ 5,474,348 | $ 29,337 | $ 167,084 | $ 388,177 | $ 68,890 | $ 7,285 | $ 29,987 | $ 943,057 | $ 117,206 | $ 9,824,071 |
| **Liabilities and Fund Balances** | | | | | | | | | | | | | | | | |
| **Liabilities:** | | | | | | | | | | | | | | | | |
| Accounts Payable | $ 109,891 | $ 335,714 | $ 66,494 | $ - | $ 135,548 | $ 46,940 | $ 11,661 | $ - | $ 14,923 | $ 229,548 | $ - | $ 7,285 | $ 92 | $ 190,778 | $ - | $ 1,148,874 |
| Accrued Wages and Payroll Withholdings | 30,984 | 18,552 | 41 | - | - | 400 | 1,390 | - | 7,431 | 190 | 922 | - | 884 | 2,947 | - | 63,741 |
| Due to Other Funds | 456,418 | 57,648 | - | 105,259 | - | - | 64,938 | - | 144,730 | 158,439 | 67,968 | - | 29,011 | - | 117,206 | 1,201,617 |
| Unearned Revenue | 48,851 | 452,399 | 321,724 | - | 304,843 | 106,994 | - | 29,337 | - | - | - | - | - | 749,332 | - | 2,013,480 |
| **Total Liabilities** | 646,144 | 864,313 | 388,259 | 105,259 | 440,391 | 154,334 | 77,989 | 29,337 | 167,084 | 388,177 | 68,890 | 7,285 | 29,987 | 943,057 | 117,206 | 4,427,712 |
| **Fund Balances:** | | | | | | | | | | | | | | | | |
| Reserved | - | - | - | - | - | - | 5,396,359 | - | - | - | - | - | - | - | - | 5,396,359 |
| **Total Fund Balances** | - | - | - | - | - | - | 5,396,359 | - | - | - | - | - | - | - | - | 5,396,359 |
| **Total Liabilities and Fund Balances** | $ 646,144 | $ 864,313 | $ 388,259 | $ 105,259 | $ 440,391 | $ 154,334 | $ 5,474,348 | $ 29,337 | $ 167,084 | $ 388,177 | $ 68,890 | $ 7,285 | $ 29,987 | $ 943,057 | $ 117,206 | $ 9,824,071 |

## City of Wilmington, Delaware

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

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

**City of Wilmington, Delaware**

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

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

## Combining Statement of Fund Net Assets
## Internal Service Funds
## June 30, 2004

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

**City of Wilmington, Delaware**

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

| | Data Processing | Word Processing | Mail Service | Duplication and Reproduction | Mapping and Graphics | Motor Vehicle | Communications | Risk Management | Workers' Compensation | Health and Welfare | Total Internal Service Funds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | | | | | | |
| Charges for Services | $ 1,475,935 | $ 321,732 | $ 297,360 | $ 265,424 | $ 276,366 | $ 3,986,587 | $ 1,248,205 | (3,109,164) | $ 1,868,006 | $ 8,606,268 | $ 15,236,719 |
| Employee Contributions | - | - | - | - | - | - | - | - | - | 390,508 | 390,508 |
| Other | - | - | - | - | - | - | - | - | 11,440 | - | 11,440 |
| **Total Operating Revenues** | 1,475,935 | 321,732 | 297,360 | 265,424 | 276,366 | 3,986,587 | 1,248,205 | (3,109,164) | 1,879,446 | 8,996,776 | 15,638,667 |
| **Operating Expenses:** | | | | | | | | | | | |
| Personal Services | 372,002 | 222,779 | 64,168 | 57,501 | 149,025 | - | 157,838 | 90,054 | 249,489 | 71,101 | 1,433,957 |
| Materials, Supplies, Equipment and Contractual Services | 984,441 | 87,680 | 226,364 | 206,720 | 117,024 | 2,346,560 | 1,044,341 | 68,477 | 246,574 | 3,035 | 5,331,216 |
| Pension and Retirement | 15,855 | 10,693 | 2,308 | 1,203 | 8,435 | - | 6,900 | 4,229 | 10,364 | 3,413 | 63,400 |
| Depreciation and Amortization | 57,363 | 580 | 4,520 | - | 1,882 | 1,250,012 | 39,126 | 18,129 | - | 387 | 1,371,999 |
| Claims Expense | - | - | - | - | - | - | - | (3,562,840) | 1,184,888 | 8,918,840 | 6,540,888 |
| Insurance Premiums | - | - | - | - | - | - | - | 272,787 | 188,131 | - | 460,918 |
| **Total Operating Expenses** | 1,429,661 | 321,732 | 297,360 | 265,424 | 276,366 | 3,596,572 | 1,248,205 | (3,109,164) | 1,879,446 | 8,996,776 | 15,202,378 |
| **Operating Income** | 46,274 | - | - | - | - | 390,015 | - | - | - | - | 436,289 |
| **Nonoperating Revenues (Expenses):** | | | | | | | | | | | |
| Interest Expense | (46,274) | - | - | - | - | (131,756) | - | - | - | - | (178,030) |
| Loss on Sale of Assets | - | - | - | - | - | (258,259) | - | - | - | - | (258,259) |
| **Total Nonoperating Revenues (Expenses)** | (46,274) | - | - | - | - | (390,015) | - | - | - | - | (436,289) |
| **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, 2004

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

## CITY OF WILMINGTON, DELAWARE

## FIDUCIARY FUNDS

### PENSION TRUST FUNDS

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

| Uniformed Plans | 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 subgrantee agencies involved in shelter activities. The City acts as a conduit for the funds to reach these agencies.

## City of Wilmington

## Combining Statement of Fiduciary Net Assets
## Fiduciary Funds
## June 30, 2004

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

## City of Wilmington, Delaware

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

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

## CITY OF WILMINGTON, DELAWARE

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

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

## City of Wilmington, Delaware

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

| | Balance at June 30, 2003 | Additions | Deductions | Balance at June 30, 2004 |
|---|---|---|---|---|
| **EMERGENCY SHELTER GRANT** | | | | |
| **Assets:** | | | | |
| Due from Other Governments | $ 161,950 | $ 178,593 | $ 161,950 | $ 178,593 |
| **Total Assets** | $ 161,950 | $ 178,593 | $ 161,950 | $ 178,593 |
| **Liabilities:** | | | | |
| Accounts Payable | $ 23,016 | $ 101,417 | $ 106,063 | $ 18,370 |
| Accrued Wages and Fringes | 77 | 364 | 77 | 364 |
| Due to Other Funds | 138,857 | 159,859 | 138,857 | 159,859 |
| **Total Liabilities** | $ 161,950 | $ 261,640 | $ 244,997 | $ 178,593 |
| **SUMMARY OF AGENCY FUNDS** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 41,577 | $ 340 | $ 41,917 | $ - |
| Due from Other Funds | 267,831 | 967,225 | 661,668 | 573,388 |
| Due from Other Governments | 161,950 | 178,593 | 161,950 | 178,593 |
| **Total Assets** | $ 471,358 | $ 1,146,158 | $ 865,535 | $ 751,981 |
| **Liabilities:** | | | | |
| Accounts Payable | $ 103,524 | $ 380,124 | $ 444,890 | $ 38,758 |
| Accrued Wages and Fringes | 77 | 364 | 77 | 364 |
| Due to Other Funds | 138,857 | 159,859 | 138,857 | 159,859 |
| Notes Payable | 50,357 | - | 50,357 | - |
| Funds Held in Escrow | 178,543 | 553,000 | 178,543 | 553,000 |
| **Total Liabilities** | $ 471,358 | $ 1,093,347 | $ 812,724 | $ 751,981 |

# City of Wilmington, Delaware

## Capital Assets Used in the Operations of Governmental Funds

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

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

**City of Wilmington**

**Statistical Section**
**(Unaudited)**

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

Table 1

**City of Wilmington**
**Governmental Expenditures by Function**
**(Unaudited)**

**Last Ten Fiscal Years**

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

Source: Financial Statements

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

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

**Last Ten Fiscal Years**

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

**General Governmental Tax Revenues By Source**
**(Unaudited)**

**Last Ten Fiscal Years**

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

Source: Financial Statements

Notes: General Fund
In Fiscal Year 2002, certain revenues and fees were reclassified from miscellaneous to charges for services to conform to GASB new standards.
In Fiscal Year 2000, capital leases for General Fund purposes were classified as a source of funds in Miscellaneous.

Table 3

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

**Last Ten Fiscal Years**

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

Table 4

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

**Last Ten Fiscal Years**

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

Table 5

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

**Last Ten Fiscal Years**

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

Table 6

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

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

**Table 7**

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

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

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

**TABLE 8**

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

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

Source: State of Delaware, Department of Labor

**TABLE 9**

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

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

**TABLE 10**

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

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

TABLE 11

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

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

Source: State of Delaware, Department of Labor

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

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

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

**TABLE 13**

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

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

**TABLE 14**

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

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

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

Source: State of Delaware, Department of Labor